Emak®

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

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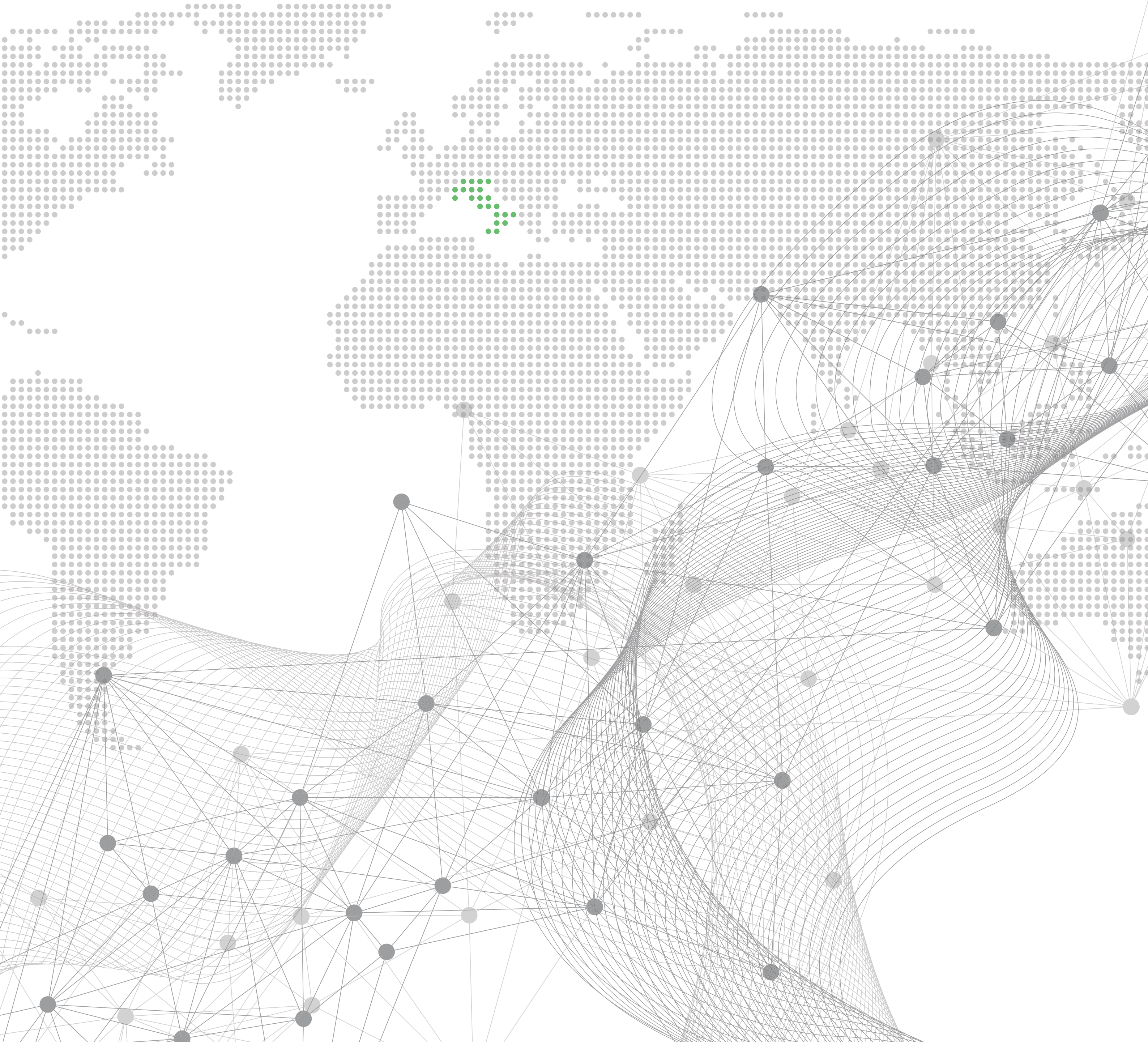

Annual report 2022

Emak®

our power, your passion

Annual report at 31 December 2022

This Annual financial statement was approved by the Board of Directors on 16 March 2023

This report is available on the Internet at the address www.emakgroup.com our power, your passion

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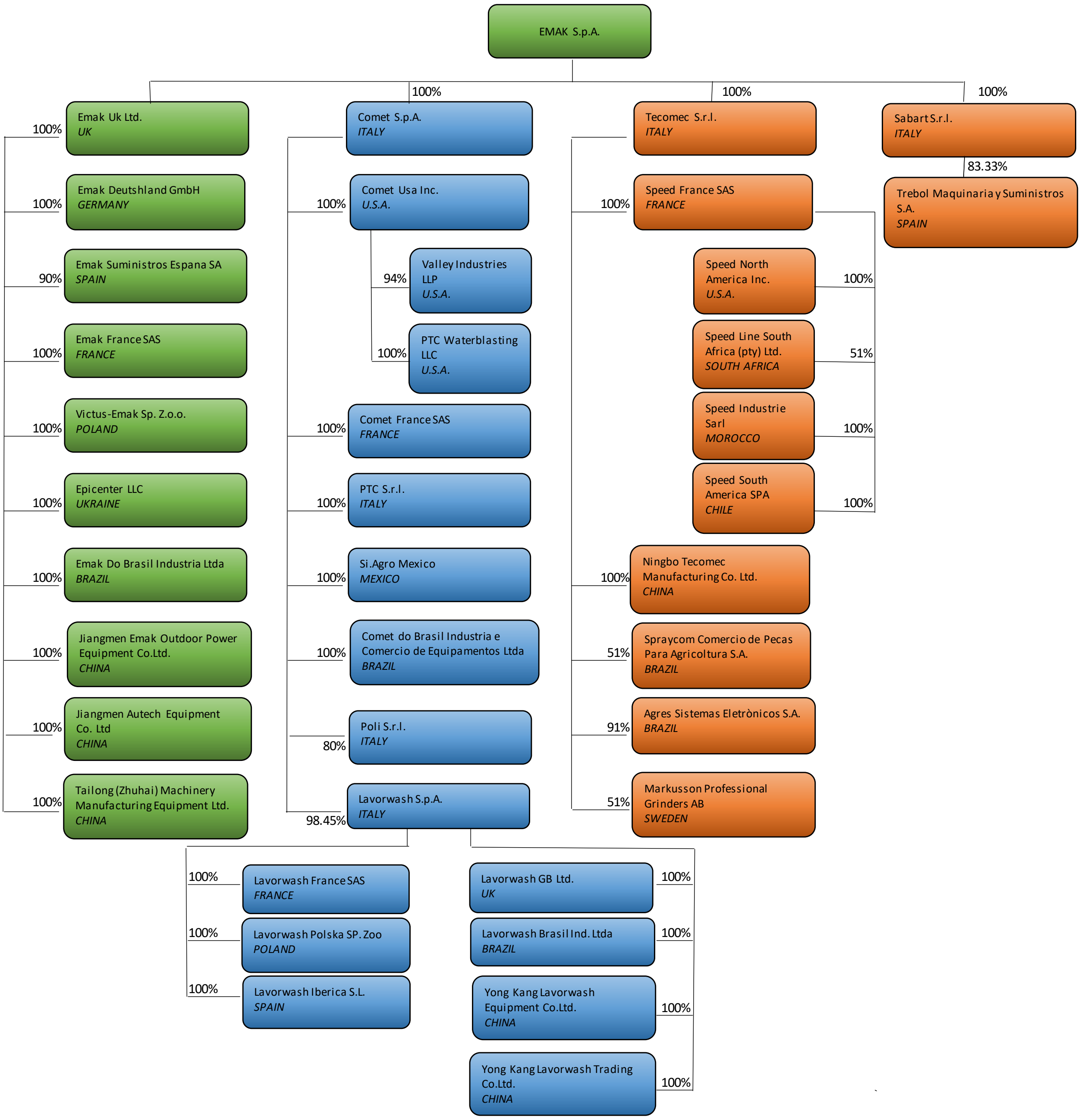
Organizational chart of Emak Group as at 31 December 2022



1. Valley Industries LLP is consolidated at 100% as a result of the "Put and Call Option Agreement" that governs the purchase of the remaining 6%.
2. Comet do Brasil Industria e Comercio de Equipamentos Ltda is owned for 99.63% by Comet S.p.A. and 0.37% by P.T.C. S.r.l.
3. Emak do Brasil is owned for 99.98% by Emak S.p.A. and 0.02% by Comet do Brasil Industria e Comercio de Equipamentos Ltda.
4. Lavorwash Brasil Ind. Ltda is owned for 99.99% by Lavorwash S.p.A. and 0.01% by Comet do Brasil Industria e Comercio de Equipamentos Ltda.
5. S.I.Agro Mexico is owned for 97% by Comet S.p.A. and 3% by P.T.C. S.r.l.
6. Markusson Professional Grinders AB is consolidated at 100% as a result of the "Put and Call Option Agreement" that governs the purchase of the remaining 49%.
7. Agres Sistemas Eletrônicos S.A. is consolidated at 100% as a result of the "Put and Call Option Agreement" that governs the purchase of the remaining 9%.
8. Poli S.r.l. is consolidated at 100% as a result of the "Put and Call Option Agreement" that governs the purchase of the remaining 20%.
9. The companies Emak Deutschland Gmbh and Speed Industrie Sarl have ceased their operational activities.
10. The company Jiangmen Autech Equipment Co. Ltd, incorpored on September 30, is not yet operational.

Corporate Bodies of Emak S.p.A.

The Ordinary General Meeting of the Shareholders of the Parent Company, Emak S.p.A. on 29 April 2022 appointed the Board of Directors and the Board of Statutory Auditors for the financial years 2022-2024.

Board of Directors	
Non-executive Chairman	Massimo Livatino
Deputy Chairman and Chief Executive Officer	Luigi Bartoli
Executive Director	Cristian Becchi
Independent Director	Silvia Grappi
	Elena Iotti
	Alessandra Lanza
Directors	Francesca Baldi
	Ariello Bartoli
	Paola Becchi
	Giuliano Ferrari
	Marzia Salsapariglia
	Vilmo Spaggiari
	Paolo Zambelli
Secretary of the Board of Directors	Paolo Messarra
Risk Control and Sustainability Committee; Remuneration Committee, Related Party Transactions Committee, Nomination Committee	
Chairman	Elena Iotti
Components	Alessandra Lanza
	Silvia Grappi
Manager in charge of preparing the accounting statements	Roberto Bertuzzi
Supervisory Body as per Legislative Decree 231/01	
Chairman	Sara Mandelli
Acting member	Marianna Grazioli
Board of Statutory Auditors	
Chairman	Stefano Montanari
Acting auditors	Roberta Labanti
	Livio Pasquetti
Alternate auditor	Rossana Rinaldi
	Giovanni Liberatore
Independent Auditor	Deloitte & Touche S.p.A.

Main shareholders of Emak S.p.A.

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

At the closing date of December 31, 2022, on the basis of notifications received pursuant to Article 120 of Legislative Decree 58/1998, only Yama S.p.A., with 65.2%, is the owner of a stake of more than 5% of the share capital.

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., Sabart S.r.l. and its subsidiaries.

The **Outdoor Power Equipment** segment includes activities for the development, manufacture and marketing of products for gardening and forestry activities and small machines for agriculture, such as brush cutters, lawnmowers, garden tractors, chainsaws, motor hoes and walking tractors. The Group distributes its own products with the main trademarks: Oleo-Mac, Efco, Bertolini, Nibbi and, limited to the French market, Staub. The Group's offer is directed to professionals and to private users. The Group mainly operates in the specialised dealer channel, characterized by a high level of pre- and post-sales service, distributing its products through its own sales branches and, where not present directly, through a network of 150 distributors in over 115 countries throughout the world. In some countries the Group has commercial relations with the main large-scale distribution chains. Furthermore, over the last few years, a process has been undertaken aimed at developing the online channel, through a dedicated proprietary portal and agreements with market places in the sector.

This segment represents approximately 33% of the Group's overall sales and 87% is developed in Europe, where the main commercial branches are based.

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

In mature markets such as North America and Western Europe, demand is predominantly related to replacement: the main driver is the trend of the economy and of the "gardening" culture. In emerging markets such as the Far East, Eastern Europe and South America, demand is predominantly for the "first buy": the main driver in these areas is economic growth, the evolution of agricultural mechanisation and the relative policies of support. A further factor that influences demand is the price of commodities: the trend in the price of agricultural commodities, for example, influences investments in agricultural machinery.

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

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

The demand for agricultural products is strongly connected to the trend of the economic cycle, demographic growth and the consequent increase in the demand for agricultural production, to the development of agricultural mechanisation and relative policies of support.
The market of products for the industrial sector is continuously growing and demand is linked to the trend of several sectors/fields of application in which the systems are used, such as: hydro-demolition; water-washing and ship repairs; refineries; mines and quarries; the petroleum industry; underwater washing; the iron and steel industry; foundries; chemical processing plant; energy production; paper mills; transport; municipalities; automobile and engine manufacturing.
The demand for cleaning products is mainly linked to the economic cycle trend and the increase in hygienic standards.

The **Components and Accessories** segment includes activities for the development, manufacture and marketing of products for the outdoor power equipment, agriculture and cleaning sectors. The most representative are line and heads for brush-cutters (which together form the cutting system), accessories for chainsaws (such as sharpeners for chains), pistols, valves and nozzles for high pressure cleaners and for agricultural applications, products and solutions for precision farming. In this segment the Group operates partly through its own brands Tecomec, Geoline, Agres, Mecline, Markusson, Sabart and Trebol and partly distributing products for third party brands. The Group sells its products to producers of gardening and forestry, agriculture and cleaning machinery, through a network of specialized distributors and finally in the large-scale distribution channel. Overall, this segment represents approximately 27% of the Group's overall sales.

In this sector, the Group focuses its efforts mainly on product innovation, on strengthening partnerships with major manufacturers and on expanding its offer.

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

Productive structure

The Group concentrates its investments on phases of high added value in the manufacture of its products. From the point of view of economic efficiency and value creation, the Group focuses on Research and Development, engineering, industrialization and assembly activities. The supply chain is strongly integrated and involved in the development of its products according to the principles of the extended factory.
The production plants have been subject to specific rationalization projects over the years, with a revision of the production layouts based on a "lean manufacturing" approach, and the involvement of all the employees taking part in various ways in the product creation process, from development to manufacture.

Outdoor Power Equipment

For this segment the Group utilises four production sites: two in Italy and two in China. The Parent Company plant deals with the production of portable products, such as semi-professional and professional brush-cutters and chainsaws. The production model is focused on assembly: the products are entirely developed and designed internally; the components are produced according to the technical specifications provided. The

Pozzilli factory is dedicated to the production of wheel-based products such as lawnmowers and small tractors. The production model for this range of products provides for the purchase of the motor from leading world producers and its assembly inside the machine. With particular reference to the lawn-mower range, the shell is produced internally with a vertical process which includes sheet metal stamping, welding and painting. The Chinese production facility of Jiangmen replicates that of the parent company, making products intended for both price sensitive markets such as the Far East, South-East Asia and South America, and mature markets to complete the offer. The second Chinese factory, in Zhuhai, is specialised in the production of cylinders for the two-stroke motors of the Group's portable products.

Pumps and High Pressure Water Jetting

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

Components and Accessories

The Group has a total of nine factories for manufacturing the products of this segment, located in different countries, focused on specific products and with different production processes.
Most of the facilities (France, USA, Chile, South Africa) are dedicated to the production of nylon thread for the brush-cutters, in the face of the need to have the production process close to the outlet markets. The production of monofilaments, in fact, follows an entirely vertical process, from the purchase of the raw material to processing to the packaging of the final product.
The Chinese factory is mainly dedicated to the production of heads for brush-cutters and pistols for high-pressure water jet machines. These products require high intensity of internal production, relating to the molding of plastic material and assembly processes.
The line of products intended for *precision farming* is produced in Italy and in Brazil and include the design of both mechanical and electronic parts and software development; the added value activities of the products, all carried out internally.
The significant products of the forest line are designed, developed and produced by the Group, which assembles the components, partly made externally, in the factories located in Italy and Sweden, making use of specific skills.
Overall, the production volumes are adjusted to the demand and needs of the market, thanks to the flexibility and functionality of the processes implemented in the various plants.

2022 Annual Directors'report

Main strategic lines of action

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

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

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

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

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

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

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

Consequently, within the Group the following have been defined:

- the behaviors to keep;
- the assignment and separation of duties;
- the organizational dependencies;
- the responsibilities and levels of autonomy;
- the operating instructions;
- the controls to be applied within the activities.

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

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

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

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

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

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

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

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

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

Geopolitical risk and international expansion strategy
The Group operates in an increasingly complex international context, in which local tensions and conflicts cause effects at global level, increasingly influencing the economic performance of companies. In addition, the Group's strategies, aimed at increasing business also in emerging countries, more subject to sudden socio-economic and regulatory changes (e.g., tariffs), could influence results in a more significant way compared to the past.
The breakout of the conflict between Ukraine and Russia has had important repercussions on the variables that determine the performances of businesses, notably the prices of raw materials, energy costs, exchange rates, consumption trends, inflation, making the indicators and fundamentals of the economy increasingly volatile and unpredictable; some markets (Russia and Belarus) are subject to economic sanctions that limit their access to the global market.
Emak constantly monitors the evolution of the of the socio-political situation of the various countries in which it operates, seeking to diversify end markets and supply markets, adopting operating flexibility solutions (adequate inventories, adjustment of sales prices, etc.) aimed at promptly dealing with very rapid and unexpected changes in contexts.
The Group, in the context of external growth, implements and coordinates M&A activities in all respects in order to mitigate the risks.

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

Technological products evolution

The Group operates in sectors where product innovation represents an important driver for the maintenance and growth of its market share.
The Group actively monitors regulatory requirements introduced in outlet countries in order to anticipate technological innovations and place compliant products on the market.
The Group responds to this risk with continuous investment in research and development and in the use of appropriate skills in order to continue to offer innovative and competitive products and adapt supply to the current and future needs of the market.

Customers performances

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

Raw material and components price trend

The Group's economic results are influenced by the trend in the price of raw materials and components. The main raw materials used are copper, steel, aluminium, and plastic materials. Their prices can fluctuate significantly during the year since they are linked to official commodity prices on the reference markets.
The Group does not use raw material price hedging instruments but mitigates risk through supply contracts.

Risks associated with the supply chain and the availability of raw materials

A delay/blocking of deliveries or problems relating to quality with respect to a supplier can adversely affect the production of finished products. Although the Group does not use raw materials which are difficult to obtain and has always managed to ensure a supply of adequate quantity and quality – as demonstrated, in particular during 2021 and 2022 characterized by increases in the costs of raw materials and transport, besides by greater procurement difficulties – it is not possible to exclude that the occurrence of possible further supply tensions could lead to procurement difficulties. The Group adopts a strategy of supply diversification specifically with the aim of minimizing the risks linked to a potential unavailability of raw materials in the times required by production.
In addition, the Group has created a system for monitoring the economic-financial performance of suppliers in order to mitigate the risks inherent in any supply interruptions and has set up a management of relations with suppliers that guarantee supply flexibility and quality in line with the Group's policies.

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.

Risks associated with dependence on key figures

The Group's results also depend on the ability of its management, which has a decisive role for the Group's development and which boasts significant experience in the sector. Should the relationship in force with a number of these professional figures be interrupted without a timely and suitable replacement, the Group's competitive capacity and its relative growth prospects could be affected.
The Group has an operating and management structure able to ensure business continuity, also through the adoption of retention plans for key professional figures, as well as initiatives aimed at developing skills and retaining talent.

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.

Climate Change
Climate change carries with it two types of risk: (i) transition and (ii) physical.
Transaction risks derive from the transition towards a new low carbon and climate-resilient economy (policy, legal, technological, market and reputational risks). The main transition risks include, by way of example and not in exhaustive terms: transfer to alternative energy sources; electrification of buildings and industrial activities; technological change; change in consumer preferences towards more sustainable products; carbon pricing.
Physical risks derive from the physical effects of climate change (acute and chronic).

Transition risks open up, at the same time, interesting opportunities from both the point of view of business development (e.g., development of electric/battery-run products, growth of the agriculture sector) and with regards to efficiency (e.g., reduction in energy consumption).
Said risks are managed inside the Group in day-to-day business activities. The regulatory evolution of group products is followed and monitored by the technical structures through membership and participation in meetings of trade associations which provide information on what will be the requirements of the products in the years to come. The Group's research and development activity (see the specific paragraph) is directed on the basis of the regulatory evolution. The evolution of consumer preferences is monitored through the commercial and marketing structure, with constant contact with the distribution network and through the category associations in which the Group participates. With regards to aspects linked to energy procurement, this area is monitored by the purchasing department.

With regards to physical risk, the management is carrying out scenario analyses aimed at developing evaluation methodologies better able to monitor this risk. So far, the analysis has been performed taking into consideration, among alternatives, two possible future scenarios, one ambitious in terms of environmental objectives and one less ambitious, and the projections of a number of possible physical risks have been analyzed. The analysis considered as time horizons 2030 and 2050 and took into consideration all the Group's company sites. The scenarios examined and the risks considered show how possible critical issues could arise in a time period of 30 years, with the result of making any planning of mitigation measures today less effective. Through dedicated departments, the Group will continue its monitoring of the scenarios and their evolution so as to always have updated bases for risk assessment and any implementation of mitigating actions.

Management carries out assessments regarding the impacts on business activities of risks linked to climate change, both regarding the transitional and physical types. Within its Enterprise Risk Management model, the main risks associated with climate change have been mapped, figures responsible for their monitoring have been identified and initiatives to combat any negative impacts have been implemented. The model, as a living management tool for Group activities, is periodically updated by the Risk Management department, shared with the Control, Risks and Sustainability Committee and, finally, subject to examination by the Board of Directors. It should be noted that in the drawing up of its industrial plans, the Group formalizes specific sections dedicated to the risks associated with climate change in which the planned initiatives are set out and, where the data is available, the expected investments, costs and revenues are quantified for the planned initiatives. To date, on the basis of the analyses performed and on the nature of the Group's activities, particular attention is focused on the mitigation of transition risks, considered more probable to occur and those with the greatest potential impact. In the Management's view, on the basis of prospectively observable information, said risks can have impacts mainly on the Outdoor Power Equipment segment, which represents 35% of Group revenues.

Tax risk management
The Emak Group operates in many countries and the tax management of each company is subject to complex national and international tax regulations that may change over time.
Compliance with the tax regulations of parent companies and subsidiaries is harmonized with the Group's tax policy through coordination and validation activities, which is expressed in homogeneously approaching, while taking into account local particularities, issues such as tax consolidation, facilitations for research and

development., transfer pricing, the various forms of public incentives for businesses, as well as the choices relating to the management of any tax disputes.

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

Information Technology

For several years, the Emak Group has automated through its IT systems most of the operational processes to support its business, continuing a progressive and constant digitalization process, subsequent the exponential technological evolution in place. IT systems malfunction and crashes can have a direct impact on most business processes.

In the current economic and social context the risks of cyber security are increasing, especially because of cyber attacks.

If successful, such attacks could adversely impact the Group's business operations, financial condition or reputation. Also due to the recent investment of the Group in new and updated information systems, the Group has started the necessary activities to keep the systems protected and to guarantee their recovery following emergencies, as well as an adequate data storage capacity; furthermore, activities were started on the enhancement of skills in the field of IT security, as well as awareness and training on information security. An intrusion event on the IT infrastructure of a foreign subsidiary did not generate any critical issues as it was adequately managed. In parallel with the provisions of the European Regulation (GDPR), the Group constantly monitors the protection of rights in relation to the personal data processed.

Risk deriving from COVID-19

Following the pandemic wave that affected the Group in the last few years, albeit constantly diminishing in terms of risk, the Group considers that, in the recent scenario, the following aspects have emerged or become increasingly significant: (i) risks associated with people’s health; (ii) the risk deriving from a temporary reduction in the availability of personnel (iii) risks associated with the availability of raw materials and price volatility (iv) risks associated with violent swings in demand and failed compliance with contractual agreements entered into with customers. In the worst phases of the Covid-19 pandemic, the Group swiftly implemented numerous contrast and mitigation actions that made it possible to minimize the impacts on business. Today, despite the end of the emergency situation, constant monitoring is maintained of any element that could alter the risk factors.

Financial risks

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

Risk management process

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

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

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

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

1. Main economic and financial figures for Emak Group

Income statement (€/000)

	YEAR 2022	YEAR 2021
Revenues from sales	605,723	588,299
EBITDA before non ordinary income/expenses (*)	76,644	77,436
EBITDA (*)	76,079	77,296
EBIT	46,755	52,904
Net profit	31,165	33,111

Investment and free cash flow (€/000)

	YEAR 2022	YEAR 2021
Investment in property, plant and equipment	16,429	13,338
Investment in intangible assets	5,303	4,223
Free cash flow from operations (*)	60,489	57,503

Statement of financial position (€/000)

	31.12.2022	31.12.2021
Net capital employed (*)	454,292	400,202
Net debt (*)	(177,305)	(144,269)
Total equity	276,987	255,933

Other statistics

	YEAR 2022	YEAR 2021
EBITDA / Net sales (%)	12.6%	13.1%
EBIT / Net sales (%)	7.7%	9.0%
Net profit / Net sales (%)	5.1%	5.6%
EBIT / Net capital employed (%)	10.3%	13.2%
Net debt / Equity	0.64	0.56
Number of employees at period end	2,284	2,225

Share information and prices

	31.12.2022	31.12.2021
Earnings per share (€)	0.185	0.199
Equity per share (€) (*)	1.68	1.55
Official price (€)	1.17	2.120
Maximum share price in period (€)	2.13	2.28
Minimum share price in period (€)	0.88	1.08
Stockmarket capitalization (€ / million)	191	348
Average number of outstanding shares	163,451,400	163,537,602
Number of shares comprising share capital	163,934,835	163,934,835
Free cash flow from operations per share (€) (*)	0.370	0.352
Dividend per share (€)	0.065	0.075

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

2. Information about Russia-Ukraine conflict

As required by the recommendations issued by the Italian and European regulators on several occasions, the Group provides below the relevant information regarding the various aspects connected to the ongoing armed conflict following the invasion of the Russian armed forces of the Ukrainian territory.

The Group operates in Ukraine mainly through a subsidiary, Epicenter Llc, while it distributes its products through independent customers in other areas affected by the conflict: Russia and Belarus in particular.

Epicenter Llc, located in Kiev (Ukraine), 100% controlled by Emak S.p.A., since the beginning of the war, has implemented all the necessary measures to preserve the safety of its employees in the first instance and, therefore, integrity of company assets, mainly represented by product inventories The subsidiary company, which employs 24 employees, generated a turnover of € 4.7 million in 2022 (€ 4.2 million in 2021).
In 2022, the subsidiary, although subjected to safety and logistical problems, generated an income higher than in 2021 thanks to the continuous operational support guaranteed to the sales network and customers. The local management continues to monitor the exposure to the market, the integrity of the product stocks and the evolution of the situation in order to guarantee the continuity of the activity in conditions of maximum safety.
The total assets of the ucrainian subsidiary exposed in the financial statement as at 31 December 2022 amounted to € 3.6 million, mainly represented by inventories for 2.7 million, trade receivables for € 0.6 million, and cash for € 0.2 million.

Net of the activity of the commercial subsidiary, the Ukrainian market is marginal for the Group, with sales generated in 2022 of approximately € 0.4 million (€ 0.8 million in 2021).
The business in the Russian and Belarusian markets decreased in the year, generating revenues for € 10.3 million compared to € 11.2 million in 2021. At the end of the year the exposure of receivables amounted to approximately € 1.2 million, with a recoverability risk considered not high on the basis of the information currently available.

In servicing these markets, the Group complies with the most scrupulous checks of counterparties to limit commercial and financial risks, including through insurance coverage and compliance with the restrictions currently in force.

On various occasions, Western states have issued sanctions limiting trade to and from the Russian and Belarusian markets which have not directly affected most of the goods produced by the Group.

As far as the supply chain is concerned, there are no impacts directly linked to the conditions in question.

The Group maintains high attention to the continuous evolution of geopolitical conditions, at the same time implementing continuous monitoring of operations and compliance with regulations, in order to prevent adverse impacts of a commercial and financial nature.

Given the impact of the conflict on the world economy, the Group has taken into consideration the persistence of strong uncertainties for the purposes of drawing up its economic-financial plans. At the date of preparation of this report, the plans drawn up with reference to the Ukrainian company did not highlight any critical issues in the recovery of assets, nor did any critical issues emerge with regard to business continuity.
On the basis of these plans, the Emak company carried out the impairment test referring to the value of the equity investment in the company Epicenter LLC recognized as at 31 December 2022, for the details of which please refer to Paragraph 20 of the Explanatory Notes to the separate financial statement. The impairment test carried out did not reveal any reductions in value to be made to the value of the investment.

3. Scope of consolidation

Compared to 31 December 2021, the Spanish company Trebol Maquinaria y Suministros S.A., acquired by the subsidiary Sabart S.r.l., on 13 October 2022 at 83.3%, is included in the consolidated financial statements starting from the last quarter of 2022.
In 2021 the results of the company Poli S.r.l. had been included in the consolidation area starting from the last quarter of the year.

4. Economic and financial results of Emak Group

Comments on economic figures

Revenues from sales

Emak Group achieved a consolidated turnover of € 605,723 thousand, compared to € 588,299 thousand of last year, an increase of 3%. This increase is due to the positive effect of translation changes for 2.5% and from change in the scope of consolidation for 0.8%, while it is penalized by a negative organic change for 0.3%.

EBITDA

Ebitda for the period amounts to € 76,079 thousand (an incidence of 12.6% on sales) compared to € 77,296 thousand in 2021 (an incidence of 13.1% on sales).
During the year, non-ordinary revenues were recorded for € 286 thousand (€ 1,192 thousand in 2021) and non-ordinary expenses for € 851 thousand (€ 1,332 thousand in 2021).
Ebitda before non-ordinary expenses and revenues is equal to € 76,644 thousand, an incidence of 12.7% on revenues, compared to € 77,436 thousand of last year, an incidence of 13.2% on revenues.

The application of the IFRS 16 principle has resulted in a positive effect on the Ebitda for the year for € 7,431 thousand, against to a positive effect of € 6,668 thousand in 2021.

The result benefited from higher revenues mainly driven by the increase in price lists applied to customers, and by the contribution of the change in the scope of consolidation, while it was negatively affected by the increase in the production costs and utilities.
During 2022, there was an increase in promotion and advertising costs and corporate events as well as travel expenses following the post-pandemic Covid-19 recovery pandemic activities. Furthermore, in 2022 there was an increase in energy costs.

Personnel costs increased, in absolute value, compared to the previous year for € 1,288 thousand, mainly due to the effect of the change in the scope of consolidation and following the dynamics of labor costs, while the percentage incidence on turnover decreased, passing from 16.7% to 16.4%.
The average number of resources employed by the Group, also considering temporary workers employed in the period and the different scope of consolidation, was 2,476 compared to 2,473 of last year.

Operating result

Operating result for the year 2022 amounts to € 46,755 thousand with an incidence of 7.7% on revenues, compared to € 52,904 thousand of 2021 (9% of sales).

Amortization and depreciation amounted to € 29,324 thousand compared to € 24,392 thousand of the previous year. The 2022 value includes € 2,957 thousand as a loss due to the reduction in the value of the goodwill of Tailong (Zhuhai) Machinery Manufacturing Equipment Ltd.

The ratio operating result on net capital employed is 10.3% compared to 13.2% of the previous year.

Net result

Net profit for the year 2022 is € 31,165 thousand, against € 33,111 thousand for the last year.

The item "financial income" amounts to € 4,007 thousand, compared to € 1,003 thousand of the previous year and includes € 2,680 thousand of income on valuation of derived for hedging interest rate and € 536 thousand for debt adjustment estimate for purchase commitment of remaining shares of the subsidiary Valley LLP.

The item "financial expenses", equal to € 8,560 thousand, compared to € 8,611 thousand of the previous year. The 2022 amount includes the debt adjustment for purchase of remaining shares of the subsidiaries for an amount of € 2,400 thousand (compared to € 4,569 thousand in 2021). It should be noted the increase in medium-long term financial charges due to the increase in the cost of money and for the higher gross indebtedness.

The 2022 currency management is positive for € 1,895 thousand, compared to a positive value of € 589 thousand in the previous year. Exchange rate management was positively affected by the revaluation of the US dollar and the Brazilian real against the Euro.

The effective tax rate is 29.3% compared to 27.8% of the previous year. The effective tax burden for the year was influenced by the recognition of the reduction in the goodwill value of Tailong (Zhuhai) Machinery Manufacturing Equipment Ltd and by the recognition of financial charges relating to the debt adjustment for purchase of remaining shares of the subsidiaries, both not relevant for tax purposes.

Comment to consolidated statement of financial position

€/000	31.12.2022	31.12.2021
Net non-current assets (*)	206,605	202,117
Net working capital (*)	247,687	198,085
Total net capital employed (*)	**454,292**	**400,202**
Equity attributable to the Group	273,003	253,183
Equity attributable to non controlling interests	3,984	2,750
Net debt (*)	(177,305)	(144,269)

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

Net non-current assets

Net non-current assets at December 31, 2022 amount to € 206,605 thousand compared to € 202,117 thousand at December 31, 2021.

During 2022 Emak Group invested € 21,732 thousand in property, plant and equipment and intangible assets, as follows:

- € 4,939 thousand for innovation, improvement and technological adaptation of products;
- € 8,223 thousand for adjustment of production capacity and for process innovation;
- € 3,559 thousand for upgrading and maintenance the computer network system;
- € 3,155 thousand for modernization of industrial buildings;
- € 1,856 thousand for other investments in operating activities.

Investments broken down by geographical area are as follows:

- € 14,742 thousand in Italy;
- € 2,595 thousand in Europe;
- € 2,816 thousand in the Americas;
- € 1,579 thousand in Asia, Africa and Oceania.

Net working capital

Net working capital moves from € 198,085 thousand at December 31, 2021 to € 247,687 thousand at December 31, 2022, an increase of € 49,602 thousand. The ratio of net working capital to turnover is 40.9% compared to 33.7% of last year, in strong discontinuity with the improvements recorded in the previous two years.

The following table reports the change in net working capital in 2022 compared with the previous year:

€/000	Y 2022	Y 2021
Opening Net working capital	**198,085**	**165,655**
Increase/(decrease) in inventories	14,982	52,809
Increase/(decrease) in trade receivables	(8,792)	15,312
(Increase)/decrease in trade payables	34,620	(29,720)
Change in scope of consolidation	1,612	1,173
Other changes	7,180	(7,144)
Closing Net working capital	**247,687**	**198,085**

The increase in net working capital compared to 31 December 2021 is mainly linked to the dynamics of purchases and inventories; in the first part of the 2022 financial year, on the wave of the 2021 financial year that has just ended, in order to effectively cope with the strong market demand and the difficult logistical conditions, the Group has maintained a procurement policy aimed at increasing its inventories.
In the second half of 2022, due to the changed market conditions, the slowdown in production volumes led to a reduction in purchases for the benefit of the use of inventories which was however not sufficient to generate a positive impact on working capital which shows a trend stock growing compared to 2021. Furthermore, and more evidently, this trend reversal has generated a negative, transitory effect on the financing of working capital by suppliers.
The corrective actions for this trend were promptly implemented by the Group during 2022 and are gradually normalizing the level of inventories and purchase volumes with related impacts on working capital, the positive effects of which are already manifesting with respect to the end of the third quarter 2022.

Net financial position

Net negative financial position amounts to € 177,305 thousand at 31 December 2022, compared to € 144,269 thousand at 31 December 2021.

The following table shows the movements in the net financial position of 2022 compared with 2021:

€/000	2022	2021
Opening NFP	**(144,269)**	**(126,552)**
Net profit	31,165	33,111
Amortization, depreciation and impairment losses	29,324	24,392
Cash flow from operations, excluding changes in operating assets and liabilities	**60,489**	**57,503**
Changes in operating assets and liabilities	(46,432)	(31,691)
Cash flow from operations	**14,057**	**25,812**
Changes in investments and disinvestments	**(21,261)**	**(16,886)**
Changes rights of use IFRS 16	**(4,994)**	**(14,863)**
Dividends cash out	**(12,425)**	**(7,413)**
Other equity changes	**(269)**	**(168)**
Changes from exchange rates and translation reserve	**(4,691)**	**1,869**
Change in scope of consolidation	**(3,453)**	**(6,068)**
Closing NFP	**(177,305)**	**(144,269)**

Cash flow from operations is equal to € 60,489 thousand compared to € 57,503 thousand of the previous financial year.

Cash flow from operations is positive for € 14,057 thousand compared to € 25,812 thousand in the same period of the previous year, a decrease due to the increase, in absolute terms, of net working capital.
The increase in the net financial position recorded in 2022, compared to the dynamics of 2021, is mainly determined by the increase in working capital, the higher dividends distributed and the negative effect of exchange rates.
During 2022 Emak S.p.A. proceeded with the purchase of treasury shares for an amount of € 806 thousand with the same impact on net indebtedness.

Details of the net financial position is analysed as follows:

(€/000)	**31.12.2022**	**31.12.2021**
A. Cash	86,477	79,645
B. Cash equivalents	-	-
C. Other current financial assets	2,745	358
D. Liquidity funds (A+B+C)	**89,222**	**80,003**
E. Current financial debt	(22,956)	(19,938)
F. Current portion of non-current financial debt	(60,694)	(56,213)
G. Current financial indebtedness (E + F)	**(83,650)**	**(76,151)**
H. Net current financial indebtedness (G - D)	**5,572**	**3,852**
I. Non-current financial debt	(184,028)	(149,105)
J. Debt instruments	-	-
K. Non-current trade and other payables	-	-
L. Non-current financial indebtedness (I + J + K)	**(184,028)**	**(149,105)**
M. Total financial indebtedness (H + L) (ESMA)	**(178,456)**	**(145,253)**
N. Non current financial receivables	1,151	984
O. Net financial position (M-N)	**(177,305)**	**(144,269)**
Effect IFRS 16	**38,039**	**38,974**
Net financial position without effect IFRS 16	**(139,266)**	**(105,295)**

Net financial position at 31 December 2022 includes actualized financial liabilities related to the payment of future rental and rent payments, in application of IFRS 16 standard, equal to overall € 38,039 thousand, of which € 6.357 thousand falling due within 12 months, while at 31 December 2021 they amounted to a total of € 38,974 thousand, of which € 5,863 thousand falling due within 12 months.

Current financial indebtedness mainly consist of:
- account payables and self-liquidating accounts;
- loan repayments falling due by 31 December 2023;
- amounts due to other providers of finance falling due by 31 December 2023;
- debt for equity investments in the amount of € 6,356 thousand.

Financial liabilities for the purchase of the remaining minority shares are equal to € 13,157 thousand, of which € 6,801 thousand in the medium to long term, related to the following companies:
- Markusson for € 4,866 thousand;
- Agres for € 4,705 thousand;
- Valley LLP for € 1,986 thousand;
- Poli S.r.l. for € 1,600 thousand.

Equity

Equity at December 31, 2022 is € 276,987 thousand against € 255,933 thousand at December 31, 2021.

Summary of annual consolidated figures broken down by operating segment

	OUTDOOR POWER EQUIPMENT		PUMPS AND HIGH PRESSURE WATER JETTING		COMPONENTS AND ACCESSORIES		Other not allocated / Netting		Consolidated	
€/000	**31.12.2022**	**31.12.2021**	**31.12.2022**	**31.12.2021**	**31.12.2022**	**31.12.2021**	**31.12.2022**	**31.12.2021**	**31.12.2022**	**31.12.2021**
Sales to third parties	199,436	202,977	241,283	229,990	165,004	155,332			**605,723**	**588,299**
Intersegment sales	357	345	3,308	2,877	9,685	10,524	(13,350)	(13,746)		
Revenues from sales	199,793	203,322	244,591	232,867	174,689	165,856	(13,350)	(13,746)	**605,723**	**588,299**
Ebitda (*)	12,257	16,221	34,910	33,991	31,937	30,913	(3,025)	(3,829)	**76,079**	**77,296**
Ebitda/Total Revenues %	*6.1%*	*8.0%*	*14.3%*	*14.6%*	*18.3%*	*18.6%*			***12.6%***	***13.1%***
Ebitda before non ordinary expenses (*)	12,495	16,360	35,082	33,382	32,092	31,523	(3,025)	(3,829)	**76,644**	**77,436**
Ebitda before non ordinary expenses/Total Revenues %	*6.3%*	*8.0%*	*14.3%*	*14.3%*	*18.4%*	*19.0%*			***12.7%***	***13.2%***
Operating result	1,251	8,089	26,054	26,128	22,475	22,516	(3,025)	(3,829)	**46,755**	**52,904**
Operating result/Total Revenues %	*0.6%*	*4.0%*	*10.7%*	*11.2%*	*12.9%*	*13.6%*			***7.7%***	***9.0%***
Net financial expenses (1)									**(2,658)**	**(7,019)**
Profit befor taxes									**44,097**	**45,885**
Income taxes									**(12,932)**	**(12,774)**
Net profit									**31,165**	**33,111**
Net profit/Total Revenues%									***5.1%***	***5.6%***
(1) Net financial expenses includes the amount of Financial income and expenses, Exchange gains and losses and the amount of the Income from equity investment										
STATEMENT OF FINANCIAL POSITION	**31.12.2022**	**31.12.2021**	**31.12.2022**	**31.12.2021**	**31.12.2022**	**31.12.2021**	**31.12.2022**	**31.12.2021**	**31.12.2022**	**31.12.2021**
Net debt (*)	21,295	6,778	108,992	96,092	47,018	41,399	0	0	**177,305**	**144,269**
Shareholders' Equity	184,363	186,501	98,689	83,830	72,228	63,454	(78,293)	(77,852)	**276,987**	**255,933**
Total Shareholders' Equity and Net debt	205,658	193,279	207,681	179,922	119,246	104,853	(78,293)	(77,852)	**454,292**	**400,202**
Net non-current assets (2) (*)	122,922	128,424	101,679	95,854	57,242	53,233	(75,238)	(75,394)	**206,605**	**202,117**
Net working capital (*)	82,736	64,855	106,002	84,068	62,004	51,620	(3,055)	(2,458)	**247,687**	**198,085**
Total net capital employed (*)	205,658	193,279	207,681	179,922	119,246	104,853	(78,293)	(77,852)	**454,292**	**400,202**
(2) The net non-current assets of the Outdoor Power Equipment area includes the amount of Equity investments for 76,074 thousand Euro										
OTHER STATISTICS	**31.12.2022**	**31.12.2021**	**31.12.2022**	**31.12.2021**	**31.12.2022**	**31.12.2021**	**31.12.2022**	**31.12.2021**	**31.12.2022**	**31.12.2021**
Number of employees at period end	747	758	873	837	655	622	9	8	**2,284**	**2,225**
OTHER INFORMATIONS	**31.12.2022**	**31.12.2021**	**31.12.2022**	**31.12.2021**	**31.12.2022**	**31.12.2021**	**31.12.2022**	**31.12.2021**	**31.12.2022**	**31.12.2021**
Amortization, depreciation and impairment losses	11,006	8,132	8,856	7,863	9,462	8,397			**29,324**	**24,392**
Investment in property, plant and equipment and in intangible assets	4,461	4,266	8,639	5,229	8,632	8,066			**21,732**	**17,561**

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

Comments on results by operating segment

The table below shows the breakdown of “sales to third parties” in 2022 by business segment and geographic area, compared with the same period last year.

	OUTDOOR POWER EQUIPMENT			PUMPS AND HIGH PRESSURE WATER JETTING			COMPONENTS AND ACCESSORIES			CONSOLIDATED		
€/000	**31.12.2022**	**31.12.2021**	**Var. %**	**31.12.2022**	**31.12.2021**	**Var. %**	**31.12.2022**	**31.12.2021**	**Var. %**	**31.12.2022**	**31.12.2021**	**Var. %**
Europe	173,097	174,195	(0.6)	123,277	125,901	(2.1)	82,616	81,839	0.9	378,990	381,935	(0.8)
Americas	8,529	9,500	(10.2)	86,538	74,449	16.2	63,197	52,473	20.4	158,264	136,422	16.0
Asia, Africa and Oceania	17,810	19,282	(7.6)	31,468	29,640	6.2	19,191	21,020	(8.7)	68,469	69,942	(2.1)
Total	**199,436**	**202,977**	**(1.7)**	**241,283**	**229,990**	**4.9**	**165,004**	**155,332**	**6.2**	**605,723**	**588,299**	**3.0**

<u>Outdoor Power Equipment</u>

Segment revenues are down by 1.7% compared to the previous year, the good performances recorded in the first half of the year saw a sharp contraction in the second half.
Sales in the European recorded a decline in Russia, Italy and Spain, only partially offset by growth in France and Germany.
For the Americas area, sales in South America remain stable, while a slight contraction is recorded in North America.
In the rest of the world, revenues recorded a contraction mainly due to the decline in exports to the Turkish market, while sales in the Middle East and African continent are recovering.

EBITDA, equal to € 12,257 thousand, is down compared to € 16,221 thousand in the same period of 2021. The adjustments to the sales price lists have progressively offset the increases recorded in production costs, while the trend in currencies has a negative effect, as well as, the increase in logistics costs, procurement and energy costs, as well as the higher costs associated with commercial initiatives in support of the distribution network.

Net negative financial position of € 21,295 thousand, is up compared to 31 December 2021, due to the increase in net working capital.

Pompe e High Pressure Water Jetting

Segment revenues are up by 4.9% compared to 2021, also following the change in the scope of consolidation for € 3,445 thousand.
The contraction in turnover in Europe derives from the markets of Italy, France and Poland, partly offset by growth in the Netherlands, Russia and Germany. After years of continuous growth, there has been a slowdown in sales through the online channel.
The Americas area was the area that contributed most to the growth of the group thanks to the positive exchange rate effect, the good performance of the Brazilian, Mexican and US subsidiaries, as well as the direct sales of the parent company in this area.
A more contained increase was recorded in Asia, Africa and Oceania following the good performance of sales in Australia and Turkey.

EBITDA, amounting to € 34,910 thousand, compared to € 33,991 thousand in 2021, benefited from the increase in turnover, the positive exchange rate effect relating to the conversion into euro of the results of some subsidiaries, the change in the scope of consolidation and the decrease in transport costs.
We note higher costs in the commercial area for fairs, travel and advertising, in addition to the increase in energy costs.

Net negative financial position, equal to € 108,992 thousand, increased compared to 31 December 2021, as a result of the increase in net working capital and the distribution of dividends to the parent company.

Components and Accessories

Segment sales are up by 6.2% compared to the previous year.
The increase in turnover in Europe is attributable to the change in the scope of consolidation for € 1,104 thousand, which offset the drop in sales on the Italian market.
Growth in the Americas area is driven by the excellent performance in the South American markets.
The decline in sales in the Asia, Africa and Oceania area is due to the slowdown in demand on Turkey, China and Japan markets.

EBITDA, amounting to € 31,937 thousand, compared to € 30,913 thousand in 2021, benefited from the increase in turnover, while it was negatively affected by the increase in raw material costs, in energy costs, as well as commercial costs for travel expenses and trade fairs.

Net negative financial position, equal to € 47,018 thousand, up compared to the end of 2021, is attributable to the increase in net working capital, the exchange rate effect generated by the revaluation of the financial debts of the foreign companies, the adjustment of the debt for the Put & Call options and to the change in the consolidation area.

5. Results of Group companies

5.1 Emak S.p.A. – Parent Company

The Parent Company achieved net revenues of € 147,545 thousand against € 155,927 thousand in 2021, down by 5.4%. Sales recorded a contraction in the second part of the year. After a first quarter of strong growth in turnover, thanks to the good order collection, there was a very marked slowdown, linked on the one hand to the socio-economic conditions and on the other to particularly unfavorable weather conditions in Europe. The Russian invasion of the Ukrainian territory also contributed to the reduction in sales on the russian and belarusian markets of around € 3 million.

Ebitda for the year amounts to € 3,354 thousand, compared to € 3,423 thousand in the previous year, the figure negatively affected by the reduction in sales volumes, the increase in energy costs and the higher costs linked to the commercial initiatives to support of the distribution network, partially offset by the reduction in labor costs.

The operating result for the year is negative for € 2,235 thousand against a negative result of € 2,400 thousand in 2021.

The company ended the year with a net profit of €14,450 thousand compared to €9,947 thousand in 2021. The result benefited from the dividends received from subsidiaries for €14,824 thousand (€10,757 thousand in 2021), as well as from the positive valuation of derived for hedging interest rate for € 1,077 thousand (€ 272 thousand in 2021) which offset the increase in financial expenses on loans equal to € 1,106 thousand (€ 527 thousand in 2021); exchange rate management was positive for € 814 thousand (€ 1,034 thousand in 2021).

Net negative financial position is rising from € 11,231 thousand at 31 December 2021 to € 23,458 thousand at 31 December 2022. The negative change mainly due to the increase in net working capital, mainly linked to a reduction in trade payables, only partially offset by the positive cash flow generated by operating activities.

5.2 Subsidiaries

At 31 December 2022 the Emak Group was organized in a structure with Emak S.p.A. at the top, possessing direct and indirect controlling interests in the equity of 40 companies.

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

Company	Head office	31/12/2022 Sales	 Net profit	31/12/2021 Sales	 Net profit	
Parent company						
Emak S.p.A.	Bagnolo in Piano (Italy)	147,545	14,450	155,927	9,947	
Fully consolidated companies						
Emak France Sas	Rixheim (France)	42,065	1,847	38,352	1,735	
Jiangmen Emak Outdoor Power Equipment Co. Ltd	Jiangmen City (China)	26,704	(69)	37,939	1,555	
Victus Emak Sp. Z o.o.	Poznam (Poland)	22,418	826	22,262	1,123	
Emak Deutschland GmbH	Fellbach-Oeffingen (Germany)	-	-	-	(21)	
Emak Suministros Espana SA	Madrid (Spain)	7,003	(68)	8,402	410	
Emak U.K. LTD	Burntwood (UK)	3,731	2	4,208	164	
Tailong (Zhuhai) Machinery Equipment Ltd.	Zhuhai (China)	3,253	(2,850)	4,309	342	
Epicenter LLC	Kiev (Ukraine)	4,700	830	4,171	528	
Emak Do Brasil Industria LTDA	Ribeirao Preto (Brazil)	1,339	130	1,161	(128)	
Tecomec Srl	Reggio Emilia (Italy)	67,682	3,532	66,371	1,985	
Speed France Sas	Arnas (France)	22,406	1,179	24,453	1,928	
Speed North America Inc.	Wooster, Ohio (USA)	17,304	329	16,954	1,221	
Speed Line South Africa (Pty) Ltd.	Pietermaritzburg (South Africa)	1,900	189	1,556	144	
Ningbo Tecomec Manufacturing Co. Ltd.	Ningbo City (China)	14,173	374	16,895	1,008	
Speed Industrie Sarl	Mohammedia (Morocco)	-	(26)	112	(121)	
Speed South America S.p.A.	Providencia (RCH)	4,262	657	3,849	620	
Comet Spa	Reggio Emilia (Italy)	92,036	7,519	83,070	5,515	
Comet France Sas	Wolfisheim (France)	9,401	868	9,604	787	
Comet USA	Burnsville, Minnesota (USA)	-	2,343	21	824	*
Valley Industries LLP	Paynesville, Minnesota (USA)	43,282	3,903	38,320	4,508	*
Ptc Waterblasting	Burnsville - Minnesota (USA)	9	(47)	26	(33)	
PTC Srl	Rubiera, Reggio Emilia (Italy)	12,635	619	11,653	734	
S.I. Agro Mexico	Guadalajara (Mexico)	8,934	672	7,174	540	
Comet do Brasil Ind. E Com. de Equipamentos Ltda	Indaiatuba (Brazil)	8,148	1,329	-	(345)	
Lemasa S.A.	Indaiatuba (Brazil)	7,359	1,194	11,249	1,996	2
Sabart Srl	Reggio Emilia (Italy)	27,008	1,898	27,223	2,127	
Lavorwash S.p.a	Pegognaga, Mantova (Italy)	70,796	4,129	78,046	2,747	
Lavorwash France S.a.s.	La Courneuve (France)	8,951	113	11,069	6	
Lavorwash GB Ltd	St. Helens Merseyside (UK)	1,759	92	1,661	248	
Lavorwash Iberica S.l.	Tarragona (Spain)	1,124	99	1,318	139	
Lavorwash Polska SP ZOO	Bydgoszcz (Poland)	4,039	(12)	4,703	199	
Lavorwash Brasil Ind. E Com. Ltda	Indaiatuba (Brazil)	4,181	358	2,923	(554)	
Yong Kang Lavorwash Equipment Co. Ltd	Yongkang City (China)	22,783	694	36,335	1,963	
Yongkang Lavor Trading Co. Ltd.	Yongkang City (China)	3,017	97	3,078	152	
Spraycom S.A.	Catanduva, San Paolo (Brazil)	7,347	1,512	4,877	855	
Markusson Professional Grinders AB	Rimbo (Sweden)	5,438	1236	4,132	873	
Agres Sistemas Eletrônicos S.A.	Pinais (Brazil)	21,633	3,695	14,686	2,375	
Poli S.r.l.	Colorno, PR (Italy)	5,811	726	1,289	43	1
Trebol Maquinaria y Suministros S.A.	A Coruña (Spain)	1,104	86	-	-	3
Jiangmen Autech Equipment Co. Ltd	Jiangmen City (China)	-	-	-	-	

1 On 4 October 2021 the subsidiary Comet S.p.A. completed the acquisition of 80% of the company Poli S.r.l., consequently in 2021 the company's income statement for the last quarter entered the consolidation area.

2 With effect from 1 July 2022 there was the merger by incorporation between the company Comet do Brasil and its direct subsidiary Lemasa S.A., therefore the 2022 data of Lemasa S.A. include only the first 6 months of the income statement.

3 On 13 October 2022 the subsidiary Sabart S.r.l. acquired 83.33% of the company Trebol Maquinaria Y Suministros S.A. and consequently the company's income statement for the last quarter entered the consolidation area.

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

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

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

- Emak Deutschland GmbH and Speed Industrie Sarl are no longer operating companies;
- The income statement of the company Tailong (Zhuhai) Machinery Manufacturing Equipment Ltd. is negative as it includes € 2,957 thousand as a loss due to the reduction in the value of goodwill (please refer to the explanatory note 21 of the consolidated financial statements);
- Jiangmen Autech Equipement Co. Ltd, a newly established company, is not operational yet.

6. Research and development

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

R&D is geared towards improving the product in several respects: safety, comfort, ease of use, performance and environmental impact. Particular attention is also paid to the development of new technologies, which guarantee the product, without affecting its performance, greater efficiency, lower consumption and an overall lower environmental impact.
In addition, the Group for some years has set up **partnerships with the academic world** with the objective of an exchange of know-how with a view to continuous improvement of its products and their performances.
In 2022 the Group allocated a total of € 22.5 million to Research and Development, of which € 13.2 million for product innovations and adaptation of production capacity and process innovation and € 9.3 million for research costs charged directly to the income statement.

More details are available in the Non-Financial Statement.

7. Human resources

Below is shown the distribution of employees by country at 31 December 2022 compared to the previous year:

Employees at	31/12/2021	Change in scope of consolidation	Other movements	31/12/2022
Italy	1,040	-	32	1,072
France	167	-	(4)	163
UK	12	-	(2)	10
Spain	23	13	(1)	35
Poland	39	-	(1)	38
Sweden	5	-	-	5
China	421	-	(31)	390
Usa	169	-	(31)	138
Ukraine	25	-	(1)	24
South Africa	9	-	1	10
Brasil	273	-	83	356
Mexico	20	-	-	20
Morocco	-	-	-	-
Chile	22	-	1	23
Total	**2,225**	**13**	**46**	**2,284**

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

8. Dealings with related parties

Emak S.p.A. is controlled by Yama S.p.A., which holds 65.181% of its share capital and which, as a non financial holding company, is at the head of a larger group of companies mainly operating in the production of machinery and equipment for agriculture and gardening and of components for motors, and in real estate.
With these companies there are limited supply and industrial services dealings, as well as industrial surfaces rental services of and financial services 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 a director, are another type of related party transactions.

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

During the year, no extraordinary operations with related parties have been carried out. If transactions of this nature had taken place, enforcement procedures approved by the Board of Directors would have been applied, most recently with its resolution of 12 May 2021.

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The determination of the remuneration of Directors and Auditors and Managers with strategic responsibility in the Parent Company occurs as part of the governance framework illustrated to the Shareholders and to the public through the report as per art. 123-ter of Leg. Dec. 58/98, available on the site www.emakgroup.it.
Given the conditions, Emak S.p.A. makes use of the procedural simplifications provided for in paragraphs 1 and 3, lett. b), in art. 13 of CONSOB Resolution no. 17221 of March 12, 2010 and related amendments and additions. The remuneration of Directors and Auditors and Managers with strategic responsibilities in the subsidiaries are also established on the basis of adequate protection procedures, that provide for the Parent Company to perform control and harmonization activities.

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

As at 31 December 2021, the Company held 397,233 treasury shares in its portfolio for a value of € 2,029 thousand.
Following the authorization granted by the Shareholders' Meeting on 29 April 2022, Emak S.p.A. made purchases of treasury shares on the market.
During the last quarter of 2022, the company purchased no. 700,000 treasury shares for a value of € 806 thousand. Therefore, as at 31 December 2022 the company holds n. 1,097,233 treasury shares in portfolio for a value of € 2,835 thousand.

During the months of January and February 2023, there were no changes in the consistency of the treasury share portfolio.

10. Corporate governance and other information required by Issuers Regulations

Emak S.p.A. adopted the Code of Corporate Governance, approved by the Committee established at the Italian Stock Exchange as reformulated in January 2020, in force from the 2020 financial year, and available on the website www.borsaitaliana.it. Details of Emak's compliance with the Code's provisions are set out in the "Report on corporate governance and ownership structures", provided for by arts. 123-bis of Legislative Decree 58/98, illustrated according to the "comply or explain" scheme.

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

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D.Lgs 231/2001

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

* * * * * * *

Ethical Code

Emak Group has implemented and updated an Ethical Code, in which the company's chosen ethical principles are set out and which the Directors, Auditors, Employees, Consultants and Partners of the Parent Company, as well as of its subsidiary companies, are required to follow. The most recent update of the Code of Ethics, enriched and reorganized, compared to its previous version, was approved by the Board of Directors of EMAK on February 26, 2021.
The model, as per art. 6, Leg. Dec. 231/01, and the Ethical Code are both available for consultation at the internet address web www.emakgroup.com, in the section Organization and certifications.

* * * * * * *

Significant operations: derogation from disclosure obligations

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

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Disclosure of consolidated non-financial information

The consolidated non-financial declaration of Emak S.p.A. for 2022, prepared in accordance with Legislative Decree. 254/16, constitutes a separate report ("Sustainability Report") with respect to this management report, as provided for by Art. 5 paragraph 3, letter b) of Legislative Decree 254/16, and is available on the website www.emakgroup.com, in the "Sustainability" section".

11. Disputes

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

12. Other information

Subsidiaries art 15. Market Regulations

With regard to the requirements of article 15 of the Market Rules - Consob Resolution No. 20249 dated December 28, 2017 and subsequent amendments and addition, Emak S.p.A. reports to have currently the control of seven large companies, incorporated and regulated under the law of a state outside the European Union:

- Jiangmen Emak Outdoor Power Equipment Co. Ltd. (Republic of China);
- Comet Usa Inc. (United States of America);
- Valley industries LLP (United States of America);
- Comet do Brasil Industria e Comercio de Equipamentos Ltda (Brazil);
- Yong Kang Lavor Wash Equipment (Republic of China);
- Agres Sistemas Eletrônicos S.A. (Brazil);
- Speed North America Inc. (United States of America).

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

European Single Electronic Format (ESEF)

The delegated regulation of the EU Commission 2018/815 had established, in implementation of the delegation contained in directive 2004/109 / EC (so-called "transparency directive"), that listed European companies (including Italians) must publish annual financial reports through the "ESEF" format, also providing that listed companies mark the information presented therein using the XBRL markup language.
Therefore, this Annual Financial Report is published in the European Single Electronic Format (ESEF), that is, through the computer language XHTML.

13. Foreseeable business outlook

Sales in 2022 reached the highest level in the Group's fifty-year history. The year was characterized by a first half of robust growth, followed by a slowdown in demand as a combination of a deteriorating economic context and a particularly adverse weather season.
In a difficult context such as the one described, the results achieved are proof of the validity of the Group's strategies and ability to react.
The scenario criticalities that characterized the second part of last year also persist at the beginning of 2023. In any case, sales in the first quarter will settle at levels between those of the same period of 2021 and 2022, which certainly constitute a challenging basis for comparison, having been the two best years in the history of the Group. There is still a decline in the visibility of demand compared to the recent past in all business sectors, primarily determined by the macroeconomic scenario and the inflationary context. As early as the fourth quarter of 2022, the Group has implemented the organizational and managerial initiatives necessary to deal with the situation of uncertainty and obtain cash flows from ordinary operations to invest in the development of new products and growth opportunities for external lines.

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

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

15. Subsequent events

Acquisition of the Bestway AG business
On 1 February 2023, Valley Industries LLP signed the closing of the acquisition of the business of Bestway AG, with its headquarters in Hopkinsville (Kentucky), operating in the production and marketing of equipment for spraying and weeding used in agriculture.
The company is recognized as a reference operator in the USA market for the production and marketing of sprayers, equipment for applications in the agricultural sector with own-brand spray tanks and for the sale of pumps and accessories of other market brand leaders.
The operation forms part of the Group’s growth strategy for external lines through the expansion and completion of its product range, specifically of the “Pumps and High-Pressure Water Jetting” segment; thanks to this acquisition, the North American agricultural market can be served by the Group more extensively, enabling commercial synergies.
The “Bestway AG” business achieved in 2022 a turnover of 32 million Dollars and an EBITDA of 2.5 million Dollars.
The operation was formally achieved through the acquisition of 100% of the share capital of the NewCo “Bestway Holding LLC”, specially incorporated with the prior contribution on the part of the sellers of the assets and liabilities of the “Bestway AG” business. Once the activities relating to the deal have been completed, NewCo will be merged by incorporation into Valley Industries, so as to complete the integration of the business.

The provisional consideration established for the acquisition, subject to adjustment further to the definition of the final balance sheet values at 31 January 2023, is 22.5 million dollars (of which 3.5 million deposited in escrow account) fully paid at the closing date.

Acquisition of 24% of Raw power

On 22 February 2023, the parent Company formalized its entrance into Raw Power S.r.l., with registered office in Reggio Emilia, through the subscribing of an increase in share capital for a stake of 24%, for the amount of 800 thousand Euro.
The company deals with all aspects relating to power electronics design, aimed at automation and static conversion of energy and the design of electric motors and generators.
The operation has been carried out with the intention of allowing Emak S.p.A. to strengthen its fundamental know-how of electric motor technology with the aim of increasing its competitiveness in the battery products market, which is continuously and rapidly evolving.

Exercise of option on 4.5% of Agres Sistemas Eletrônicos SA

On 22 February 2023, the minority shareholders of Agres exercised the Put option, selling the 4.5% stake to Tecomec S.r.l., which took its own stake to 95.5%. The price paid for the acquisition of the 4.5% stake is around 11.2 million Reais, equal to around 2 million Euros, already shown as a payable in these consolidated financial statements.

Incorporation of PTC Waterblasting into Comet USA

During the first quarter of 2023, Comet Usa Inc. resolved the merger by incorporation of Ptc Waterblasting, 100%-owned.
The company was incorporated in 2017 with the aim of opening up the United States market in the pumps and very high-pressure systems sector. The results achieved over the years have been below expectations due to high entry barriers; as a result, with the lack of strategic interest and the reduced operations, the parent company Comet Usa will guarantee the continuity of the residual business of Ptc Waterblasting.

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

In accordance with the CONSOB Communication dated July 28 2006, the following table provides a reconciliation between net income for 2022 and shareholders' equity at December 31, 2022 of the Group (Group share), with the corresponding values of the Parent Company Emak S.p.A.

€/000	Equity at 31.12.2022	Result for the year ending 31.12.2022	Equity at 31.12.2021	Result for the year ending 31.12.2021
Equity and result of Emak S.p.A.	**152,532**	**14,450**	**150,921**	**9,947**
Equity and result of consolidated subsidiaries	347,287	40,005	337,065	38,192
Effect of the elimination of the accounting value of shareholdings	(213,413)	(195)	(224,389)	8
Elimination of dividends	-	(21,340)	-	(14,211)
Elimination of intergroup profits	(9,419)	(1,755)	(7,664)	(825)
Total consolidated amount	**276,987**	**31,165**	**255,933**	**33,111**
Non controlling interest	**(3,984)**	**(897)**	**(2,750)**	**(603)**
Equity and result attributable to the Group	**273,003**	**30,268**	**253,183**	**32,508**

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

Dear Shareholders,
we submit for your approval the financial statements at 31 December 2022, which show a profit of € 14,450,204.00. We also propose the distribution of a dividend of € 0.065 for each outstanding share.

We therefore invite you to take this resolution:

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

with regard to point 1.1 to the agenda

resolves

a) to approve the Directors' Report and the financial statements at December 31, 2022, closed with a net profit of € 14,450,204.00;

with regard to point 1.2 to the agenda

resolves

a) to allocate the net profit of € 14,450,204.00 as follows:

- € 722,510.20 to the legal reserve;
- to the Shareholders, as dividend, the amount of € 0.065 gross of withholding taxes, for each share in circulation, with the exclusion of treasury shares held by the company;
- to the extraordinary reserve for the entire residual amount;

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

c) to pay the total dividend of Euro 0.065 per share (coupon no. 25) on 7 June 2023, with detachment date 5 June, and record date 6 June. >>

Bagnolo in Piano (RE), lì 16 March 2023

On behalf of the Board of Directors

The Chairman

Massimo Livatino

Definitions of alternative performance indicators

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

- EBITDA before non-ordinary expenses and revenues: is obtained by deducting at EBITDA the impact of charges and income for litigation and grants relating to non-core management, expenses related to M&A transaction, and costs for staff reorganization and restructuring.
- EBITDA: calculated by adding the items "Operating Result" plus "Amortization, depreciation and impairment losses".
- FREE CASH FLOW FROM OPERATIONS: calculated by adding the items "Net profit" plus "Amortization, depreciation and impairment losses".
- EQUITY PER SHARE: is obtained dividing the item "Group equity" by number of outstanding shares at period end.
- FREE CASH FLOW FROM OPERATIONS per SHARE: is obtained dividing the “Free cash flow from operations” by the average number of outstanding shares in the period.
- NET WORKING CAPITAL: include items “Trade receivables”, “Inventories”, current non financial “other receivables” net of “Trade payables” and current non financial “other payables.
- NET FIXED ASSETS or NET NON-CURRENT ASSETS: include non-financial “Non current assets” net of non-financial “Non-current liabilities.
- NET CAPITAL EMPLOYED: is obtained by adding the "Net working capital" and "Net non-current assets”.
- NET FINANCIAL POSITION: It is obtained by adding the active financial balances and subtracting the passive financial balances, as well as identified according to the criteria of the Esma (according to Consob communication no.5/21 of 29 April 2021).

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

Emak Group
Consolidated Financial Statements at 31 December 2022

Consolidated financial statements

Consolidated financial statements

Thousand of Euro

CONSOLIDATED INCOME STATEMENT	Notes	Year 2022	of which to related parties	Year 2021	of which to related parties
Revenues from sales	10	**605,723**	**1,045**	**588,299**	**1,592**
Other operating incomes	10	4,753	12	5,110	
Change in inventories		12,790		48,764	
Raw materials, consumables and goods	11	(331,528)	(2,452)	(354,737)	(3,283)
Personnel expenses	12	(99,519)		(98,231)	
Other operating costs and provisions	13	(116,140)	(526)	(111,909)	(578)
Amortization, depreciation and impairment losses	14	(29,324)	(4,698)	(24,392)	(1,705)
Operating result		**46,755**		**52,904**	
Financial income	15	4,007	1	1,003	1
Financial expenses	15	(8,560)	(366)	(8,611)	(341)
Exchange gains and losses	15	1,895		589	
Profit befor taxes		**44,097**		**45,885**	
Income taxes	16	(12,932)		(12,774)	
Net profit (A)		**31,165**		**33,111**	
(Profit)/loss attributable to non controlling interests		(897)		(603)	
Net profit attributable to the Group		**30,268**		**32,508**	
Basic earnings per share	17	**0.185**		**0.199**	
Diluted earnings per share	17	**0.185**		**0.199**	

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME	Notes	Year 2022	Year 2021
Net profit (A)		**31,165**	**33,111**
Profits/(losses) deriving from the conversion of foreign company accounts		2,141	8,102
Actuarial profits/(losses) deriving from defined benefit plans	33	741	(232)
Income taxes on OCI		(206)	65
Total other components to be included in the comprehensive income statement (B)		**2,676**	**7,935**
Total comprehensive income for the perdiod (A)+(B)		**33,841**	**41,046**
Comprehensive net profit attributable to non controlling interests (C)		**(949)**	**(641)**
Comprehensive net profit attributable to the Group (A)+(B)+(C)		**32,892**	**40,405**

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 further described and discussed in note 40.

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

Statement of consolidated financial position

Thousand of Euro

ASSETS	Notes	31.12.2022	of which to related parties	31.12.2021	of which to related parties
Non-current assets					
Property, plant and equipment	18	82,524		78,558	
Intangible assets	19	24,482		24,853	
Rights of use	20	36,461	13,860	37,665	15,365
Goodwill	21	71,216	9,914	70,634	12,823
Equity investments in other companies	22	8		8	
Deferred tax assets	32	10,395		10,012	
Other financial assets	27	1,151	111	984	148
Other assets	24	60		59	
Total non-current assets		**226,297**		**222,773**	
Current assets					
Inventories	25	233,970		217,316	
Trade and other receivables	24	119,661	1,079	127,984	1,066
Current tax receivables	32	9,967		10,076	
Other financial assets	27	38	37	72	37
Derivative financial instruments	23	2,707		286	
Cash and cash equivalents	26	86,477		79,645	
Total current assets		**452,820**		**435,379**	
TOTAL ASSETS		**679,117**		**658,152**	

SHAREHOLDERS' EQUITY AND LIABILITIES	Notes	31.12.2022	of which to related parties	31.12.2021	of which to related parties
Shareholders' Equity					
Shareholders' Equity of the Group	28	273,003		253,183	
Non-controlling interests		3,984		2,750	
Total Shareholders' Equity		**276,987**		**255,933**	
Non-current liabilities					
Loans and borrowings due to banks and other lenders	30	152,346		115,994	
Liabilities for leasing	31	31,682	12,789	33,111	14,146
Deferred tax liabilities	32	7,962		7,386	
Employee benefits	33	6,291		7,500	
Provisions for risks and charges	34	2,778		2,590	
Other non-current liabilities	35	1,510		2,197	
Total non-current liabilities		**202,569**		**168,778**	
Current liabilities					
Trade and other payables	29	109,344	1,233	149,222	4,512
Current tax liabilities	32	4,984		6,182	
Loans and borrowings due to banks and other lenders	30	76,594		69,707	
Liabilities for leasing	31	6,357	1,670	5,863	1,726
Derivative financial instruments	23	699		581	
Provisions for risks and charges	34	1,583		1,886	
Total current liabilities		**199,561**		**233,441**	
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**679,117**		**658,152**	

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

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

EMARKET SDIR CERTIFIED

MANAGEMENT SYSTEM CERTIFICATION DNV ISO 9001 • ISO 14001

Statement of changes in consolidated equity for the Emak Group at 31.12.2021 and at 31.12.2022

Thousand of Euro	SHARE CAPITAL	SHARE PREMIUM	Treasury Shares	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 31.12.2020	**42,623**	**41,513**	**(2,029)**	**3,611**	**4,353**	**(7,889)**	**(1,320)**	**31,702**	**88,273**	**19,300**	**220,137**	**2,163**	**222,300**
Profit reclassification				139				183	11,619	(19,300)	(7,359)	(54)	(7,413)
Net profit for the period						8,064	(167)			32,508	**40,405**	641	**41,046**
Balance at 31.12.2021	**42,623**	**41,513**	**(2,029)**	**3,750**	**4,353**	**175**	**(1,487)**	**31,885**	**99,892**	**32,508**	**253,183**	**2,750**	**255,933**
Profit reclassification				497				454	19,291	(32,508)	**(12,266)**	(159)	(12,425)
Change in treasury shares			(806)								**(806)**		(806)
Other changes											**-**	444	444
Net profit for the period						2,089	535			30,268	**32,892**	949	**33,841**
Balance at 31.12.2022	**42,623**	**41,513**	**(2,835)**	**4,247**	**4,353**	**2,264**	**(952)**	**32,339**	**119,183**	**30,268**	**273,003**	**3,984**	**276,987**

Consolidated Cash Flow Statement

(€/000)	Notes	31.12.2022	31.12.2021
Cash flow from operations			
Net profit for the period		**31,165**	**33,111**
Amortization, depreciation and impairment losses	14	29,324	24,392
Financial expenses from discounting of debts and other income/expenses from non-monetary transactions		119	(565)
Financial (income)/ Expenses from adjustment of estimated liabilities for outstanding commitment associates' shares	15	1,864	4,569
Capital (gains)/losses on disposal of property, plant and equipment		(69)	(159)
Decreases/(increases) in trade and other receivables		10,646	(17,516)
Decreases/(increases) in inventories		(12,586)	(49,016)
(Decreases)/increases in trade and other payables		(43,128)	34,335
Change in employee benefits		(1,209)	(229)
(Decreases)/increases in provisions for risks and charges		(142)	863
Change in derivative financial instruments		(2,317)	(224)
Cash flow from operations		**13,667**	**29,561**
Cash flow from investing activities			
Change in property, plant and equipment and intangible assets		(21,350)	(17,046)
(Increases) and decreases in securities and financial assets		(90)	(16)
Proceeds from disposal of property, plant and equipment and other changes		69	159
Change in scope of consolidation	7	(3,360)	(2,735)
Cash flow from investing activities		**(24,731)**	**(19,638)**
Cash flow from financing activities			
Other changes in equity		(269)	(167)
Change in short and long-term loans and borrowings		39,642	(19,562)
Liabilities for leasing refund		(6,427)	(5,746)
Dividends paid		(12,425)	(7,413)
Cash flow from financing activities		**20,521**	**(32,888)**
Total cash flow from operations, investing and financing activities		**9,457**	**(22,965)**
Effect of changes from exchange rates and translation reserve		**(2,937)**	**2,514**
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**6,520**	**(20,451)**
OPENING CASH AND CASH EQUIVALENTS		**76,829**	**97,280**
CLOSING CASH AND CASH EQUIVALENTS		**83,349**	**76,829**

ADDITIONAL INFORMATION ON THE CASH FLOW STATEMENT

(€/000)	Notes	31.12.2022	31.12.2021
RECONCILIATION OF CASH AND CASH EQUIVALENTS			
Opening cash and cash equivalents, detailed as follows:	26	**76,829**	**97,280**
Cash and cash equivalents		79,645	99,287
Overdrafts		(2,816)	(2,007)
Closing cash and cash equivalents, detailed as follows:	26	**83,349**	**76,829**
Cash and cash equivalents		86,477	79,645
Overdrafts		(3,128)	(2,816)
Other information:			
Income taxes paid		(14,798)	(10,078)
Financial interest income		272	177
Financial expenses paid		(3,910)	(2,126)
Change in related party receivables and service transactions		(13)	1,240
Change in related party payables and service transactions		(3,279)	1,586
Change in current tax receivables		120	(2,517)
Change in current tax liabilities		(1,322)	1,015
Change in related party financial assets		37	38
Related party liabilities for leasing refund		(2,002)	(1,955)

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

Explanatory notes to the consolidated financial statements of Emak Group

Index

1. General Information

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

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

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

The Board of Directors of Emak S.p.A. on March 16, 2023 approved the Financial Report to December 31, 2022, also prepared according to the format required by the European Commission Regulation 2018/815 / EU (European Single Electronic Format) and ordered his immediate notification under Art. 154-ter, paragraph 1-ter TUF, to the Board of Auditors and to the Auditing firm in order for them to carry out their relative duties. In connection with this communication, the company has issued an appropriate press release with the key figures of the financial statements and the proposal for the allocation of the profit for the year submitted for approval by the Shareholders' Meeting convened for 28 April 2023.

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

2. Summary of principal accounting policies

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

2.1 General methods of preparation

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

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

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

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

- Statement of consolidated financial position: based on the distinction between current and non-current assets and current and non-current liabilities;
- Consolidated Income Statement and Consolidated Statement of other Comprehensive Income: classification of items of income and expense according to their nature and with representation of the operating result that does not include the effects of exchange differences as per the accounting policy historically adopted by the Group;
- Consolidated Cash flow Statement: based on a presentation of cash flows using the indirect method;
- Consolidated Statement of Changes in Equity;
- Notes to the consolidated financial statements.

The preparation of financial statements in conformity with IFRS requires the use of accounting estimates by the Directors.
The areas involving a higher degree of judgment or complexity and areas in which assumptions and estimates could have a significant impact on the consolidated financial statements are discussed in Note 5.

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

2.2 Methods of consolidation

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

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

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

Subsidiaries are consolidated line-by-line from the date that the Group obtains control.
In business combinations carried out in several phases, with the presence of previous parent-subsidiary relationship, full consolidation takes place from the date of acquisition of control and on the same date the remeasurement at fair value of the previously held investment takes place.

It should be noted that:
- the subsidiary Valley LLP, owned by Comet Usa Inc with a share of 94%, is consolidated at 100% as a result of the "Put and Call Option Agreement" which regulates the acquisition of the remaining 6% held by a company linked to the current CEO of the subsidiary;
- Markusson Professional Grinders AB, participated by Tecomec S.r.l., with a share of 51%, is consolidated at 100% on the basis of the "Put and Call Option Agreement" which regulates the purchase of the remaining 49%.
- Agres Sistemas Eletrônicos S.A., participated by Tecomec S.r.l., with a share of 91%, is consolidated at 100% on the basis of the "Put and Call Option Agreement" which regulates the purchase of the remaining 9%;
- Poli S.r.l., participated by Comet S.p.A., with a share of 80%, is consolidated at 100% on the basis of the "Put and Call Option Agreement" which regulates the purchase of the remaining 20%.

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

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

Scope of consolidation

The scope of consolidation at December 31, 2022 include the following companies consolidated using the full consolidation method:

Name	Head office	Share capitale	Currency	% consolidated	Held by	% of equity investment
Capogruppo						
Emak S.p.A.	Bagnolo in Piano - RE (I)	42,623,057	€			
Italia						
Comet S.p.A.	Reggio Emilia (I)	2,600,000	€	100.00	Emak S.p.A.	100.00
PTC S.r.l.	Rubiera - RE (I)	55,556	€	100.00	Comet S.p.A.	100.00
Sabart S.r.l.	Reggio Emilia (I)	1,900,000	€	100.00	Emak S.p.A.	100.00
Tecomec S.r.l.	Reggio Emilia (I)	1,580,000	€	100.00	Emak S.p.A.	100.00
Lavorwash S.p.A.	Pegognaga - MN (I)	3,186,161	€	98.45	Comet S.p.A.	98.45
Poli S.r.l. (1)	Colorno - PR (I)	60,000	€	100.00	Comet S.p.A.	80.00
Europa						
Emak Suministros Espana SA	Getafe - Madrid (E)	270,459	€	90.00	Emak S.p.A.	90.00
Comet France SAS	Wolfisheim (F)	320,000	€	100.00	Comet S.p.A.	100.00
Emak Deutschland Gmbh	Fellbach - Oeffingen (D)	553,218	€	100.00	Emak S.p.A.	100.00
Emak France SAS	Rixheim (F)	2,000,000	€	100.00	Emak S.p.A.	100.00
Emak U.K. Ltd	Burntwood (UK)	342,090	GBP	100.00	Emak S.p.A.	100.00
Epicenter LLC	Kiev (UA)	19,026,200	UAH	100.00	Emak S.p.A.	100.00
Speed France SAS	Arnas (F)	300,000	€	100.00	Tecomec S.r.l.	100.00
Victus-Emak Sp. Z o.o.	Poznan (PL)	10,168,000	PLN	100.00	Emak S.p.A.	100.00
Lavorwash France S.A.S	La Courneuve (F)	37,000	€	98.45	Lavorwash S.p.A.	100.00
Lavorwash GB Ltd	St. Helens Merseyside (UK)	900,000	GBP	98.45	Lavorwash S.p.A.	100.00
Lavorwash Polska SP.ZOO	Bydgoszcz (PL)	163,500	PLN	98.45	Lavorwash S.p.A.	100.00
Lavorwash Iberica S.L.	Tarragona (E)	80,000	€	98.45	Lavorwash S.p.A.	100.00
Markusson Professional Grinders AB (2)	Rimbo (SE)	50,000	SEK	100.00	Tecomec S.r.l.	51.00
Trebol Maquinaria y Suministros S.A.	A Coruña (E)	75,000	€	83.33	Sabart S.r.l.	83.33
America						
Comet Usa Inc	Burnsville - Minnesota (USA)	231,090	USD	100.00	Comet S.p.A.	100.00
Comet do Brasil Industria e Comercio de Equipamentos 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
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 (3)	Paynesville - Minnesota (USA)	-	USD	100.00	Comet Usa Inc	94.00
Speed North America Inc.	Wooster - Ohio (USA)	10	USD	100.00	Speed France SAS	100.00
Lavorwash Brasil Ind. Ltda	Indaiatuba (BR)	19,291,875	BRL	98.45	Lavorwash S.p.A. Comet do Brasil LTDA	99.99 0.01
Spraycom comercio de pecas para agricoltura S.A.	Catanduva (BR)	533,410	BRL	51.00	Tecomec S.r.l.	51.00
Agres Sistemas Eletrônicos S.A. (4)	Uberaba (BR)	1,047,000	BRL	100.00	Tecomec S.r.l.	91.00
Resto del mondo						
Jiangmen Emak Outdoor Power Equipment Co.Ltd	Jiangmen (RPC)	25,532,493	RMB	100.00	Emak S.p.A.	100.00
Ningbo Tecomec Manufacturing Co. Ltd	Ningbo City (RPC)	8,029,494	RMB	100.00	Tecomec S.r.l.	100.00
Speed Industrie Sarl	Mohammedia (MA)	1,445,000	MAD	100.00	Speed France SAS	100.00
Tai Long (Zhuhai) Machinery Manufacturing Ltd	Zhuhai (RPC)	16,353,001	RMB	100.00	Emak S.p.A.	100.00
Speed Line South Africa Ltd	Pietermaritzburg (ZA)	100	ZAR	51.00	Speed France SAS	51.00
Yongkang Lavorwash Equipment Co. Ltd	Yongkang City (RPC)	63,016,019	RMB	98.45	Lavorwash S.p.A.	100.00
Yongkang Lavorwash Trading Co. Ltd	Yongkang City (RPC)	3,930,579	RMB	98.45	Lavorwash S.p.A.	100.00
Jiangmen Autech Equipment Co. Ltd	Jiangmen (RPC)	-	RMB	100.00	Emak S.p.A.	100.00

1) Poli S.r.l. is consolidated at 100% as a result of the "Put and Call Option Agreement" which regulates the acquisition of the remaining 20%.
(2) Markusson Professional Grinders AB is consolidated at 100% as a result of the "Put and Call Option Agreement" which regulates the acquisition of the remaining 49%.
(3) Valley Industries LLP is consolidated at 100% as a result of the "Put and Call Option Agreement" which regulates the acquisition of the remaining 6%.
(4) Agres Sistemas Eletrônicos S.A. is consolidated at 100% as a result of the "Put and Call Option Agreement" which regulates the acquisition of the remaining 9%.

Compared to 31 December 2021, the Spanish company Trebol Maquinaria y Suministros S.A. joined the consolidation area, (of which the subsidiary Sabart S.r.l. acquired 83.33% on October 13, 2022 and it is included in the consolidated financial statements starting from the last quarter of 2022).
In 2021 the results of the company Poli S.r.l. had been included in the consolidation area starting from the last quarter of the year.

2.3 Translation differences

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

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

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

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

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

Amount of foreign for 1 Euro	Average 2022	31.12.2022	Average 2021	31.12.2021
GB Pounds (UK)	0.85	0.89	0.86	0.84
Renminbi (China)	7.08	7.36	7.63	7.19
Dollar (Usa)	1.05	1.07	1.18	1.13
Zloty (Poland)	4.69	4.68	4.57	4.60
Zar (South Africa)	17.21	18.10	17.48	18.06
Uah (Ukraine)	34.02	39.04	32.26	30.92
Real (Brazil)	5.44	5.64	6.38	6.31
Dirham (Morocco)	10.68	11.16	10.63	10.48
Mexican Pesos (Mexico)	21.19	20.86	23.99	23.14
Chilean Pesos (Chile)	917.83	913.82	898.39	964.35
Swedish krona (Sweden)	10.63	11.12	10.15	10.25

2.4 Property, plant and equipment

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

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

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

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

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

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

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

2.5 Intangible assets

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

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

An intangible asset, generated in the development phase of an internal project, is recorded as an asset if the Company is able to demonstrate:
- the technical possibility of completing the intangible asset, so that it becomes available for use or sale;
- the intention to complete the asset and its ability to use it or sell it;
- the means by which the asset will generate future economic benefits;
- the availability of resources to complete the asset;
- the availability of adequate technical, financial and other types of resources to complete the development and to use or sell the asset;
- the ability to reliably evaluate the cost attributable to the asset during its development;
- the ability to use the intangible asset generated.

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

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

(b) Concessions, licenses and trademarks
Trademarks and licenses are valued at historical cost, except the trademarks acquired throught the transaction of *Business Combination* which are initially recorded at their *fair value*. Trademarks and licenses have a finite useful life and are stated after deducting accumulated amortization. Amortization is calculated on a straight-line basis so as to spread the asset's cost over its estimated useful life and in any case for a period not exceeding 10 years.

(c) Other intangible assets
Other intangible assets are recorded as prescribed by IAS 38 – *Intangible assets*, when it is identifiable, it is probable that it will generate future economic benefits and its cost can be measured reliably. Intangible assets are recognized at purchase cost, with the exception of the Customers Lists recognized following the acquisitions and inizially entered at their fair value. Other intangible assets are amortized on a systematic basis over their estimated useful lives, and in any case for a duration ranging from 5 to 15 years.

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

2.6 Rights of use

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

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

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

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

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

2.7 Goodwill

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

2.8 Impairment of assets

Assets with an indefinite life are not amortized or depreciated but are reviewed at least annually for any impairment and whenever there are indications of possible losses in value. Assets subject to amortization or depreciation are reviewed for impairment every time that events or changes in circumstances indicate that their carrying value might not be recoverable.

The impairment loss recognized is the amount by which the carrying amount of an asset exceeds its recoverable amount, corresponding to the higher of the asset's net selling price and its value in use. For the purposes of measuring impairment, assets are classified together into the smallest identifiable groups that generate cash inflows (cash-generating units) as required by IAS 36.
The aforementioned impairment test necessarily requires making subjective valuations based on information available within the Group, on reference market prospects and on historical trends. In addition, if there appears to be a potential reduction in value, the Group makes a calculation of the value using what it considers to be suitable valuation techniques.
The same value checks and the same valuation techniques are applied to intangible and property, plant and equipment with a defined useful life when there are indicators that predict difficulties in recovering the relative net book value through use.
The correct identification of indicators of the existence of a potential reduction in value, as well as estimates for establishing values, mainly depend on factors and conditions that may vary over time, also to a significant degree, thereby influencing the valuations and estimates made by the directors.

2.9 Investment property

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

2.10 Financial assets

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

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

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

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

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

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

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

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

2.11 Non-current assets and liabilities held for sale

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

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

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

2.12 Shareholdings in associated companies

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

2.13 Inventories

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

2.14 Trade receivables

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

Trade receivables are recognized initially at fair value and subsequently measured at depreciated cost, using the effective interest method. They are recorded net of a bad debt provision, deducted directly from accounts receivable to bring the evaluation at their estimated realizable value. Expected losses on trade receivables are estimated using a provision matrix with aging bands of receivables, making reference to past experience regarding losses on credits, an analysis of debtors' financial positions, corrected to take account of specific factors regarding the debtor, and an assessment of the current and expected evolution of such factors at the balance sheet reference date.

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

Factoring operations

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

2.15 Trade payables

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

2.16 Cash and cash equivalents

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

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

2.17 Share capital

Ordinary shares are classified under equity.

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

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

2.18 Loans and borrowings

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

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

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

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

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

2.19 *Liabilities deriving from leases*

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

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

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

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

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

2.20 Taxes

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

Income taxes (current and deferred) relating to items recognized directly in Equity are also recognized directly in Equity.
Current tax assets and liabilities are offset only if the company has a legally enforceable right to set off the recognized amounts and if it intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously. Deferred tax assets and liabilities may be offset only if they are expected to become liquid, collectable and deductible at the same time, in relation to the same taxation authority.

2.21 Employee benefits

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

2.22 Provisions for risks and charges

Provisions for risks and charges are recognized when the Group has legal or constructive obligation arising from past events, is likely to be asked to pay the balance of the obligation and a reliable estimate can be made of the related amount.
Any liabilities defined as potential do not give rise to provisions for risks and charges.

2.23 Revenues

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

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

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

Accounting for revenues involves following the passages provided for by IFRS 15:
- Identification of the contract with the customer;
- identification of the *performance obligations* provided for in the contract;
- determination of the price;
- allocation of the price to the *performance obligations* contained in the contract;
- recognition of the revenues when the enterprise satisfies each *performance obligation*.

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

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

2.24 Government grants

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

2.25 Financial income and expenses

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

2.26 Payment of dividends

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

2.27 Earnings per share

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

2.28 Cash flow statement

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

2.29 Changes in accounting standards and new accounting standards

IFRS ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS APPLICABLE SINCE JANUARY 1,2022

The following IFRS accounting standards, amendments and interpretations were first adopted by the Group starting January 1, 2022:

- On 14 May 2020, the IASB published the following amendments:
  - **Amendments to IFRS 3 Business combinations**: the purpose of the amendments is to update the reference in IFRS 3 to the revised conceptual framework, without any change to the provisions of the Standard.
  - **Amendments to IAS 16 property, plant and Equipment**: the purpose of the amendments is not to allow the amount received from the sale of goods produced in the testing phase of the asset to be deducted from the cost of the tangible assets. These sales revenues and related costs will therefore be recognized in the profit and loss account.
  - **Amendments to IAS 37 provisions, Contingent Liabilities and Contingent assets**: the amendment clarifies that in the estimate of the possible onerousness of a contract, all costs directly attributable to the contract must be taken into account. Consequently, the assessment of the possible onerousness of a contract includes not only incremental costs (such as the cost of the direct material used in the processing), but also all costs that the enterprise cannot avoid because it has entered into the contract (such as, for example, the portion of the depreciation of the machinery used for the performance of the contract).
  - **Annual improvements 2018-2020**: the changes were made to the IFRS 1 first-time adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IAS 41 Agriculture and illustrative Examples of IFRS 16 Leases.

The adoption of these amendments did not have any effects on the consolidated financial statements of the Group.

ACCOUNTING STANDARD, AMENDMENTS AND IFRS/IFRIC INTERPRETATIONS ENDORSED BY THE EUROPEAN UNION, BUT NOT YET MANDATORY APPLICABLE AND NOT EARLY ADOPTED FROM THE GROUP ON DECEMBER 31ST, 2022

- On May 18, 2017, IASB published **IFRS 17 – Insurance contracts**, which is intended to replace international Financial Reporting Standards (IFRS 4 – Insurance contracts). The aim of the new principle is to ensure that an entity provides relevant information that faithfully represents the rights and obligations arising from insurance contracts issued. The IASB has developed the standard to eliminate inconsistencies and weaknesses in existing accounting policies, providing a single, principle-based framework to take into account all types of insurance contracts, including reinsurance contracts that an insurer holds. The new principle also provides for presentation and reporting requirements to improve comparability between entities in this sector. The new principle measures an insurance contract based on a General Model or a simplified version of this, called the Premium Allocation approach ("PAA").
  The main features of the General Model are:
  - estimates and assumptions of future cash flows are always current cash flows;
  - the measurement reflects the time value of the money;
  - estimates provide for extensive use of market observable information;
  - there is a current and explicit risk measurement;
  - the expected profit is deferred and aggregated in groups of insurance contracts at the time of initial recognition; and;
  - the expected profit is recognized during the contractual period taking into account adjustments resulting from changes in the assumptions relating to the cash flows for each group of contracts.

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

  The entity shall apply the new principle to insurance contracts issued, including reinsurance contracts issued, to reinsurance contracts held and also to investment contracts with a discretionary participation feature (DPF). The Standard applies from 1 January 2023, but early application is permitted, only for entities applying IFRS 9 – Financial Instruments and IFRS 15 – Revenue from contracts with customers.
  The directors do not expect a significant effect on the Group's consolidated financial statements from the adoption of this amendment.

- On December 9, 2021, the IASB published an amendment called ***"Amendments to International Financial Reporting Standards 17 insurance contracts: Initial Application of International Financial Reporting Standards 17 and International Financial Reporting Standards 9 – Comparative Information"***. The amendment is a transition option for comparative information on financial assets submitted at the initial date of application of IFRS 17. The amendment seeks to avoid temporary accounting misalignments between financial assets and liabilities of insurance contracts, and thus to improve the usefulness of comparative information for readers of financial statements. The amendments will apply from 1 January 2023, together with the application of the International Financial Reporting Standards 17 principle.
  The directors do not expect a significant effect on the Group's consolidated financial statements from the adoption of this amendment.

- On 12 February 2021, the IASB published two amendments entitled "**Disclosure of Accounting Policies—Amendments to IAS 1 and IFRS practice Statement 2" and "Definition of Accounting estimates—Amendments to IAS 8**". The changes aim to improve disclosure of accounting policies in order to provide more useful information to investors and other primary users of financial statements and to help companies distinguish changes in accounting estimates from changes in accounting policies. The amendments will apply from 1 January 2023, but advance application is allowed.
  The directors do not expect a significant effect on the Group's consolidated financial statements from the adoption of these amendments.

- On 7 May 2021, the IASB published an amendment called "**Amendments to IAS 12 income taxes: Deposited Tax related to assets and liabilities raising from a Single Transaction**". The document clarifies how deferred taxes on certain transactions that may generate equal amounts of assets and liabilities, such as leasing and decommissioning obligations, should be accounted for. The amendments will apply from 1 January 2023, but advance application is allowed.
  The directors do not expect a significant effect on the Group's consolidated financial statements from the adoption of this amendment.

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

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

- On January 23, 2020, the IASB published an amendment called "**Amendments to IAS 1 Presentation of Financial statements: Classification of liabilities as current or non-current**". The document aims to clarify how to classify short- or long-term debts and other liabilities. The amendments shall enter into force on 1 January 2024; advance application is still permitted.
  The directors do not expect a significant effect on the Group's consolidated financial statements from the adoption of this amendment.

- On September 2022 the IASB published an amendment called "***Amendments to IFRS 16 Leases: Lease Liability in a Sale and Leaseback".*** The document requires the seller-lessee to value the lease liability arising from a sale & leaseback transaction so as not to recognize an income or loss that refers to the retained right of use. The amendments shall enter into force on 1 January 2024; advance application is still permitted.
  The directors do not expect a significant effect on the Group's consolidated financial statements from the adoption of this amendment.

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

3. Capital management

The Group's objectives for managing capital are:

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

The Group manages capital structure in proportion to the risk. In order to maintain or adjust its capital structure, the Group may vary the amount of dividends paid to shareholders, buy treasury shares, the return on capital to shareholders, and it may issue new shares, or sell assets to reduce the level of debt.
During recent years the Group, except for the year 2020 in which no dividends were distributed due to the Covid 19 pandemic, has adopted "*dividend pay out*" policies for an amount equal to approximately 40% of net profit attributable to the Group reported in the consolidated financial statements.

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

The **NFP / Equity** and **NFP / EBITDA before non ordinary income/expanses** ratios at 31 December 2022 and 31 December 2021 are as follows:

€/000	31.12.2022	31.12.2022 WITHOUT IFRS16 (2)	31.12.2021	31.12.2021 WITHOUT IFRS16 (2)
Net financial position (Nfp) (note 9)	177,305	139,266	144,269	105,295
Total Equity	276,987	278,416	255,933	257,123
Ebitda before non ordinary income/expenses (1)	76,644	69,213	77,436	70,768
Nfp/Equity	**0.64**	**0.50**	**0.56**	**0.41**
Nfp/Ebitda before non ordinary income/expenses	**2.31**	**2.01**	**1.86**	**1.49**

(1) For more details please see the section "definitions of alternative performance indicators" in the Directors' Report.
(2) The data "WITHOUT IFRS16" are net of the application of the IFRS 16 standard and the related impact on the economic-financial figures.

4. Financial risk management

4.1 Financial risk factors

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

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

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

(a) Market risk

(i) Interest rate risk
The Group's interest rate risk relates to its long-term loans and borrowings. Variable rate loans expose the Group to the cash flow risk associated with interest rates. Fixed rate loans expose the Group to the *fair value* risk associated with interest rates.
The Group's policy is based on constantly monitoring its level and structure of debt and on the trend in interest rates and macroeconomic variables that might directly influence them, with the goal of optimizing the cost of money. At December 31 2022, financings are, for the most part, at variable rates and, consequently, the Group has set up hedging operations aimed at limiting the effects. Although these transactions are made for hedging purposes, if specific documentation certifying the hedging relationship is not formalized, the accounting standards will not allow *hedge accounting* treatment. Therefore, fluctuations in their values may affect the Company's financial results.

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

A hypothetical, instantaneous and unfavourable negative variation of 50 base points in annual interest rates in force at December 31, 2022 applicable to financial liabilities at a variable interest rate would result in a greater net cost, on an annual basis, of around € 757 thousand (€ 518 thousand at December 31 2021). The above calculation takes into consideration the total amounts of financial liabilities net of the total amount of IRS operations carried out for hedging purposes and liabilities for the purchase of minority shares of equity investments and of fixed rate financing.

(ii) Exchange rate risk

The Group carries out its business internationally and it is exposed to risks deriving from fluctuations in exchange rates, which may affect the economic result and value of equity.

The net balances at December 31, 2022 for which the Group is exposed to exchange rate risk as a result of the use of a currency different from Group companies' local reporting currency are as follows:

Credit position in US Dollars	15,918 thousand
Credit position in Mexican Pesos	14,599 thousand
Credit position in Zloty	6,227 thousand
Credit position in GB Pound	587 thousand
Debt position in Renminbi	127,104 thousand
Debt position in Euro	19,791 thousand
Debt position in Yen	23,611 thousand
Debt position in Swiss Francs	87 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 2022 financial period, the overall amount of revenues directly exposed to exchange risk represented 7.6% of the Group's aggregate turnover (8.1% in the 2021 financial period), while the amount of costs exposed to exchange risk is equal to 20% of aggregate Group turnover (22.7% in the 2021 financial period).

  The main currency exchanges to which the Group is exposed are the following:
  - EUR/USD, relating to sales and purchases 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;
  - USD/SEK and EUR/SEK, relating to purchases and sales on the Swedish market.

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

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

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

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

- Assets and liabilities of subsidiary companies in the Group, whose accounting currency is different from

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

Sensitivity analysis
The potential loss of fair value of the net balance of financial assets/liabilities subject to the risk of variation in exchange rates held by the Group at December 31, 2022, as a result of a hypothetical unfavorable and immediate variation of 10% in all relevant single exchange rates of functional currencies with foreign ones, would amount to around € 1,988 thousand (€ 518 thousand at December 31 2021).

Other risks on derivative financial instruments

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

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

Sensitivity analysis
The potential loss of fair value of derivative financial instruments in exchange rates at December 31, 2022 as a result of a hypothetical unfavorable and immediate variation of 10% in underlying values would amount to around € 1,295 thousand (€ 335 thousand at December 31 2021).

(iii) Price risk
The group is exposed to fluctuations in the price of raw materials. This exposure is mostly towards suppliers of parts since their price is generally tied by contract to the trend in market prices for raw materials. The raw materials of greatest use refer to aluminum, steel, brass, metal alloys, plastic, copper as well as semi-finished products such as engines.
The increase of raw materials' prices is connected to macroeconomic phenomena, driven by the increase in energy costs and basic necessities, as well as the tensions that characterize the Group's supply chain.
The increase in transport and distribution costs has an impact on the operating costs of the Group, with potential reduction in profitability, possible emergence of impairment indicators and a reduction in the net realizable value of the assets.
The risk is partially mitigated through the stipulation of purchase agreements with the main suppliers with prices locked with short-term time horizons to which is added constant monitoring of the cost of raw materials and logistics.
The Group uses policies to adjust the price of goods sold in case of significant changes in costs.

(b) Credit risk
The Group has adopted policies to ensure that products are sold to customers of proven creditworthiness and that certain types of receivable are are subject to risk hedging through leading insurance companies.
The maximum theoretical exposure to credit risk for the Group at 31 December 2022 is the accounting value of financial assets shown in the financial statements.

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

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

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

At December 31, 2022 Trade receivables, equal to € 118,470 thousand (€ 126,369 thousand at 31 December 2021), include € 12,747 thousand (€ 9,544 thousand at 31 December 2021) outstanding by more than 3 months. This value has been rescheduled according to repayment plans agreed with the clients.

The value of amounts receivable covered by insurance or by other guarantees at December 31, 2022 is € 28,775 thousand (€ 32,109 thousand at December 31, 2021).

At December 31, 2022 the first 10 customers account for 12.8% of total trade receivables (11.9% at December 31, 2021), while the top customer represents 4.6% of the total (2.4% at December 31, 2021).

(c) Liquidity risk

Liquidity risk can occur as a result of the inability to obtain financial resources necessary for the Group's operations at acceptable conditions.

The main factors determining the Group's liquidity situation are, on the one hand, the resources generated or absorbed in its operating and activities and by investment, and on the other hand, by the expiry or renewal of debt or by the liquidity of financial commitments and market conditions.

Prudent liquidity risk management implies maintaining sufficient financial availability of cash and marketable securities, funding through an adequate amount of bank credit.

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

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

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

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

The Management considers that currently unused funds and credit lines amounting to € 163 million compared to € 142 million of the previous year, mainly short-term and guaranteed by Trade Receivables, more than cash flow which will be generated from operating and financial activities, will allow the Group to meet its requirements deriving from investment activities, management of working capital and the repayment of debts at their natural maturity dates.

4.2 Accounting for derivative financial instruments and hedging activities

Derivative financial instruments are used exclusively for hedging purposes with the intent of reducing the risks of foreign currency and interest rate fluctuation. In line with its risk management policy, in fact, the Group does not carry out derivative operations for speculative purposes.

When such operations are not accounted for as hedging operations they are recorded as trading operations. As established by IFRS 9, derivative financial instruments may qualify for special hedge accounting only when the condition established by principle are met.

Derivatives are initially recognized at cost and adjusted to fair value at subsequent statement of financial position dates.

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

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

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

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

4.3 Measurement of fair value

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

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

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

5. Key accounting estimates and assumptions

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

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

In this context, it should be noted that the situation caused by the persistent uncertainties of the economic and financial scenario resulting first from the spread of the Covid-19 pandemic and secondly from the outbreak of the armed conflict in Ukraine, has implied the need to make assumptions regarding the future outlook which is characterized by volatility and unpredictability. As a result, it cannot be excluded that the actual results obtained will be different from the forecasts, and therefore adjustments, which obviously cannot today be estimated or foreseeable, to the book value of the relative items may be necessary.

The application of the IFRS 16 standard requires to make estimates and assumptions including the determination of the probability of exercising the option to extend or terminate the contract.

6. Segment information

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

An operating segment is a component of a company:

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

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

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

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

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

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

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

	OUTDOOR POWER EQUIPMENT		PUMPS AND HIGH PRESSURE WATER JETTING		COMPONENTS AND ACCESSORIES		Other not allocated / Netting		Consolidated	
€/000	**31.12.2022**	**31.12.2021**	**31.12.2022**	**31.12.2021**	**31.12.2022**	**31.12.2021**	**31.12.2022**	**31.12.2021**	**31.12.2022**	**31.12.2021**
Sales to third parties	199,436	202,977	241,283	229,990	165,004	155,332			**605,723**	**588,299**
Intersegment sales	357	345	3,308	2,877	9,685	10,524	(13,350)	(13,746)		
Revenues from sales	199,793	203,322	244,591	232,867	174,689	165,856	(13,350)	(13,746)	**605,723**	**588,299**
Ebitda (*)	12,257	16,221	34,910	33,991	31,937	30,913	(3,025)	(3,829)	**76,079**	**77,296**
Ebitda/Total Revenues %	*6.1%*	*8.0%*	*14.3%*	*14.6%*	*18.3%*	*18.6%*			***12.6%***	***13.1%***
Ebitda before non ordinary expenses (*)	12,495	16,360	35,082	33,382	32,092	31,523	(3,025)	(3,829)	**76,644**	**77,436**
Ebitda before non ordinary expenses/Total Revenues %	*6.3%*	*8.0%*	*14.3%*	*14.3%*	*18.4%*	*19.0%*			***12.7%***	***13.2%***
Operating result	1,251	8,089	26,054	26,128	22,475	22,516	(3,025)	(3,829)	**46,755**	**52,904**
Operating result/Total Revenues %	*0.6%*	*4.0%*	*10.7%*	*11.2%*	*12.9%*	*13.6%*			***7.7%***	***9.0%***
Net financial expenses (1)									**(2,658)**	**(7,019)**
Profit befor taxes									**44,097**	**45,885**
Income taxes									**(12,932)**	**(12,774)**
Net profit									**31,165**	**33,111**
Net profit/Total Revenues%									***5.1%***	***5.6%***
(1) Net financial expenses includes the amount of Financial income and expenses, Exchange gains and losses and the amount of the Income from equity investment										
STATEMENT OF FINANCIAL POSITION	**31.12.2022**	**31.12.2021**	**31.12.2022**	**31.12.2021**	**31.12.2022**	**31.12.2021**	**31.12.2022**	**31.12.2021**	**31.12.2022**	**31.12.2021**
Net debt (*)	21,295	6,778	108,992	96,092	47,018	41,399	0	0	**177,305**	**144,269**
Shareholders' Equity	184,363	186,501	98,689	83,830	72,228	63,454	(78,293)	(77,852)	**276,987**	**255,933**
Total Shareholders' Equity and Net debt	205,658	193,279	207,681	179,922	119,246	104,853	(78,293)	(77,852)	**454,292**	**400,202**
Net non-current assets (2) (*)	122,922	128,424	101,679	95,854	57,242	53,233	(75,238)	(75,394)	**206,605**	**202,117**
Net working capital (*)	82,736	64,855	106,002	84,068	62,004	51,620	(3,055)	(2,458)	**247,687**	**198,085**
Total net capital employed (*)	205,658	193,279	207,681	179,922	119,246	104,853	(78,293)	(77,852)	**454,292**	**400,202**
(2) The net non-current assets of the Outdoor Power Equipment area includes the amount of Equity investments for 76,074 thousand Euro										
OTHER STATISTICS	**31.12.2022**	**31.12.2021**	**31.12.2022**	**31.12.2021**	**31.12.2022**	**31.12.2021**	**31.12.2022**	**31.12.2021**	**31.12.2022**	**31.12.2021**
Number of employees at period end	747	758	873	837	655	622	9	8	**2,284**	**2,225**
OTHER INFORMATIONS	**31.12.2022**	**31.12.2021**	**31.12.2022**	**31.12.2021**	**31.12.2022**	**31.12.2021**	**31.12.2022**	**31.12.2021**	**31.12.2022**	**31.12.2021**
Amortization, depreciation and impairment losses	11,006	8,132	8,856	7,863	9,462	8,397			**29,324**	**24,392**
Investment in property, plant and equipment and in intangible assets	4,461	4,266	8,639	5,229	8,632	8,066			**21,732**	**17,561**

(*) See section "Definitions of alternative performance indicators" in Directors' Report

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

7. Significant non-recurring events and transactions

Merger of Brazilian companies Comet do Brasil with Lemasa

During the second quarter the company name of "Comet do Brasil Investimentos LTDA" was changed to "Comet do Brasil Industria e Comercio de Equipamentos LTDA" to proceed with the presentation of the merger application with the subsidiary Lemasa S.A.

On July 8, the business office accepted and registered the request for merger by incorporation between the vehicle companies Comet do brasil and its wholly-owned direct subsidiary Lemasa S.A. generating retroactive effects as of July 1, 2022. Consequently, starting from that date, all of Lemasa's assets, rights, liabilities and obligations are wholly owned by Comet do Brasil Industria e Comercio de Equipamentos LTDA, as established by Brazilian commercial legislation.

The transaction did not have any effects on shareholders' equity of the Group, as the two companies were consolidated at 100% since 2015, and took place in continuity with values already previously allocated.

Purchase of 4% of Valley Industries LLP

On 23 September 2022, Comet Usa company signed an agreement for the exercise of the purchase option of 4% of the shareholding of Valley Industries LLP, bringing its equity investment to 94%.
The price for the acquisition of this share amounts to 942 thousand US dollars, reflected in the consolidated income statement for the year.
The Put & Call agreement, already in place, therefore remains in force for the remaining 6% of the residual equity investment.

Markusson Professional Grinders AB Put & Call extension

On 29 July 2022, Tecomec S.r.l. company signed an amendment to the shareholders' agreement for the Put & Call of the residual equity investment of Markusson. This contractual change resulted in the extension of the terms of the option right on a 19% stake. In particular, a first Call option is envisaged for 30% of the share capital of Markusson which may be exercised by Tecomec S.r.l., in the period starting from 1 May to 15 June

2023. A second Call option for the remaining 19% of the share capital of Markusson will be exercisable by Tecomec S.r.l. from 1 May 2026.
The change of the terms resulted in the adjustment of the debt for P&C and a consequent charge equal to € 581 thousand reflected in the consolidated income statement for the year.

Constitution Jiangmen Autech Equipment Co. Ltd

On 30 September 2022, the establishment of the Chinese company Jiangmen Autech Equipment Co. Ltd, 100% owned by the parent company Emak Spa, was registered. The share capital will be paid at a later date through a net contribution of assets in kind, for a value of about 12 million Renminbi, through the spin-off from subsidiary Jiangmen Emak Outdoor Power Equipment Co.ltd. of fixed assets which are currently granted on loan to third parties and which consequently are not used for the production process.
As at 31 December 2022, the establishment of this company did not have any impact on the consolidated financial statements.

Acquisition of Trebol Maquinaria y Suministros S.A.

On 30 September 2022, the subsidiary Sabart S.r.l., signed a binding agreement for the purchase of control of Trebol Maquinaria y Suministros S.A., a company based in La Coruna (Spain), active in the marketing of spare parts and accessories in the Garden and Forestry.
In 2021, the company achieved sales of approximately € 5 million, a normalized EBITDA of approximately 13%, with a positive net financial position of approximately € 200 thousand.

On 13 October 2022, Sabart S.r.l. completed the acquisition of 83.33% of the company at a price of approximately € 3.4 million.

The remaining share of the company, equal to 16.67%, remains owned by one of the founders of the company.

With this transaction, the Group intends to expand its direct presence in the Components & Accessories segment in one of the main markets at European level as well as to expand its spare parts catalog, further strengthening its position as a key supplier in the sector.

The *fair value* of the assets and liabilities of acquisition determined on the basis of the last financial statements of September 30, 2022, the price paid and the financial disbursement are detailed below:

€/000	Book values	Fair Value adjustments	Fair value of acquired assets and liabilities
Non-current assets			
Property, plant and equipment	34		34
Intangible assets	-	1,308	1,308
Other financial assets	20		20
Right of use	113		113
Current assets			
Inventories	1,672		1,672
Trade and other receivables	718		718
Current tax receivables	11		11
Cash and cash equivalents	52		52
Non-current liabilities			
Liabilities for leasing	(94)		(94)
Deferred tax liabilities	(34)	(327)	(361)
Current liabilities			
Trade and other payables	(665)		(665)
Current tax liabilities	(124)		(124)
Liabilities for leasing	(19)		(19)
Total net assets acquired	**1,684**	**981**	**2,665**
% consolidated			**83.33%**
Equity consolidated			**2,221**
Purchase price for 83,33% paid			**3,412**
Goodwill			**1,191**
Cash and cash equivalents acquired			52
Net cash outflow			**3,360**

The difference between the acquisition price paid and the fair value of the assets, liabilities and contingent liabilities at the acquisition date was recognized as goodwill. The fair value adjustments refer to € 392 thousand at trademark and to € 916 thousand at the customer relationship, valued at the Purchase Price Allocation in accordance with IFRS 3.
The evaluation defined the estimated useful life to be attributed to the trademark (10 years) and to the customer list (15 years). No unreflected contigent liabilities emerged from the valuation.
The determination of the fair value of the acquired assets and liabilities took place following valuation methodologies recognized as best practice; in particular, the *excess earning method* criterion for the customer list and the *relief from royalty method* for the trademark.
As at 31 December 2022, the Purchase Price Allocation process was completed.

Plan to purchase Emak S.p.A. shares

As at 31 December 2021, the Company held 397,233 treasury shares in its portfolio for a value of € 2,029 thousand.
Following the authorization granted by the Shareholders' Meeting on 29 April 2022, Emak S.p.A. made purchases of treasury shares on the market.
During the last quarter of 2022, the company purchased no. 700,000 treasury shares for a value of € 806 thousand. Therefore, as at 31 December 2022 the company holds n. 1,097,233 treasury shares in portfolio for a value of € 2,835 thousand.

During the months of January and February 2023, there were no changes in the consistency of the treasury share portfolio.

8. Balances or transactions arising from atypical and unusual operations

No events/operations as per Consob Communication DEM/6064293 of 28 July 2006 have been recorded during the financial period 2022. As indicated in this Communication "atypical and/or unusual operations are considered as operations that, due to their significance/materiality, the nature of the counterparties, the object of the transaction, the means for determining the transfer price and the time of the event (near the close of the period), may give rise to doubts with regards to: the correctness/completeness of the information in the financial statements, conflicts of interest, the protection of company assets, the safeguarding of minority interests.

9. Net financial positions

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

(€/000)	31.12.2022	31.12.2021
A. Cash	86,477	79,645
B. Cash equivalents	-	-
C. Other current financial assets	2,745	358
D. Liquidity funds (A+B+C)	**89,222**	**80,003**
E. Current financial debt	(22,956)	(19,938)
F. Current portion of non-current financial debt	(60,694)	(56,213)
G. Current financial indebtedness (E + F)	**(83,650)**	**(76,151)**
H. Net current financial indebtedness (G - D)	**5,572**	**3,852**
I. Non-current financial debt	(184,028)	(149,105)
J. Debt instruments	-	-
K. Non-current trade and other payables	-	-
L. Non-current financial indebtedness (I + J + K)	**(184,028)**	**(149,105)**
M. Total financial indebtedness (H + L) (ESMA)	**(178,456)**	**(145,253)**
N. Non-current financial receivables	1,151	984
O. Net financial position (M-N)	**(177,305)**	**(144,269)**
Effect IFRS 16	**38,039**	**38,974**
Net financial position without effect IFRS 16	**(139,266)**	**(105,295)**

The increase in net financial position as at 31 December 2022 compared to 31 December 2021, better explained in the Directors' report, was affected by an increase in net working capital and in particular by the growth in the stock of inventories which allowed and still allows the Group to dealing with fluctuations in demand, thus responding to market needs, minimizing situations of stock-outs.
The last quarter of 2022 compared to the last quarter of 2021 was also affected by a slowdown in supplies which therefore led to a reabsorption of trade payables at the end of the year with negative effects on net working capital.

Net financial position at December 31, 2022, includes € 13,157 thousand (€ 12,259 thousand at December 31, 2021), referring to payables for the purchase of the remaining minority shareholding (Note 30). These debts refer to the purchase of investments in the following companies:

- Markusson for an amount of € 4,866 thousand;
- Agres for an amount of € 4,705 thousand;
- Valley LLP for an amount of € 1,986 thousand;
- Poli S.r.l. for an amount of € 1,600 thousand.

Non-current portion of the payables for the purchase of equity investments, recorded in the item "Non-current financial debt" in the table above, is equal to € 6,801 thousand while the current portion of payables for the purchase of equity investments, recorded in the item "Current financial debt", is equal to € 6,356 thousand.

Net financial position at December 31, 2022, includes, in the items referring to “Financial debts”, financial liabilities for € 38,039 thousand (€ 38,974 thousand at December 31, 2021) deriving from the application of IFRS 16- Leases. Current portion of this financial liability is equal to € 6,357 thousand (€ 5,863 thousand at December 31, 2021) and non current portion is equal to € 31,682 thousand (€ 33,111 thousand at December 31, 2021). Liabilities for leasing to related parties are included in this amount for an amount of € 14,459 thousand, of which € 1,670 thousand as a short term attributable to the application of the IFRS 16 to the rental contracts that some Group companies enter into with the associated company Yama immobiliare S.r.l.

At 31 December 2022, the item financial receivables also includes receivables from related parties for an amount of € 148 thousand of which € 37 thousand are a short-term, attributable to receivables from the parent company Yama S.p.A. for the guarantees included in the contract in favour of Emak S.p.A. as part of the so-called “Operazione Greenfield” carried out in 2011.

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

10. Revenues from sales and other operating income

The Group's revenues amount to € 605,723 thousand, compared to € 588,299 thousand of last year, and they are recorded net of returns for € 1,274 thousand, against € 1,535 thousand of last year.

Details of revenues from sales are as follows:

€/000	FY 2022	FY 2021
Net sales revenues (net of discounts and rebates)	600,538	583,120
Revenues from recharged transport costs	6,459	6,714
Returns	(1,274)	(1,535)
Total	**605,723**	**588,299**

The increase in "Revenues" refers to the growth recorded in some segments in which the Group operates, mainly concentrated in the Europe and Americas areas. The change in the consolidation area had a positive effect of € 4,549 thousand on revenues for the year.

Other operating income is analysed as follows:

€/000	FY 2022	FY 2021
Grants related to income and assets	1,376	2,023
Revenues for rents	650	558
Capital gains on property, plant and equipment	75	221
Advertising reimbursement	171	192
Recovery of canteen costs	129	123
Recovery of warrants costs	78	68
Insurance refunds	56	33
Recovery of administrative costs	144	82
Other operating income	2,074	1,810
Total	**4,753**	**5,110**

The item “Grants related to income and assets” includes tax credits for € 761 thousand and € 341 thousand as a accrual for non-repayable grant allowed to the Parent Company Emak S.p.A. for the tender of the Ministry of Economic Development “Sustainable Industry - ICT & Digital Agenda” (financing of interventions for the promotion of major R&D projects).
At December 31,2021 the item included € 620 thousand as a non-repayable subsidies obtained from Valley envisaged as part of the business support programs for address the pandemic crisis.

11. Cost of raw materials, consumable and goods

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

€/000	FY 2022	FY 2021
Raw materials, semi-finished products and goods	327,422	351,140
Other purchases	4,106	3,644
Development costs capitalized	-	(47)
Total	**331,528**	**354,737**

The contraction in sales starting from the second half of the year, the normalization of procurement conditions and international logistics, led to a revision of purchasing strategies compared to the previous year. In particular, the high level of inventories and the lesser visibility on the demand side led to a revision of the levels of inventories required and a consequent modification of the purchasing conditions. The combination of these circumstances generated a reduction in the need for raw materials and finished products compared to the previous year, with a particular impact in the final part of the year.

12. Personnel expenses

Details of these costs are as follows:

€/000	FY 2022	FY 2021
Wage and salaries	67,731	65,560
Social security charges	18,951	18,506
Employee termination indemnities	2,985	2,663
Other costs	2,772	2,252
Development costs capitalized	(527)	(1,219)
Directors' emoluments	1,239	2,208
Temporary staff	6,368	8,261
Total	**99,519**	**98,231**

The change in the scope of consolidation affected personnel costs by around € 1,040 thousand.
During the 2022 financial year, personnel costs for € 527 thousand were capitalized under intangible fixed assets (€ 1,219 thousand at 31 December 2021), mainly referring to the costs for the development of new products.

Costs for directors' emoluments decreased due to the lower incidence of the variable component linked to performance, while lower production volumes led to a decrease in costs for temporary staff.

The decrease in the amount of development costs capitalized depends on the conclusion at the end of 2021 of an important project having expenses with eligible requirements for capitalization.

The costs for the year include reorganization costs for € 204 thousand; mainly referring to retirement incentives paid by some Group companies. In the previous year these charges, amounted to € 144 thousand.

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

13. Other operating costs and provisions

Details of these costs are as follows:

€/000	FY 2022	FY 2021
Subcontract work	17,233	18,300
Maintenance	7,104	6,595
Trasportation and duties	37,601	39,492
Advertising and promotion	5,119	4,158
Commissions	9,328	9,507
Travel	2,753	1,451
Postals and telecommunications	841	835
Consulting fees	6,212	6,146
Driving force	4,012	2,925
Various utilities	1,907	1,271
Services and bank fees	787	774
Costs of after sales warranty	1,663	1,454
Insurances	1,850	1,669
Other services	10,528	8,299
Development costs capitalized	(147)	(52)
Services	**106,791**	**102,824**
Rents, rentals and the enjoyment of third party assets	**3,723**	**3,246**
Increases in provisions (note 34)	**597**	**1,000**
Credit losses	194	265
Increases in provision for doubtful accounts (note 24)	1,152	750
Capital losses on property, plant and equipment	7	64
Other taxes (not on income)	1,812	1,600
Grants	148	65
Other costs	1,716	2,095
Other operating costs	**5,029**	**4,839**
Total	**116,140**	**111,909**

Costs for services were negatively affected by the increase in gas and energy prices recorded at a macroeconomic level, for approximately € 1.7 million.
Travel expenses increased compared to 2021 due to the full recovery of travel after the years characterized by the COVID-19 pandemic, as well as the costs for corporate events and trade fairs, included in the item Other services, which recorded an increase of approximately € 1. 2 million.
The reduction in transport costs is connected to the lower purchase and sale volumes, despite the presence of very high tariff levels for a large part of the year. These costs reached record levels, to then decrease at the end of the year with a tendency to decrease still in progress.

14. Amortization, depreciation and impairment losses

Details of these amounts are as follows:

€/000	FY 2022	FY 2021
Amortization of intangible assets (note 19)	5,880	5,361
Depreciaton of property, plant and equipment (note 18)	13,842	12,949
Amortization of rights of use (note 20)	6,645	6,082
Impairment losses of goodwill (note 21)	2,957	-
Total	**29,324**	**24,392**

The amortization and depreciation at December 31, 2022 amounted to € 29,324 thousand of which € 2,957 thousand recorded as a loss due to the reduction in the value of goodwill referring to the company Tailong (Zhuhai) Machinery Manufacturing Equipment Ltd.
This loss was recognized following the application of the impairment test procedure for the details of which see Note 21 below.
The item “Amortization of rights of use” includes the amortization of rights of use recognized among non-current assets in application of IFRS 16 - *Leases*.
Amortization is calculated based on the duration of the contracts, taking into account the reasonableness of the probable renewals where they are contractually provided for.

15. Financial income and expenses

“**Financial income**” is analysed as follows:

€/000	FY 2022	FY 2021
Income from adjustment to fair value and fixing of derived instruments for hedging interest rate risk	2,813	669
Interest of trade receivables	259	96
Interest on bank and postal current accounts	261	109
Financial income of debt adjustment estimate for purchase commitment of remaining shares of subsidiaries	536	-
Other financial income	138	129
Financial income	**4,007**	**1,003**

The “Financial income of debt adjustment estimate for purchase commitment of remaining shares of subsidiaries” refer to the adjustment of the debt for the purchase of the remaining 10% of Valley Industries LLP: at the beginning of September 2022 the parties have agreed the exercise of the Put & Call option for 4% of the company, defining the reference price, still not settled as at 31 December 2022. The remaining 6% remains subject to the Put & Call option and it is valued on the basis of the economic-financial results of the company and recorded in the item Liabilities for the purchase of equity investments among current liabilities.

With reference to the income from fair value adjustments and fixing of derivative instruments, please refer to paragraph 23 of these Explanatory Notes.

“Financial expenses” are analyzed as follows:

€/000	FY 2022	FY 2021
Interest on medium long-term bank loans and borrowings	3,670	1,852
Financial charges of debt adjustment estimate for purchase commitment of remaining shares of subsidiaries	2,400	4,569
Financial charges from leases	1,065	927
Costs from adjustment to fair value and fixing of derived instruments for hedging interest rate risk	130	535
Interest on short-term bank loans and borrowings	396	136
Financial charges from valuing employee terminations indemnities (note 33)	28	-
Financial expenses from discounting debts	47	25
Other financial costs	824	567
Financial expenses	**8,560**	**8,611**

The increase in the "interest on medium long-term bank loan and borrowings" is related to the increase in interest rates and to the bank indebtedness.

The "Financial charges of debt adjustment estimate for purchase commitment of remaining shares of subsidiaries" refer to the adjustment of the debt for the purchase commitment of the remaining shares of the companies:

- Agres Sistemas Eletrônicos S.A, subject to Put & Call option for the purchase of the 9% remaining of the company with an adjustment in the year of € 797 thousand (€ 2,483 thousand in the previous year);
- Markusson, subject to Put & Call option for the purchase of the 49% remaining of the company with an adjustment in the year of € 1,603 thousand (€ 1,478 thousand in the previous year).

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

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

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

Details of "**exchange gains and losses"** are as follows:

€/000	FY 2022	FY 2021
Profit / (Loss) on exchange differences on trade transactions	987	632
Profit / (Loss) on exchange differences on trade transactions adjustments	675	165
Profit / (Loss) on exchange differences on financial transactions	528	(157)
Profit / (Loss) on exchange differences on valuation of hedging derivatives	(295)	(51)
Exchange gains and losses	**1,895**	**589**

The exchange rate management 2022 is positive for € 1,895 thousand against a positive value equal to € 589 thousand of the previous year.
Foreign exchange management was positively affected by the revaluation of the US dollar and the Brazilian real against the Euro.

16. Income taxes

The tax charge in 2022 for current and deferred tax assets and liabilities amounts to € 12,932 thousand (€ 12,774 thousand in the previous year).

This amount is made up as follows:

€/000	FY 2022	FY 2021
Current income taxes	13,476	13,689
Taxes from prior years	(44)	(41)
Deferred tax assets (note 32)	(527)	(841)
Deferred tax liabilities (note 32)	27	(33)
Total	**12,932**	**12,774**

Current income taxes include the cost of IRAP (regional company tax) to € 1,179 thousand, compared to € 1,282 thousand in 2021.

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

€/000	FY 2022	% Rate	FY 2021	% Rate
Profit before taxes	**44,097**		**45,885**	
Theoretical tax charges	**12,303**	**27.9**	**12,802**	**27.9**
Effect of IRAP differences calculated on different tax base	139	0.3	484	1.0
Non-taxable income	(499)	(1.1)	(330)	(0.7)
Non-deductible costs	1,297	2.9	566	1.2
Differences in rates with other countries	165	0.4	(641)	(1.4)
Tax effect from realignment and revaluations	-	-	(102)	(0.2)
Taxes on financial charges concerning the discounting and adjustment of payables for equity investments	547	1.2	1,114	2.4
Previous period taxes	(44)	(0.1)	(41)	(0.1)
Other differences	(976)	(2.2)	(1,078)	(2.3)
Effective tax charge	**12,932**	**29.3**	**12,774**	**27.8**

The effective tax rate is 29.3% against 27.8% at 31 December 2021.

The effective tax charge in 2022 was negatively affected:

- from the recognition of the reduction in the value of the “Tailong” goodwill, which is not fiscally relevant, for € 2,957 thousand (with a negative effect on the tax rate of 1.9%);
- from the recording of net financial charges that are not fiscally relevant and related to the adjustment of debts for the purchase of residual shares of subsidiaries (Note 15), with a negative effect on the tax rate for the year equal to 1.2% (2.4% for the previous year);

17. Earnings per share

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

	FY 2022	FY 2021
Net profit attributable to ordinary shareholders in the parent company (€/000)	30,268	32,508
Weighted average number of ordinary shares outstanding	163,451,400	163,537,602
Basic earnings per share (€)	**0.185**	**0.199**

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

18. Property, plant and equipment

Changes in property, plant and equipment are shown below:

€/000	31.12.2021	Change in scope of consolidation Increase	Increase/ (Amortizations)	Decreases	Exchange differences	Reclassification	31.12.2022
Lands and buildings	59,356		580	(34)	(400)	6	59,508
Accumulated depreciation	(23,949)		(1,563)	34	148	-	(25,330)
Lands and buildings	**35,407**	**-**	**(983)**	**-**	**(252)**	**6**	**34,178**
Plant and machinery	120,416	11	5,500	(1,188)	952	1,434	127,125
Accumulated depreciation	(92,374)	(11)	(6,747)	942	(537)	(82)	(98,809)
Plant and machinery	**28,042**	**-**	**(1,247)**	**(246)**	**415**	**1,352**	**28,316**
Other assets	134,611	125	5,410	(2,862)	(138)	2,389	139,535
Accumulated depreciation	(123,040)	(91)	(5,532)	2,791	266	25	(125,581)
Other assets	**11,571**	**34**	**(122)**	**(71)**	**128**	**2,414**	**13,954**
Advances and fixed assets in progress	**3,538**	**-**	**4,939**	**(56)**	**51**	**(2,396)**	**6,076**
Cost	**317,921**	**136**	**16,429**	**(4,140)**	**465**	**1,433**	**332,244**
Accumulated depreciation (note 14)	**(239,363)**	**(102)**	**(13,842)**	**3,767**	**(123)**	**(57)**	**(249,720)**
Net book value	**78,558**	**34**	**2,587**	**(373)**	**342**	**1,376**	**82,524**

€/000	31.12.2020	Change in scope of consolidation Increase	Increase/ (Amortizations)	Decreases	Exchange differences	Reclassification	31.12.2021
Lands and buildings	57,268		205	(177)	1,945	115	59,356
Accumulated depreciation	(21,791)		(1,613)	6	(551)	-	(23,949)
Lands and buildings	**35,477**	**-**	**(1,408)**	**(171)**	**1,394**	**115**	**35,407**
Plant and machinery	109,651	246	4,822	(1,381)	2,096	4,982	120,416
Accumulated depreciation	(85,765)	(232)	(5,989)	1,300	(1,688)	-	(92,374)
Plant and machinery	**23,886**	**14**	**(1,167)**	**(81)**	**408**	**4,982**	**28,042**
Other assets	130,838	330	4,775	(3,090)	1,487	271	134,611
Accumulated depreciation	(119,207)	(317)	(5,347)	2,951	(1,224)	104	(123,040)
Other assets	**11,631**	**13**	**(572)**	**(139)**	**263**	**375**	**11,571**
Advances and fixed assets in progress	**5,415**	**-**	**3,536**	**(10)**	**69**	**(5,472)**	**3,538**
Cost	**303,172**	**576**	**13,338**	**(4,658)**	**5,597**	**(104)**	**317,921**
Accumulated depreciation (note 14)	**(226,763)**	**(549)**	**(12,949)**	**4,257**	**(3,463)**	**104**	**(239,363)**
Net book value	**76,409**	**27**	**389**	**(401)**	**2,134**	**-**	**78,558**

Tangible fixed assets of Trebol Maquinaria y Suministros S.A. at the date of entry into the consolidation area, they amounted to € 34 thousand.

Increases refer mainly to investments:

1. in equipment for the development of new products and new technologies;
2. in the upgrading and modernization of production lines;
3. in the upgrading of production systems and infrastructures;
4. in the cyclical renewal of production and industrial equipment.

No indicators of impairment of tangible assets were recorded, with the exception of what was noted with reference to the Parent Company Emak S.p.A. and better explained in Note 21.

There are no assets subject to restrictions following secured guarantees

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

19. Intangible assets

Intangible assets report the following changes:

€/000	31.12.2021	Change in scope of consolidation Increase	Increases	Decreases	Amortizations	Exchange differences	Reclassification	31.12.2022
Development costs	4,656	-	845	-	(1,670)	141	132	4,104
Patents and software	2,532	-	1,756	-	(1,502)	19	208	3,013
Concessions, licences and trademarks	3,760	392	45	-	(614)	42	(1)	3,624
Other intangible assets	13,022	916	215	-	(2,094)	84	83	12,226
Advanced payments and fixed assets in progress	883	-	2,442	(13)	-	1	(1,798)	1,515
Net book value	24,853	1,308	5,303	(13)	(5,880)	287	(1,376)	24,482

€/000	31.12.2020	Change in scope of consolidation Increase	Increases	Decreases	Amortizations	Exchange differences	Reclassification	31.12.2021
Development costs	4,360	200	1,405	(5)	(1,411)	11	96	4,656
Patents and software	2,455	22	1,433	(4)	(1,438)	5	59	2,532
Concessions, licences and trademarks	4,320	-	41	-	(604)	3	-	3,760
Other intangible assets	11,650	2,812	476	-	(1,908)	(13)	5	13,022
Advanced payments and fixed assets in progress	284	-	868	(109)	-	-	(160)	883
Net book value	23,069	3,034	4,223	(118)	(5,361)	6	-	24,853

Research costs directly recorded in the income statement amount to € 9,335 thousand, net of the capitalization that took place during the year and mainly refer to costs incurred for the development of new products.

The increases from the change in the scope of consolidation refer to development costs, patents and software and the fair value values attributed to the customer list and mark of Trebol Maquinaria y Suministros S.A. company during *Purchase Price Allocation (PPA).* The value attributed to the mark is equal to € 392 thousand, with an estimated useful life of 10 years, while the value attributed to the customer relationship is equal to € 916 thousand, with an estimated useful life of 15 years.

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

- Lavorwash Group, which took place in 2017, for a net value at 31 December 2022 of € 4,461 thousand and with an estimated useful life of 14 years, still considered reliable;
- Agres Sistemas Eletrônicos SA, which took place in 2020, for a net value at 31 December 2022 of €1,372 thousand and with an estimated useful life of 10 years;
- Markusson, which took place in 2020, for a net value at 31 December 2022 of € 1,100 thousand and with an estimated useful life of 10 years;
- Poli S.r.l. which took place in 2021, for a net value at 31 December 2022 of € 2,530 thousand and with an estimated useful life of 14 years.

During 2022, the implementation activity of the new management system of the Comet S.p.A. and Lavorwash S.p.A. companies began whose go-live is expected for 2023 and which resulted in costs in 2022 equal to € 632 thousand.

All intangible fixed assets have a defined residual life and are amortized at constant rates on the basis of their remaining useful life, except for the trade mark of the subsidiary Lemasa S.A. merged into Comet do Brasil Industria e Comercio de Equipamentos Ltda, allocated in occasion of the acquisition of the same company and recorded for a value of 2,664 thousand Reais, equal to € 472 thousand as at 31 December 2022.

The recoverability of this asset with an indefinite useful life is subject to an impairment test carried out with the procedure illustrated in Note 21.

20. Rights of use

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

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

€/000	31.12.2021	Change in scope of consolidation	Increases	Amortization	Decreases	Exchange difference	31.12.2022
Rights of use buildings	**36,217**	**113**	**4,106**	**(5,850)**	**-**	**416**	**35,002**
Rights of use other assets	**1,448**	**-**	**809**	**(795)**	**(15)**	**12**	**1,459**
Net book value (note 14)	**37,665**	**113**	**4,915**	**(6,645)**	**(15)**	**428**	**36,461**

€/000	31.12.2020	Change in scope of consolidation	Increases	Amortization	Decreases	Exchange difference	31.12.2021
Rights of use buildings	**26,565**	**864**	**14,273**	**(5,345)**	**(229)**	**89**	**36,217**
Rights of use other assets	**1,360**	**-**	**825**	**(737)**	**(5)**	**5**	**1,448**
Net book value (note 14)	**27,925**	**864**	**15,098**	**(6,082)**	**(234)**	**94**	**37,665**

The change in the scope of consolidation refers to the lease contracts in place at the acquisition date of the company Trebol Maquinaria y Suministros S.A for the year 2022; while it refers to the lease contracts in place at the acquisition date of the company Poli S.r.l. for the year 2021.
The increases for the year are mainly related to the signing of new lease contracts for buildings owned by third parties, which expired during the year, for identical underlying assets.

21. Goodwill

The goodwill of € 71,216 thousand reported at December 31, 2022 is detailed below:

Cash Generating Unit (CGU)	*Country*	Description	31.12.2021	Change in scope of consolidation	Impairment losses (Note 13)	Exchange differences	31.12.2022
Victus	Poland	Goodwill recorded in Victus IT	5,293	-	-	(93)	5,200
Tailong	China	Goodwill recorded in Tailong Machinery Ltd.	2,909	-	(2,957)	48	-
Tecomec	Italy	Goodwill recorded in Tecomec Group	2,807	-	-	-	2,807
Speed France	France	Goodwill recorded in Speed France	2,854	-	-	-	2,854
Comet	Italy	Goodwill recorded in Comet Group	4,253	-	-	-	4,253
PTC	Italy	Goodwill recorded in PTC	1,236	-	-	-	1,236
Valley	USA	Goodwill recorded in Valley LLP and A1	12,866	-	-	796	13,662
Tecomec	Italy	Goodwill Geoline Electronic S.r.l. recorded in Tecomec S.r.l.	901	-	-	-	901
S.I.Agro Mexico	Mexico	Goodwill recorded in S.I.Agro Mexico	634	-	-	-	634
Comet do Brasil	Brazil	Goodwill Lemasa LTDA recorded in Comet do Brasil	8,975	-	-	937	9,912
Lavorwash	Italy	Goodwill recorded in Lavorwash Group	17,490	-	-	-	17,490
Spraycom	Brazil	Goodwill recorded in Spraycom	200	-	-	-	200
Markusson	Sweden	Goodwill recorded in Markusson	1,720	-	-	(135)	1,585
Agres	Brazil	Goodwill recorded in Agres	6,681	-	-	796	7,477
Poli	Italy	Goodwill recorded in Poli	1,815	-	-	-	1,815
Trebol	Spain	Goodwill recorded in Trebol	-	1,191	-	-	1,191
		Total	**70,634**	**1,191**	**(2,957)**	**2,348**	**71,216**

The difference compared to December 31, 2021, is attributable to the change in consolidation exchange rates, to the acquisitions of the company Trebol Maquinaria y Suministros S.A. and to the impairment losses of the goodwill of Tailong.

- Goodwill allocated to the CGU Victus, equal to € 5,200 thousand, relates to the difference between the acquisition price for 100% of the company regulated by Polish law, Victus-Emak Sp. Z.o.o., and its equity at the date of acquisition, and relates to the acquisition of the company branch of Victus International Trading SA. Both acquisitions were finalized in 2005.

- Goodwill relating to the acquisition of the Tecomec Group, the Comet Group and of the Speed France Group on the part of Tecomec S.r.l respectively for € 2,807 thousand, € 4,253 thousand and € 2,854 thousand arise from the Greenfield Operation (for details on the operation, reference should be made to the prospectus published on November 18, 2011); in compliance with the requirements of the reference accounting standards, the acquisition operations carried out between parties subject to common control are not regulated by IFRS 3, but are accounted for taking account of the requirements of IAS 8, that is, the concept of a reliable and faithful representation of the operation, and of the provisions of OPI 1 (Assirevi, Association of Italian Auditors, Preliminary Guidelines regarding IFRS), relating to the "accounting treatment of business combinations of entities under common control in the separate and consolidated financial statements". As more fully specified in the aforementioned accounting standards, the choice of the accounting standard for the operations in question must make reference to the above-described elements, which imply the application of the criterion of the continuity of the values of the net assets transferred. The principle of the continuity of values gives rise to the recognition in the financial statements of the acquiring company of values equal to those that would have been shown if the net assets subject to aggregation had always been aggregated. The net assets must therefore be recognized at the book values shown in the accounts of the acquired companies before the operation or, if available, at the values shown in the consolidated accounts of the common controlling company. Specifically, the company has chosen to account for the difference arising from the greater price paid for the acquisition of the stakes of the Tecomec Group and of the Comet Group only at the values already recognized in the consolidated accounts of the controlling company Yama at the time of the respective acquisitions.
  Since the acquisition values of the shareholdings in the Greenfield Operation are greater than the equity values of the acquired companies at 31 December 2011, the excess of € 33,618 thousand has been eliminated by adjusting down equity in the consolidated financial statements.
  The goodwill allocated to the CGU Comet, equal to € 4,253 thousand, includes the amount of € 1,974 thousand relates to the positive difference emerged following the acquisition and subsequent merger by incorporation of the company HPP S.r.l. in Comet S.p.A., finalized in 2010. The latter, with reference to the impairment test conducted for the 2022 financial statements, was tested through the flows deriving from the subsidiary PTC which, from that financial year, acquired the HPP business through business unit lease.

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

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

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

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

- The goodwill allocated to the CGU Valley, equal to € 13,662 thousand, include an amount of € 12,188 thousand for the acquisition of Valley Industries LLP by Comet USA Inc in February 2012, resulting from the difference arising between the acquisition price and its net assets and an amount equal to € 1,474 thousand arising from the acquisition of the company branch A1 Mist Sprayers Resoruces Inc., realized in the first months of 2017 by the same Valley.

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

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

- The amount of € 9,912 thousand refers to the goodwill recorded in relation to the acquisition of the 100% of Lemasa - currently merged into Comet do Brasil - during 2015 financial year, of which 30% regulated by a *Put & Call* option exercised in 2020. The goodwill was recognized as the difference between the estimate of the current price of acquisition of 100% of the company and the fair value of its Net Equity at the date of acquisition. 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.

- 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 € 1,585 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, referring to 100%, was determined as the difference between the fair value of the net assets and the acquisition price which, for the part subject to the Put & Call option, is valued according to future economic and financial results; the value of the goodwill, therefore, was recorded using the best estimate of the current value of the exercise price of the options, determined on the basis of the related business plan.

- The amount of € 7,477 thousand includes the value of the goodwill referring to the company Agres which took place in 2020. 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 the expected future economic and financial results, the value of the goodwill, therefore, was originally recorded using the best estimate of the current value of the exercise price of the options, determined on the basis of the related business plan.

- The goodwill recorded for € 1,815 thousand in 2021 emerges from the consolidation of the company Poli as the difference between the fair value of the net assets and the acquisition price which, for the part subject to the Put & Call option, referring to the 20% of the company, is valued according to future economic and financial results. The goodwill, therefore, was originally recorded taking into account the best estimate of the current value of the exercise price of the options, determined on the basis of the related business plan.

- The goodwill referring to the company Trebol Maquinaria y Suministros S.A was recognized at 31 December 2022 for € 1,191 thousand as the difference between the fair value of the net assets at 30 September 2022 and the acquisition price referring to 83.33% of the society.

Impairment test

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

The business plans, methodologies and results of the "impairment test" as illustrated above have been approved by the Board of Directors on February 28, 2023, taking account of the opinion of the Risk Control and Sustainability Committee.
The multi-year financial business plans have also been subject to approval by the respective Boards of Directors of the sub-holdings to which each CGU belongs.

The more relevant factors in the estimate of future cash flows are attributable to the intrinsic difficulty in the formulation of future forecasts, to the feasibility of market strategies in highly competitive contexts, and to macroeconomic and geo-political risks connected to geographical areas in which the Emak Group operates.
Management has taken account in its business strategies of climate-related transitions risks and opportunities that could most significantly influence future cash flows, dividing them into the following main aspects:

- Regulatory evolution of products;
- Evolution of consumer preferences;
- Energy supply-chains.

The discount rate used to discount the expected cash flows has been established by single CGU. This rate (WACC) reflects the current market assessments of the time value of money over the period considered and the specific risks of Emak Group companies and of the reference sectors.

In order to carry out the impairment test on the recoverability of goodwill values, the *Discounted cash flow* has been calculated in the basis of the following assumptions:

- the cash flows used has been extracted from the three-year or five-year business plan of the companies, approved by the Board of Directors, that represent management's best estimate in relation to the future operating performances of single entities in the period in question;
- these cash flows refer to reference units in their current state and exclude any operation of an extraordinary nature and/or operations not yet defined at the closing of the year;
- The future expected cash flows have been forecast in the currencies in which they will be generated;
- The future expected cash flows refer to a period of 3/5 years and include a normalized terminal value used to express a synthetic estimate of future results beyond the timeframe explicitly considered;
- The WACC used to discount future cash flows are calculated on the basis of the following assumptions:
  - the cost of debt reflects a cost of debt at market values, determined as the sum of the IRS / SWAP rate of the reference area with a maturity of 10 years with an average yield of the 6 months prior December 31, 2022 to which is added a spread determined on the basis of the actual cost of debt relating to the Group's current loans;
  - The cost of equity capital reflects the average 10-year *(*risk free*)* Government Bond yield of the 6 months previous to 31 December 2022 increased by a premium for market risk and weighted by an industry-specific levered beta*,* considering, moreover, an execution risk of 1% in order to take prudent account of possible deviations between the final results and forecast data, as well as a size risk premium to reflect the risk deriving from the dimensions of the Group with respect to other market operators.

- The WACC determined in this way are equal to 9.5% for the CGU located in Italy, 8.4% for the CGU located in France and 9.2% in Spain. For the CGU located in Poland is 11.5%, for the CGU located in Sweden 8%, for the CGU located in China 10.7%, for the CGU located in Mexico 12.4%, for the CGU located in the USA 8.8%, while for the CGU located in Brazil has been used a WACC equal to 15.1%;
- The terminal value was determined on the basis of a long-term growth rate (g) equal to the country's long-term inflation (source *International Monetary Fund*); this rate ranges from a minimum of 1.8% to a maximum of 3.3%;
- For the determination of the operating cash flow based on the last year of explicit forecast, was reflected, in order to project "in perpetuity" a stable situation, a balance between investments and amortization (in the logic of considering a level of investments necessary for the maintenance of the business) and change in working capital equal to zero.

As already mentioned, the impairment tests have not indicated value losses with the exception of the goodwill referring to the company governed by Chinese law, Tailong (Zhuhai) Machinery Manufacturing Equipment Ltd: the assessment of recoverability of said goodwill has indicated a permanent value loss such as to require a total write-off equal to 2,957 thousand Euro.
The company was acquired in 2008 by the parent company YAMA S.p.A. and operates in the production of nickel-plated cylinders for internal combustion engines, a component used for Group products.
The impairment test was performed using a WACC of 10.7% and a long-term growth rate "g" of 2% from which it emerges that the future discounted cash flows do not make it possible to recuperate the value of recorded Goodwill. The company's economic plan, despite confirming positive results, is affected by the Group's strategic choices oriented towards greater investments in battery-powered products with less use of internal combustion engines.

Said goodwill has, therefore, been written down, recording a loss of value in the "Write-Downs and Depreciation and Amortization" heading of the Income Statement (see note 14).

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: positive variation of the WACC of 5% or negative of 50 bps of the longterm growth rate (g) and the cash flows.
These analyzes did not show any impairment losses except for the CGUs relating to Comet do Brasil and the Lavorwash Group for which a change in the basic assumptions would result in a partial impairment loss.

The Company's Management has deemed it appropriate to verify the recoverability of net invested capital relating to the Emak S.p.A. CGU with respect to indicators of loss of value detected during the financial year, traceable to the reporting for the second consecutive year of a negative operating result for the period. This assessment has also been carried out through the determination of the recoverable value of the reference Cash Generating Unit (CGU) through the "Discounted cash flow" method: the methodology for determining the discounted cash flow is the same as previously described. As a result, the figures of the five-year plan of the Emak S.p.A. CGU, which is the smallest series of units for generating cash flow according to the monitoring policies used by management for internal management purposes, have been considered; the WACC rate used for discounting cash flows is 9.5%; the final value has been determined on the basis of a long-term growth rate (g) of 2%, equal to long-term inflation for the country (International Monetary Fund data). The test has not revealed value losses. Sensitivity analysis on the results of the impairment test with respect to a positive variation of 5% of WACC or negative by a half percent of the growth rate "g" and of 5% of the cash flows has not indicated value losses.
Finally, the Directors, noting that the Shareholders' Equity of the Emak Group is higher than market capitalization of the stock at 31 December 2022 (equivalent to 191.8 million Euro), have deemed it appropriate to carry out a so-called "second level" impairment test on the basis of the three-year economic-financial plan of the Group approved by the Board of Directors on 27 January 2023. The impairment test was performed applying the same methodology previously illustrated, applying WACC rate of 9.5% and a long-term growth rate (g) of 2%. The test has not revealed value losses. Sensitivity analysis on the results of the impairment test with respect to a positive variation of 5% of WACC or negative by a half percent of the growth rate "g" and of 5% of the cash flows has not indicated value losses.

22. Equity investments

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

23. Derivative financial instruments

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

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

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

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

The current value of these contracts at December 31, 2022 is shown as follows:

€/000	31.12.2022	31.12.2021
Positive *fair value* assesment exchange rate hedge	142	-
Positive *fair value* assessment exchange rate options	29	234
Positive *fair value* assessment IRS and interest rate options	2,536	52
Total derivative financial instrument assets	**2,707**	**286**
Negative *fair value* assesment exchange rate hedge	557	145
Negative *fair value* assesment exchange rate options	142	213
Negative *fair value* assessment IRS and interest rate options	-	223
Total derivative financial instrument liabilities	**699**	**581**

At December 31, 2022 appear outstanding forward contracts of purchase in foreign currencies for:

	Company		Nominal value (€/000)	Forward exchange (average)	Due to (*)
Forward contracts for foreign currencies purchases					
Cnh/Euro	Emak Spa	Cnh	36,000	7.09	12/12/2023
Usd/Euro	Emak France	Usd	160	1.07	10/05/2023
Jpy/Euro	Emak France	Jpy	19,000	143.86	10/03/2023
Eur/Pln	Victus-Emak S.p. Z.o.o.	Euro	1,050	4.78	11/04/2023
Usd/Pln	Victus-Emak S.p. Z.o.o.	Usd	195	4.69	27/03/2023
Cnh/Pln	Victus-Emak S.p. Z.o.o.	Cnh	12,300	1.51	19/04/2023
Cnh/Euro	Tecomec S.r.l.	Cnh	36,000	7.55	05/12/2023
Cnh/Euro	Lavorwash Spa	Cnh	36,000	7.15	16/11/2023
Gbp/Euro	Lavorwash Spa	Gbp	250	0.88	17/04/2023
Pln/Euro	Lavorwash Spa	Pln	1,000	4.80	19/01/2023
Euro/Mxn	S.I. Agro Mexico	Euro	2,250	22.90	29/09/2023
Euro/Usd	Valley	Euro	600	1.05	30/06/2023
Forward contracts for foreign currencies purchases with nocking forward option					
Cnh/Usd	Emak Spa	Cnh	24,000	7.12	08/12/2023

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

Finally, on December 31, 2022 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 € 60,926 thousand. The expiration of the instruments is so detailed:

Bank	Company	Notional Euro (€/000)	Date of the operation	Due to
Credit Agricole	Emak S.p.A.	500	24/05/2018	30/06/2023
MPS	Emak S.p.A.	1,000	14/06/2018	30/06/2023
UniCredit	Emak S.p.A.	1,000	14/06/2018	30/06/2023
Banco BPM	Emak S.p.A.	500	21/06/2018	31/03/2023
Banca Nazionale del Lavoro	Emak S.p.A.	938	06/07/2018	06/07/2023
UniCredit	Emak S.p.A.	1,950	31/07/2019	30/06/2024
Banca Nazionale del Lavoro	Emak S.p.A.	1,250	02/08/2019	31/12/2024
Banco BPM	Emak S.p.A.	2,450	02/08/2019	30/06/2024
MPS	Emak S.p.A.	3,750	16/06/2020	30/06/2025
UniCredit	Emak S.p.A.	9,000	06/08/2021	31/03/2025
Bper Banca	Emak S.p.A.	5,000	05/08/2022	30/06/2027
Bper	Comet S.p.A.	2,400	20/09/2017	29/12/2023
Intesa San Paolo	Comet S.p.A.	1,200	20/09/2017	29/12/2023
UniCredit	Comet S.p.A.	1,000	14/06/2018	30/06/2023
Banca Nazionale del Lavoro	Comet S.p.A.	938	06/07/2018	06/07/2023
Bper	Comet S.p.A.	1,200	15/11/2018	29/12/2023
Intesa San Paolo	Comet S.p.A.	600	15/11/2018	29/12/2023
Banca Nazionale del Lavoro	Comet S.p.A.	3,750	02/08/2019	31/12/2024
MPS	Comet S.p.A.	4,667	08/10/2021	28/06/2026
Banca Nazionale del Lavoro	Comet S.p.A.	10,000	18/02/2022	31/12/2026
Credit Agricole	Tecomec S.r.l.	500	24/05/2018	30/06/2023
MPS	Tecomec S.r.l.	2,333	13/10/2021	28/06/2026
Banca Nazionale del Lavoro	Tecomec S.r.l.	5,000	18/02/2022	31/12/2026
Total		**60,926**		

The average of the hedging interest rates resulting from the instruments is equal to 0.24% at December 31, 2022.

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

The value of all these contracts (relating to interest and exchange rates) at December 31, 2022 is an overall positive fair value of € 2,008 thousand (negative fair value equal to € 295 thousand at 31 December 2021).

24. Trade and other receivables

Details of these amounts are as follows:

€/000	**31.12.2022**	**31.12.2021**
Trade receivables	118,470	126,369
Provision for doubtful accounts	(5,837)	(6,008)
Net trade receivables	**112,633**	**120,361**
Trade receivables from related parties (note 40)	404	732
Prepaid expenses and accrued income	2,623	2,270
Other receivables	4,001	4,621
Total current portion	**119,661**	**127,984**
Other non current receivables	60	59
Total non current portion	**60**	**59**

The decrease in the item "trade receivables" is attributable to lower sales volumes in the last quarter of the year, compared to the fourth quarter of 2021. The creditworthiness of customers is confirmed at good levels of reliability.

The item "Other receivables", for the current portion, includes:
- an amount of € 2,238 thousand as advances to suppliers for the supply of goods;
- an amount of € 675 thousand, (€ 334 thousand at 31 December 2021), for receivables of certain Group companies towards the controlling company Yama S.p.A., emerging from the relationships that govern the tax consolidation in which they participate.

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

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

€/000	31.12.2022	31.12.2021
Opening balance	**6,008**	**5,974**
Change in scope of consolidation increase	2	13
Provisions (note 13)	1,152	750
Decreases	(1,373)	(756)
Exchange differences	48	27
Closing balance	**5,837**	**6,008**

The book value reported in the statement of financial position corresponds to its *fair value.*
As regards specifically the credit risk, please refer to what is highlighted in Note 4.1.b).

25. Inventories

Inventories are detailed as follows:

€/000	31.12.2022	31.12.2021
Raw, ancillary and consumable materials	76,660	70,283
Work in progress and semi-finished products	36,427	34,518
Finished products and goods	120,883	112,515
Total	**233,970**	**217,316**

Inventories at December 31, 2022 are stated net of provisions amounting to € 12,200 thousand (€ 11,158 thousand at December 31, 2021) intended to align the obsolete and slow moving items to their estimated realizable value.

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

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

€/000	FY 2022	FY 2021
Opening balance	**11,158**	**10,731**
Change in scope of consolidation	120	184
Provisions	1,623	645
Exchange differences	67	88
Usage	(768)	(490)
Closing balance	**12,200**	**11,158**

26. Cash and cash equivalents

Cash and cash equivalents are detailed as follows:

€/000	31.12.2022	31.12.2021
Bank and post office deposits	86,340	79,566
Cash	137	79
Total	**86,477**	**79,645**

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

€/000	31.12.2022	31.12.2021
Cash and cash equivalents	86,477	79,645
Overdrafts (note 30)	(3,128)	(2,816)
Total	**83,349**	**76,829**

27. Other financial assets

Other financial assets amount to € 1,151 thousand, which is non-current portion, and € 38 thousand as current portion and refer mainly to:

- an amount of € 549 thousand relating to guarantee deposits; entered under the non-current assets;
- an amount of € 470 thousand relating to sureties, recorded under non-current assets;
- an overall amount of € 148 thousand, of which € 111 thousand as a non-current portion and € 37 thousand as a current portion, corresponding to the receivable due from the parent company, Yama S.p.A. by way of a capital replenishment made to the Group for expenses incurred by a number of companies and relating to the period on which Yama S.p.A. exercised control over them.

28. Equity

Share capital
Share capital is fully paid up at 31 December 2021 and amounts to € 42,623 thousand, remaining unchanged during the year under examination, and it is represented by 163,934,835 ordinary shares of par value € 0.26 each.

All shares have been fully paid.

Treasury shares
Total value of treasury shares held at 31 December 2022 amounts to € 2,835, while they amounted to € 2,029 thousand at 31 December 2021.

As at 31 December 2021, the Company held 397,233 treasury shares in its portfolio, during the last quarter of the 2022 financial year the company purchased no. 700,000, therefore, as at 31 December 2022 the company holds 1,097,233 shares.

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 2022 the Shareholders' Meeting of Emak S.p.A. resolved to allocate the profit for the year 2021 for € 497 thousand to the legal reserve for € 454 thousand to the extraordinary reserve and for a total of € 12,266 thousand as a dividend to shareholders (0.075 Euros per share) also through use of the retained earnings reserve.
With the approval of these financial statements, we propose the distribution of a total dividend of Euro 0.065 per share, equal to a total of Euro 10,584 thousand.

Share premium reserve
At 31 December 2022, the share premium reserve amounts to € 41,513 thousand, and consists of premiums on subsequently issued shares.
The reserve is shown net of progress charges related to the capital increase amounted to € 1,598 thousand and adjusted for the related tax effect of € 501 thousand.

Legal reserve
The legal reserve at December 31, 2022 of € 4,247 thousand (€ 3,750 thousand at December 31, 2021).

Revaluation reserve
At 31 December 2022 the revaluation reserve includes the reserves deriving from the revaluation as per Law 72/83 for € 371 thousand, as per Law 413/91 for € 767 thousand and as per Law 104/2020 for € 3,215 thousand.

Reserve for translation differences
At 31 December 2022 the reserve for translation differences for an amount of € 2,264 thousand is entirely attributable to the differences generated from the translation of balances into the Group's reporting currency.
The reserve recorded a positive adjustment of € 2,089 thousand mainly due to the performance of the US dollar and Brazilian Real.

Reserve IAS 19
At 31 December 2022 the IAS 19 reserve is equal a negative amount of € 952 thousand, for the actuarial valuation differences of post-employment benefits to employees. The same changed at 31 December 2022 for € 535 thousand.

Other reserves
At 31 December 2022 the Other reserves include:
- the extraordinary reserve, amounts to € 28,527 thousand, inclusive of all allocations of earnings in prior years;
- the reserves qualifying for tax relief refer to tax provisions for grants and donations for € 129 thousand;
- the reserves for merger surpluses for € 3,561 thousand;
- the reserves from capital grants deriving from the merger of Bertolini S.p.A. for € 122 thousand.

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

29. Trade and other receivables

Details of these amounts are as follows:

€/000	31.12.2022	31.12.2021
Trade payables	87,163	121,114
Payables due to related parties (note 40)	697	951
Payables due to staff and social security institutions	13,297	16,750
Advances from customers	2,731	2,266
Accrued expenses and deferred income	2,228	1,496
Other payables	3,228	6,645
Total current portion	**109,344**	**149,222**

The book value reported in the statement of financial position corresponds to its *fair value.*
The item "**Trade payables**" includes € 1,004 thousand related to the short term payable, with deadline in 2023, for the acquisition by the subsidiary Speed France of a technology and systems for the production of polyester monofilaments and cables for agricultural applications; non current portion is accounting in item "other non-current liabilities" (note 35).
The decrease in trade payables is attributable to lower purchase volumes in the latter part of the year as better commented on in Note 9.

The item “Other payables” includes € 536 thousand, compared to € 3,561 thousand at 31 December 2021, for current corporate tax liabilities recorded by some companies of the Group towards the parent company Yama S.p.A. and arising from the relationships that govern the consolidated tax return, to which the same participating.

30. Loans and borrowings

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

€/000	31.12.2022	31.12.2021
Bank loans	66,838	63,185
Overdrafts (note 26)	3,128	2,816
Liabilities for purchase of equity investments	6,356	3,506
Financial accrued expenses	224	62
Other loans	48	138
Total current portion	**76,594**	**69,707**

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

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

- an amount of € 2,428 thousand, as an estimated debt for the for the price of 30% of the shares of the company Markusson and regulated by the Put & Call option to be exercised from 1 May 2023;
- an amount of € 1,942 thousand referring to the discounted debt estimated for the purchase of 4.5% of the shares of Agres Sistemas Eletrônicos S.A and governed by the "Put and Call option" contract to be exercised from 1 January 2023;
- an amount of € 1,986 thousand refers to the debt towards the transferor shareholder of the company Valley Industries LLP for the purchase of the remaining 10% subject to the "Put & Call Option", of which 4% exercised in 2022;

These payables are valued using the plans of the target companies and progressively updated on the basis of the economic and financial parameters that regulate the price of the shares subject to the Put&Call option. The debt recognized today represents the best possible estimate.

Long-term loans and borrowings are detailed as follows:

€/000	31.12.2022	31.12.2021
Bank loans	145,545	107,237
Liabilities for purchase of equity investments	6,801	8,753
Other loans	-	4
Total non current portion	**152,346**	**115,994**

During the 2022 financial year, the Group obtained new financial resources from credit institutions for around € 106 million.

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

- € 2,438 thousand, relates to the discounted debt for the purchase price portion of 19% of Markusson shares and governed by the "*Put and Call option*" contract to be exercised in 2026;
- € 2,763 thousand, relates to the discounted debt for the purchase price portion of 4.5% of Agres Sistemas Eletrônicos shares and governed by the "*Put and Call option*" contract to be exercised from 1 January 2026;
- € 1,600 thousand, relates to the discounted debt for the purchase price portion of 20% of Poli S.r.l. shares and governed by the "*Put and Call option*" contract to be exercised between 2024 and 2026.

During the year, the payables for the settlement of the Put & Call options of Markusson and Agres were adjusted for a higher value respectively of € 1,022 thousand and € 797 thousand as a consequence of the better economic-financial results compared to those planned at 31 December of the previous year.
Furthermore, the change in the terms of the Markusson Put & Call led to the adjustment of the related payable with the consequent recognition of a higher charge of € 581 thousand (for more details, see note 7).

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

€/000	31.12.2021	Increases	Decreases	Exchange differences	Other movements	31.12.2022
Bank loans	107,237	106,009	(68,254)	553	-	145,545
Liabilities for purchase of equity investments	8,753	1,995	(3,947)	-	-	6,801
Other loans	4	-	-	-	(4)	-
Total	**115,994**	**108,004**	**(72,201)**	**553**	**(4)**	**152,346**

Some loans at medium-long term are subjected to financial Covenants verified, mainly, on the basis of the consolidated ratios *Nfp/Ebitda* and *Nfp/Equity.* At December 31, 2022 the Group respects all the reference parameters foreseen by the contract.

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

€/000	Due within 2 years	Due within 3 years	Due within 4 years	Due within 5 years	Total due within 5 years	Due beyond 5 years
Bank loans	54,707	32,126	27,648	12,170	**126,651**	**18,894**
Liabilities for purchase of equity investments	1,600	-	5,201	-	**6,801**	**-**
Other loans	-	-	-	-	**-**	**-**
Total	**56,307**	**32,126**	**32,849**	**12,170**	**133,452**	**18,894**

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

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

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

31. Liabilities deriving from *leases*

The item "**Liabilities deriving from *leases*"** which totals € 38,039 thousand, of which € 31,682 thousand as non-current portion and € 6,357 thousand as current portion, refers to financial liabilities recorded in application of the IFRS 16 accounting standard - *Leases*. These liabilities are equal to the present value of the future residual payments provided by the contracts.
At 31 December 2021 these liabilities amounted to € 38,974 thousand, of which € 33,111 thousand as non-current portion and € 5,863 thousand as current portion.

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

€/000	Due within 2 years	Due within 3 years	Due within 4 years	Due within 5 years	Total due within 5 years	Due beyond 5 years
Liabilities for leasing	5,767	5,242	5,154	4,571	**20,734**	**10,948**
Total	**5,767**	**5,242**	**5,154**	**4,571**	**20,734**	**10,948**

32. Tax assets and liabilities

Deferred tax assets are detailed below:

€/000	31.12.2021	Increases	Decreases	Other movements	Exchange differences	31.12.2022
Deferred tax on impairment losses of assets	215	-	(48)	-	2	169
Deferred tax on reversal of unrealized intercompany gains	2,834	703	-	-	-	3,537
Deferred tax on provision for inventory write-downs	2,196	356	(182)	-	(2)	2,368
Deferred tax on losses in past financial periods	12	182	(110)	-	-	84
Deferred tax on provisions for bad debts	572	67	(135)	-	(1)	503
Deferred tax on right of use IFRS 16	231	55	(11)	-	2	277
Deferred tax asset on on unrealized exchange differences	276	176	(60)	-	26	418
Deferred tax on tax realignment and revalutations	1,197	-	(39)	(14)	-	1,144
Other deferred tax assets	2,479	320	(747)	(154)	(3)	1,895
Total (note 16)	**10,012**	**1,859**	**(1,332)**	**(168)**	**24**	**10,395**

The portion of taxes which are expected to reverse within the following 12 months is estimated to be in line with the decrease registered in 2022.

“Other deferred tax assets" mainly includes the tax credit on tax losses for the year and usable in the context of the tax consolidation to which the Group adheres, the benefits, accrued and not yet used, deriving from the facilitation "ACE" and the tax effect related to the provisions subject to deferred taxation.

Deferred tax liabilities are detailed below:

€/000	31.12.2021	Ch. in scope of consolidation	Increases	Decreases	Other movements	Exchange differences	31.12.2022
Deferred tax on property ex IAS 17	98	-	-	(5)	-	-	93
Deferred tax on depreciations	5,080	327	311	(316)	-	125	5,527
Other deferred tax liabilities	2,208	34	475	(438)	(5)	68	2,342
Total (note 16)	**7,386**	**361**	**786**	**(759)**	**(5)**	**193**	**7,962**

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

The increase from the change in scope of consolidation refers to the deferred tax liabilities emerging from the consolidation and from the Purchase Price Allocation process as part of the business combination of Trebol Maquinaria y Suministros S.A., as described in paragraph 7 "Significant non-recurring events and transactions" of these notes. Deferred tax liabilities have been allocated for € 327 thousand against the fair value attributed to the customer list and mark.

The portion of taxes which are expected to reverse within the following 12 months is estimated to be in line with the decrease registered in 2022.

At December 31, 2022, no deferred tax liabilities for taxes on retained earnings of subsidiaries have been recognized as the Group does not believe, at the time, that these profits will be distributed in the foreseeable future.

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

Current tax receivables amount at December 31, 2022 to € 9,967 thousand, against € 10,076 thousand at December 31, 2021, and refer to VAT credits, surplus payments on account of direct tax and other tax credits.

Current tax liabilities amount to € 4,984 thousand at December 31, 2022, compared with € 6,182 thousand a year earlier, and they refer to payables for direct tax for the period, VAT and withholding taxes.

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

33. Employee benefits

At December 31, 2022 such benefits refer principally to the discounted liability for employment termination indemnity payable at the end of an employee's working life, amounting to € 5,829 thousand against € 7,000 thousand at December 31, 2021. The valuation of the indemnity leaving fund (TFR), carried out according to the nominal debt method, in force at the closing date, would be € 6,096 thousand against € 6,209 at December 31, 2021.

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

€/000	FY 2022	FY 2021
Opening balance	**7,500**	**7,608**
Current service cost and other provisions	126	172
Actuarial (gains)/losses	(741)	233
Interest cost on obligation (note 15)	28	-
Change in scope of consolidation	-	121
Disbursements	(622)	(634)
Closing balance	**6,291**	**7,500**

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

	FY 2022	FY 2021
Annual inflation rate	2.30%	1.75%
Discount rate	3.63%	0.44%
Dismissal rate	3.00%	3.00%

Demographic assumptions refer to the most recent statistics published by ISTAT.
In the 2023 financial year, payments are expected to be in line with 2022.

34. Provisions for risks and charges

Movements in these provisions are detailed below:

€/000	31.12.2021	Increases	Decreases	Exchange differences	31.12.2022
Provisions for agents' termination indemnity	2,466	245	(103)	-	2,608
Other provisions	124	136	(92)	2	170
Total non current portion	**2,590**	**381**	**(195)**	**-**	**2,778**
Provisions for products warranties	1,315	62	(41)	1	1,337
Other provisions	571	154	(502)	23	246
Total current portion	**1,886**	**216**	**(543)**	**24**	**1,583**

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 € 245 thousand, was recorded under the provisions in the item "Other operating expenses" in the income statement.

The other non-current provisions, amounting to € 170 thousand, mainly refer to a dispute related to an alleged infringement of industrial property rights. These provisions were increased by approximately € 136 thousand in order to take account of the probable future evolution of the disputes.

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

“Other provisions”, for the current portion, refers to the best possible estimate of probable liabilities and refer to:

- allocation in 2022 of € 50 thousand as the best estimate of the defense costs to be incurred in the face of a tax dispute that emerged in 2022;
- allocations of € 104 thousand for some disputes and litigation of a different nature.

During the year, the provisions set aside in the previous year and referring to:
- a dispute with some employees of the company Speed North America and closed in 2022 with the payment by the company of the amount allocated as at December 31, 2021, equal to 325 thousand US dollars;
- a tax dispute involving the company Speed France and settled in 2022 with the payment of € 55 thousand.

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

35. Other non-current liabilities

The item **“Other non-current liabilities”** equal to € 1,510 thousand includes:

- € 876 thousand (€ 1,521 thousand at 31 December 2021) 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;
- € 405 thousand, against € 428 thousand at 31 December 2021, 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 € 23 thousand;
- € 126 thousand (€ 170 thousand in 2021) relating to the portions of future accruals of the grants for plant related to the costs for the development of new products as part of a multi-year project subject to subsidies by the Ministry of Economic Development. The portion of contributions that can be rediscovered within the year is included in current liabilities among other payables and amounts to € 94 thousand.

36. Contingent liabilities

The Group does not have any significant additional disputes with respect to those that could give rise to contingent liabilities.

37. Commitments

Fixed asset purchases
The Group has commitments for the purchase of fixed assets not accounted for in the financial statements as of December 31, 2022 for an amount equal to € 3,802 thousand.
These commitments mainly refer to the purchase of equipment.

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

- Put and Call option for the remaining 6% of the equity investment is contained in the contract for the acquisition of the subsidiary Valley Industries LLP, in favor of the *trust Savage Investments*, to be exercised without deadline;
- in the contract to acquire the subsidiary Markusson, owned by Tecomec S.r.l. with a share of 51%, there is a "*Put & Call Option*" agreement which regulates the purchase of the 30% to be exercised from 1 May 2023 to 15 June 2023 and for the remaining 19% from 1 May 2026;
- in the contract to acquire the associated company Agres Sistemas Eletronicos S.A., owned by Tecomec S.r.l. with a share of 91%, there is a "Put and Call" agreement for the purchase of an additional 9% share to be exercised for 50% from 1 January 2023 and for the remaining 50% from 1 January 2026;
- in the contract to acquire the subsidiary Poli S.r.l., controlled by Comet S.p.A. with a share of 80%, a "Put and Call" agreement is included for the purchase of the remaining 20% to be exercised between 2024 and 2026.

38. Guarantees

The Group has € 5,762 thousand in guarantees granted to third parties at December 31, 2022, relating to guarantee policies for customs rights and bank guarantees.

39. Ordinary shares, treasury shares and dividends

Share capital is fully paid up at December 31, 2022 and amounts to € 42,623 thousand and it consists of 163,934,835 ordinary shares of par value € 0.26 each.

	31.12.2022	31.12.2021
Number of ordinary shares	163,934,835	163,934,835
Treasury shares	(1,097,233)	(397,233)
Total outstanding shares	**162,837,602**	**163,537,602**

During 2022 financial year, the dividends approved in the shareholders' meeting of 29 April 2022 relating to the 2021 financial year were paid for a total of € 12,266 thousand.

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

Following the authorization granted by the Shareholders' Meeting on 29 April 2022, Emak S.p.A. made purchases of treasury shares on the market.
During the last quarter of 2022, the company purchased no. 700,000 treasury shares for a value of € 806 thousand. Therefore, as at 31 December 2022 the company holds n. 1,097,233 treasury shares in portfolio for a value of € 2,835 thousand.

During the months of January and February 2023, there were no changes in the consistency of the treasury share portfolio.

40. Related party transactions

The transactions entered into with related parties by the Emak Group in the year 2022 mainly relate to three different types of usual nature relations, within the ordinary course of business, adjusted to normal market conditions.

It is in first place for the exchange of goods and provision of services of industrial and real estate activities, responding to a stringent production logic and purpose, carried out with the parent company YAMA S.p.A. and with certain companies controlled by it. On one side, among the companies under the direct control of Yama, some have provided during the period to the Emak Group components, materials of production, as well as the leasing of industrial surfaces.

In particular, significant amounts of rights of use, equal to € 13,860 thousand, liabilities deriving from leases, equal to € 14,459 thousand, amortization and depreciation, equal to € 1,741 thousand, and financial charges, equal to € 366 thousand, derive from the passive real estate lease relationships with the subsidiary Yama Immobiliare S.r.l., in compliance with the IFRS accounting standard. 16, properly identified in the financial statements.
On the other hand, certain companies of Yama Group bought from Emak Group products for the completion of their respective range of commercial offer.

Secondly, relations of a tax nature and usual character arise from the participation of the Parent Company Emak S.p.A. and of the subsidiaries Comet S.p.A., Tecomec S.r.l., Sabart S.r.l., P.T.C. S.r.l. and Lavorwash S.p.A. to the tax consolidation regime under Articles. 117 et seq., Tax Code, intercurrent with Yama S.p.A., as consolidating company. The criteria and procedures for the settlement of such transactions are established and formalized in agreements of consolidation, based on the principle of equal treatment between participants. The amount of balances with related parties, relating to tax consolidation relationships, are shown in notes 24 and 29.

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

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

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

€/000	Net sales	Other operating income	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.	936	-	335	-	335	1	-	-
Garmec S.r.l.	106	1	1	-	1	-	-	-
Selettra S.r.l.	3	-	4	-	4	-	-	-
Yama Immobiliare S.r.l.	-	1	52	-	52	-	-	-
Yama S.p.A.	-	10	12	675	687	-	37	111
Total (notes 24 and 27)	**1,045**	**12**	**404**	**675**	**1,079**	**1**	**37**	**111**

Purchase of goods and services, trade and other payables:

€/000	Purchases of raw materials and consumables	Other operating costs	Trade payables	Other payables for tax consolidation	Total trade and other payables	Financial charges	Current liabilities for leasing	Non current liabilities for leasing
Euro Reflex D.o.o.	2,314	38	400	-	400	-	-	-
Garmec S.r.l.	21	-	4	-	4	-	-	-
Selettra S.r.l.	117	9	52	-	52	-	-	-
Yama Immobiliare S.r.l.	-	-	3	-	3	366	1,670	12,789
Yama S.p.A.	-	-	-	536	536	-	-	-
Other related parties	-	479	238	-	238	-	-	-
Total (note 29)	**2,452**	**526**	**697**	**536**	**1,233**	**366**	**1,670**	**12,789**

With regard to values that arose in previous years from transactions with related parties, it should be noted that the assets still exhibit goodwill equal to € 9,914 thousand (€ 12,823 thousand at 31 December 2021). These values derive from the so-called Greenfield operation through which the Emak Group, on 23 December 2011, acquired from the parent company Yama S.p.A. the total control of the Tecomec Group, of the Comet Group, of Sabart S.r.l and, before then, since the acquisition of the company Tailong, which took place in 2008 whose goodwill, amounting to € 2,957 thousand, was completely written down in 2022 following the impairment test.

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The remunerations of the Directors and Auditors of the Parent Company for the financial year 2022, the different components of the total remuneration, the remuneration policy adopted, the procedures followed for their calculation and the shareholdings in the Group owned by the above officers, are set out in the “Remuneration report”, drawn up pursuant to art. 123-ter, Leg. Dec. 58/98, that is submitted for approval by the shareholders' meeting and available on the company website www.emakgroup.it, in the section “Investor Relations > Corporate Governance >Remuneration reports”.

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

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

In compliance with the transparency obligations regarding public grants provided for by article 1, paragraphs 125-129 of Law no. 124/2017, subsequently integrated by the “security” Decree Law (no. 113/2018) and by the “Simplification” Decree Law (no. 135/2018), information relating to public grants received by the Group during the 2022 financial year is given below.
It should be noted that a cash-based reporting criterion has been adopted, reporting the grants collected during the period in question.

Disbursements received as consideration for supplies and services provided have not been taken into consideration.

Lender	Description	Emak S.p.A.	Tecomec S.r.l.	Sabart S.r.l.	Comet S.p.A.	Lavorwash S.p.A.	P.T.C. S.r.l.	Poli S.r.l.	Total
Ministry of Economic Development	Non-repayable grant	316	-	-	-	-	-	-	316
MEF	Tax credit under Law 160/2019	235	33	-	-	6	-	-	274
MEF	Tax credit "gas" and "energy" (Law 175/2022 and Law 142/2022)	86	10	-	23	13	4	-	136
MEF	Tax credit under Law 178/2020	42	-	-	-	109	-	-	151
Fondimpresa	Contribution for training plans	19	-	-	-	-	-	-	19
Fondirigenti	Contribution for training plans	27	16	-	12	-	-	-	55
MEF	Tax credit under Law 34/2020	4	-	-	-	-	-	-	4
MEF	Reductions in contributions for recruitment	-	-	-	-	7	-	-	7
MEF	Tax credit on incremental advertising investments	-	-	2	-	-	-	-	2
Bilateral Trade Body Reggio Emilia	Contribution for Covid-19	-	-	11	-	-	-	-	11
Total		**729**	**59**	**13**	**35**	**135**	**4**	**-**	**975**

42. Subsequent events

For the description of subsequent events please refer to the note 15 of the Directors’ report.

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

To the Shareholders of
Emak S.p.A.

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the consolidated financial statements of Emak S.p.A. and its subsidiaries (the "Emak Group"), which comprise the consolidated statement of financial position as at December 31, 2022, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Emak Group as at December 31, 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree no. 38/05.

Basis for Opinion

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

Key Audit Matters

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

Impairment test of goodwill	
Description of the key audit matter	The Emak Group includes in its consolidated financial statements as at December 31, 2022 goodwill of Euro 71,126 thousand, distributed for Euro 39,330 thousand in Europe, Euro 18,224 thousand in Latin America and Euro 13,662 thousand in North America. Goodwill is not amortized but is tested for impairment at least annually, as required by accounting standard IAS 36 - Impairment of Assets. Impairment tests are carried out by comparing the recoverable values of the cash generating units (CGUs) identified by the Emak Group, determined according to the value in use method, and the relative carrying amounts, which take into account both goodwill and other assets allocated to the relative CGUs. As a result of the impairment tests, approved by the Board of Directors on February 28, 2023, the Emak Group has not recorded any impairment losses, except for the total impairment loss of the goodwill of Tailong Machinery Manufacturing Equipment Ltd recorded in the Income Statement for Euro 2,957 thousand. Management's assessment process to ascertain possible impairment losses is based on assumptions concerning, among other things, the forecast of the expected cash flows of the CGUs, as well as the determination of an appropriate discount rate (WACC) and long-term growth period (g-rate). The assumptions reflected in the long-term plans of the CGUs are influenced by future expectations and market conditions, which determine elements of physiological uncertainty in the estimate. In consideration of the importance of the amount of goodwill recorded in the consolidated financial statements, the subjective nature of the estimates relating to the determination of the cash flows of the CGUs and the key variables of the impairment model, as well as the unpredictable factors that can influence the performance of the market in which the Emak Group operates, we considered the impairment test of goodwill and other assets allocated to the related CGUs as a key audit matter of the Emak Group's consolidated financial statements as at December 31, 2022. The explanatory notes to the consolidated financial statements in paragraphs "2.7 Goodwill", "2.8 Impairment of assets" and "5. Key accounting estimates and assumptions” describe the Management assessment process; note 21 reports the significant assumptions, as well as the information on goodwill, including a sensitivity analysis that illustrates the effects resulting from changes in the key variables used to carry out the impairment tests.

Deloitte.

EMARKET SDIR CERTIFIED

Audit procedures performed	In the context of our audit work, we performed the following procedures, also through the involvement of experts belonging to our network: • identification and understanding of the controls put in place by the Management for the determination of the value in use of the CGUs, analyzing the methods and assumptions used by the Management for the execution of the impairment test; • reasonableness analysis of the main assumptions adopted by the Emak Group for the determination of cash flow forecasts, also by analyzing data and obtaining information from the Management; • analysis of the actual values for 2022 compared to the original plans in order to assess the nature of the variances and the reliability of the budgeting process; • evaluation of the reasonableness of the discount rates (WACC) and long-term growth rates (g-rate) applied in the test, by identifying and observing external sources usually used in professional practice; • verification of the mathematical accuracy of the model used to determine the value in use of the CGUs; • verification of the correct determination of the carrying amount of the CGUs; • verification of the sensitivity analysis prepared by the Management; • examination of the adequacy of the disclosure provided on impairment tests and of its compliance with the provisions of IAS 36.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence applicable in Italy, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the actions taken to eliminate the risks involved or the related safeguard measures applied.

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

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

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

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinion on the compliance with the provisions of the Delegated Regulation (EU) 2019/815

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

We have carried out the procedures set forth in the Auditing Standard (SA Italia) n. 700B in order to express an opinion on the compliance of the consolidated financial statements as at December 31, 2022 with the provisions of the Delegated Regulation.

In our opinion, the consolidated financial statements as at December 31, 2022 have been prepared in XHTML format and have been marked up, in all material respects, in accordance with the provisions of the Delegated Regulation.

Due to certain technical limitations, some information contained in the explanatory notes to the consolidated financial statements, when extracted from XHTML format in an XBRL instance, may not be reproduced in the same way as the corresponding information displayed in the consolidated financial statements in XHTML format.

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

The Directors of Emak S.p.A. are responsible for the preparation of the report on operations and the report on corporate governance and the ownership structure of Emak Group as at December 31, 2022, including their consistency with the related consolidated financial statements and their compliance with the law.

We have carried out the procedures set forth in the Auditing Standard (SA Italia) n. 720B in order to express an opinion on the consistency of the report on operations and some specific information contained in the report on corporate governance and the ownership structure set forth in art. 123-bis, n. 4 of Legislative Decree 58/98, with the consolidated financial statements of Emak Group as at December 31, 2022 and on their compliance with the law, as well as to make a statement about any material misstatement.

In our opinion, the above-mentioned report on operations and some specific information contained in the report on corporate governance and the ownership structure are consistent with the consolidated financial statements of Emak Group as at December 31, 2022 and are prepared in accordance with the law.

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

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

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

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

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

DELOITTE & TOUCHE S.p.A.

Signed by
Stefano Montanari
Partner

Bologna, Italy
March 28, 2023

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

Emak S.p.A.
Separate financial statements at 31 December 2022

Financial statements

Emak S.p.A. Income Statement

€	Notes	Year 2022	of which to related parties	Year 2021	of which to related parties
Revenues from sales	**8**	**147,544,975**	**34,042,972**	**155,927,474**	**37,317,234**
Other operating incomes	8	3,386,639	2,279,857	3,268,736	2,096,615
Change in inventories		(987,569)		16,482,861	
Raw materials, consumable and goods	9	(91,017,281)	(29,167,642)	(112,540,934)	(41,831,584)
Personnel expenses	10	(24,411,580)		(26,980,090)	
Other operating costs and provisions	11	(31,160,830)	(1,135,156)	(32,734,817)	(780,750)
Amortization, depreciation and impairment losses	12	(5,589,619)		(5,822,857)	
Operating result		**(2,235,265)**		**(2,399,627)**	
Financial income	13	16,870,143	15,568,506	11,621,422	11,308,244
Financial expenses	13	(1,253,952)		(712,836)	
Exchange gains and losses	13	813,870		1,033,674	
Profit befor taxes		**14,194,796**		**9,542,633**	
Income taxes	14	255,108		403,948	
Net profit		**14,449,904**		**9,946,581**	

Statement of other comprehensive income

€	Notes	Year 2022	Year 2021
Net profit (A)		**14,449,904**	**9,946,581**
Actuarial profits/(losses) deriving from defined benefit plans (*)	**31**	**322,000**	**(91,000)**
Income taxes on OCI (*)		**(90,000)**	**25,000**
Total other components to be included in the comprehensive income statement (B)		**232,000**	**(66,000)**
Total comprehensive income for the perdiod (A)+(B)		**14,681,904**	**9,880,581**

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

Statement of financial position

ASSETS

€	Notes	31.12.2022	of which to related parties	31.12.2021	of which to related parties
Non-current assets					
Property, plant and equipment	16	25,339,214		26,432,703	
Intangible assets	17	3,983,508		5,094,538	
Goodwill	19	-		-	
Rights of use	18	168,605		146,034	
Equity investments in other companies	20	89,708,582		89,708,582	
Deferred tax assets	30	1,740,959		2,033,490	
Other financial assets	22	18,920,854	18,920,854	14,948,424	14,948,424
Other assets	23	2,549		2,550	
Total non-current assets		**139,864,271**		**138,366,321**	
Current assets					
Inventories	24	49,945,251		50,932,820	
Trade and other receivables	23	40,409,950	12,068,844	46,172,909	13,335,083
Current tax receivables	30	1,662,344		2,347,548	
Other financial assets	22	16,037,106	16,037,106	7,495,711	7,478,568
Derivative financial instruments	21	1,020,194		279,317	
Cash and cash equivalents	25	43,333,676		32,071,534	
Total current assets		**152,408,521**		**139,299,839**	
TOTAL ASSETS		**292,272,792**		**277,666,160**	

SHAREHOLDERS' EQUITY AND LIABILITIES

€	Notes	31.12.2022	of which to related parties	31.12.2021	of which to related parties
Capital and reserves					
Issued capital		42,623,057		42,623,057	
Share premium		41,513,153		41,513,153	
Treasury shares		(2,835,019)		(2,028,669)	
Other reserves		40,479,880		39,295,867	
Retained earnings		30,750,877		29,518,008	
Total Shareholders' Equity	**26**	**152,531,948**		**150,921,416**	
Non-current liabilities					
Loans and borrowings due to banks and other lenders	28	74,265,554	111,318	37,467,194	148,424
Liabilities for leasing	29	97,959		76,193	
Deferred tax liabilities	30	365,464		297,804	
Employee benefits	31	2,002,568		2,522,394	
Provisions for risks and charges	32	410,621		422,990	
Other non-current liabilities	33	634,507		647,108	
Total non-current liailities		**77,776,673**		**41,433,683**	
Current liabilities					
Trade and other payables	27	32,745,582	7,443,374	55,500,938	10,412,814
Current tax liabilities	30	826,313		972,496	
Loans and borrowings due to banks and other lenders	28	27,595,807	43,708	28,119,037	126,495
Liabilities for leasing	29	72,898		72,362	
Derivative financial instruments	21	328,571		291,728	
Provisions for risks and charges	32	395,000		354,500	
Total current liabilities		**61,964,171**		**85,311,061**	
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**292,272,792**		**277,666,160**	

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

Emak S.p.A. - Statement of changes in equity at December 31, 2021 and December 31, 2022

€/000	SHARE CAPITAL	SHARE PREMIUM	Treasury shares	OTHER RESERVES				RETAINED EARNINGS		TOTAL
				Legal reserve	Revaluation reserve	Reserve IAS 19	Other reserves	Retained earnings	Net profit for the period	
Opening at 01.01.2021	**42,623**	**41,513**	**(2,029)**	**3,611**	**4,353**	**(625)**	**31,703**	**24,478**	**2,773**	**148,400**
Change in treasury shares										**-**
Payments of dividends				139			182	(4,907)	(2,773)	**(7,359)**
Other changes										-
Net profit for 2021						(66)			9,947	**9,881**
Total at 31.12.2021	**42,623**	**41,513**	**(2,029)**	**3,750**	**4,353**	**(691)**	**31,885**	**19,571**	**9,947**	**150,922**
Change in treasury shares			(806)							**(806)**
Payments of dividends				497			454	(3,270)	(9,947)	**(12,266)**
Other changes										-
Net profit for 2022						232			14,450	**14,682**
Total at 31.12.2022	**42,623**	**41,513**	**(2,835)**	**4,247**	**4,353**	**(459)**	**32,339**	**16,301**	**14,450**	**152,532**

Cash Flow Statement Emak S.p.A.

€/000	Notes	2022	2021
Cash flow from operations			
Net profit for the period		**14,450**	**9,947**
Amortization, depreciation and impairment losses	12	5,590	5,823
Capital (gains)/losses on disposal of property, plant and equipment		(6)	23
Dividends income		(14,824)	(10,757)
Decreases/(increases) in trade and other receivables		6,331	(6,632)
Decreases/(increases) in inventories		988	(16,483)
(Decreases)/increases in trade and other payables		(22,846)	18,418
Change in employee benefits		(288)	(220)
(Decreases)/increases in provisions for risks and charges	32	28	110
Change in derivate financial instruments		(704)	(166)
Cash flow from operations		**(11,281)**	**63**
Cash flow from investing activities			
Dividends income		14,824	10,757
Change in property, plant and equipment and intangible assets		(3,408)	(2,981)
(Increases) and decreases in financial assets		(12,104)	1,627
Proceeds from disposal of property, plant and equipment		6	(23)
Cash flow from investing activities		**(682)**	**9,380**
Cash flow from financing activities			
Dividends paid	26	(12,266)	(7,359)
Change in short and long-term loans and borrowings		36,274	(30,647)
Liabilities for leasing refund		22	(81)
Other changes in equity		(806)	-
Cash flow from financing activities		**23,224**	**(38,087)**
NET INCREASE IN CASH AND CASH EQUIVALENTS		**11,261**	**(28,644)**
OPENING CASH AND CASH EQUIVALENTS		**32,066**	**60,710**
CLOSING CASH AND CASH EQUIVALENTS		**43,327**	**32,066**

ADDITIONAL INFORMATION ON THE CASH FLOW STATEMENT

€/000		2022	2021
RECONCILIATION OF CASH AND CASH EQUIVALENTS:			
Opening cash and cash equivalents, detailed as follows:	25	**32,066**	**60,710**
Cash and cash equivalents		32,072	60,717
Overdrafts		(6)	(7)
Closing cash and cash equivalents, detailed as follows:	25	**43,327**	**32,066**
Cash and cash equivalents		43,334	32,072
Overdrafts		(7)	(6)
Other information:			
Income taxes paid		(94)	-
Financial expenses paid		(1,172)	(710)
Interest IFRS 16		(3)	(2)
Interest on financings to subsidiary companies		744	550
Interest on financings from subsidiary companies		-	-
Interest receivable on bank account		46	42
Interest receivable on trade receivables		146	37
Effects of exchange rate changes		(117)	303
Change in related party financial assets		(12,121)	3,169
Change in related party financial loans and borrowings		(120)	(1,494)
Change in related party receivables and service transactions		857	(3,252)
Change in related party payables and service transactions		(2,970)	1,830
Change in current tax receivables		979	(814)
Change in current tax liabilities		(79)	125

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

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

Notes to the financial statement Emak S.p.A. - Contents

1. General information

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

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

The Board of Directors of Emak S.p.A. on March 16, 2023 approved the Financial Statements for the year to December 31, 2022, also prepared according to the format required by the European Commission Regulation 2018/815 / EU (European Single Electronic Format) and ordered immediate notification under Art. 154-ter, paragraph 1-ter TUF, to the Board of Auditors and to the Auditing firm in order for them to carry out their relative duties. In connection with this communication, the company issued an appropriate press release with the key figures of the financial statements and the proposal for the allocation of profit submitted for approval by Shareholders' Meeting convened for April 28, 2023.

Emak S.p.A., as the Parent Company, has also prepared the consolidated financial statements of the Emak Group at 31 December 2022, also approved by the Board of Directors of Emak S.p.A. in the meeting of 16 March 2023; both sets of financial statements are subject to statutory audit by Deloitte & Touche S.p.A.

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

2. Summary of principal accounting policies

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

2.1 General methods of preparation

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

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

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

In accordance with the provisions of IAS 1, the statement of financial position is constituted by the following reports and documents:
- Statement of financial position: based on the distinction between current and non-current assets and current and non-current liabilities;
- Income Statement and Comprehensive Income Statement: classification of items of income and expense according to their nature and with representation of the operating result that does not include the effects of exchange differences as per the accounting policy historically adopted by the Company;
- Cash flow Statement: based on a presentation of cash flows using the indirect method;
- Statement of Changes in Equity;
- Notes to the separate financial statements.

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

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

2.2 Presentation currency

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

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

2.3 Property, plant and equipment

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

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

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

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

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

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

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

2.4 Intangible assets

(a) Development costs
These are intangible assets with a finite life.

The development costs of new products are capitalized only if the following conditions are met:
- the costs can be measured reliably;
- the product's technical feasibility, volumes and expected price indicate that the costs incurred for development will generate future economic benefits.

An intangible asset, generated in the development phase of an internal project, is recorded as an asset if the Company is able to demonstrate:
- the technical possibility of completing the intangible asset, so that it becomes available for use or sale;
- the intention to complete the asset and its ability to use it or sell it;
- the means by which the asset will generate future economic benefits;
- the availability of resources to complete the asset;
- the availability of adequate technical, financial and other types of resources to complete the development and to use or sell the asset;
- the ability to reliably evaluate the cost attributable to the asset during its development;
- the ability to use the intangible asset generated.

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

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

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

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

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

2.5 Goodwill

Goodwill deriving from the acquisition of subsidiaries, classified among non-current assets, is initially recognized at cost, represented by the difference between the consideration paid and the amount recorded for minority interests at the acquisition date, compared to the identifiable net assets acquired and liabilities taken on. If the consideration is less than the fair value of the net assets of the acquired subsidiary, the difference is recognized in the income statement.

Goodwill is considered as an asset with an indefinite useful life. As a result, this asset is not amortized, but is subject periodically to checks to identify any impairment.
Goodwill is allocated to the operating units that generate separately identifiable financial flows and which are monitored in order to allow for verification of any impairment.
Following the goodwill impairment emerged following the acquisition by the parent Yama S.p.A. and the subsequent merger by incorporation of Bertolini S.p.A., Emak S.p.A. does not record any goodwill.
Goodwill relating to associates is included in the value of the investment and is not amortized, but subject to impairment tests if indicators of loss in the value arise.

2.6 Rights of use

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

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

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

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

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

2.7 Impairment of assets

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

2.8 Investment property

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

2.9 Financial assets

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

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

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

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

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

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

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

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

2.10 Non-current assets and liabilities held for sale

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

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

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

2.11 Shareholdings in subsidiaries

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

2.12 Shareholdings in associated companies

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

2.13 Inventories

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

2.14 Trade receivables

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

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

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

2.15 Trade payables

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

2.16 Cash and cash equivalents

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

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

2.17 Share capital

Ordinary shares are classified under equity.

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

2.18 Liabilities deriving from leases

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

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

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

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

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

2.19 Loans and borrowings

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

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

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

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

2.20 Taxes

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

The Company analyses the *uncertain tax treatments* (individually or as a whole, depending on the characteristics) always assuming that the tax authority examines the tax position in question, having full knowledge of all the relevant information. In the event that it is considered unlikely that the tax authority will accept the tax treatment followed, the Company reflects the effect of uncertainty in measuring its current and deferred income taxes as required by IFRIC 23.
Emak has renewed the option for consolidated IRES taxation for the three - year period 2022 - 2024 with its parent Yama (art. 117 et seq., TUIR). The tax assets and liabilities entries by virtue of the consolidation converge with the corresponding balances recorded by the consolidating company Yama. The credit and debit items are settled in accordance with the agreements founded on an equal treatment basis with respect to all the companies participating in the same regime, which include, with a clear predominance, the main Italian subsidiaries of EMAK.

2.21 Employee benefits

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

2.22 Provisions for risks and charges

Provisions for risks and charges are recognized when the Company has a legal or constructive obligation as a result of past events, it is probable that a payment will be required to settle the obligation and a reliable estimate can be made of the related amount.
Any liabilities defined as potential do not give rise to provisions for risks and charges.

2.23 Revenues

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

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

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

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

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

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

2.24 Government grants

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

2.25 Financial income and expenses

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

2.26 Payment of dividends

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

2.27 Earnings per share

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

2.28 Cash flow statement

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

2.29 Changes in accounting standards and new accounting standards

IFRS ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS APPLICABLE SINCE JANUARY 1,2022

The following IFRS accounting standards, amendments and interpretations were first adopted by the Company starting January 1, 2022:

- On 14 May 2020, the IASB published the following amendments:
  - **Amendments to IFRS 3 Business combinations**: the purpose of the amendments is to update the reference in IFRS 3 to the revised conceptual framework, without any change to the provisions of the Standard.
  - **Amendments to IAS 16 property, plant and Equipment**: the purpose of the amendments is not to allow the amount received from the sale of goods produced in the testing phase of the asset to be deducted from the cost of the tangible assets. These sales revenues and related costs will therefore be recognized in the profit and loss account.
  - **Amendments to IAS 37 provisions, Contingent Liabilities and Contingent assets**: the amendment clarifies that in the estimate of the possible onerousness of a contract, all costs directly attributable to the contract must be taken into account. Consequently, the assessment of the possible onerousness of a contract includes not only incremental costs (such as the cost of the direct material used in the processing), but also all costs that the enterprise cannot avoid because it has entered into the contract (such as, for example, the portion of the depreciation of the machinery used for the performance of the contract).
  - **Annual improvements 2018-2020**: the changes were made to the IFRS 1 first-time adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IAS 41 Agriculture and illustrative Examples of IFRS 16 leases.

The adoption of these amendments did not have any effects on the financial statements of the Company.

ACCOUNTING STANDARD, AMENDMENTS AND IFRS/IFRIC INTERPRETATIONS ENDORSED BY THE EUROPEAN UNION, BUT NOT YET MANDATORY APPLICABLE AND NOT EARLY ADOPTED FROM THE GROUP ON DECEMBER 31ST, 2022

- On May 18, 2017, IASB published **IFRS 17 – Insurance contracts**, which is intended to replace international Financial Reporting Standards (IFRS 4 – Insurance contracts). The aim of the new principle is to ensure that an entity provides relevant information that faithfully represents the rights and obligations arising from insurance contracts issued. The IASB has developed the standard to eliminate inconsistencies and weaknesses in existing accounting policies, providing a single, principle-based framework to take into account all types of insurance contracts, including reinsurance contracts that an insurer holds. The new principle also provides for presentation and reporting requirements to improve comparability between entities in this sector. The new principle measures an insurance contract based on a General Model or a simplified version of this, called the Premium Allocation approach ("PAA").
  The main features of the General Model are:
  o estimates and assumptions of future cash flows are always current cash flows;
  o the measurement reflects the time value of the money;
  o estimates provide for extensive use of market observable information;
  o there is a current and explicit risk measurement;
  o the expected profit is deferred and aggregated in groups of insurance contracts at the time of initial recognition; and;
  o the expected profit is recognized during the contractual period taking into account adjustments resulting from changes in the assumptions relating to the cash flows for each group of contracts.

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

  The entity shall apply the new principle to insurance contracts issued, including reinsurance contracts issued, to reinsurance contracts held and also to investment contracts with a discretionary participation feature (DPF). The Standard applies from 1 January 2023, but early application is permitted, only for entities applying IFRS 9 – Financial Instruments and IFRS 15 – Revenue from contracts with customers.
  The directors do not expect a significant effect on the Company's financial statements from the adoption of this amendment.

- On December 9, 2021, the IASB published an amendment called ***"Amendments to International Financial Reporting Standards 17 insurance contracts: Initial Application of International Financial Reporting Standards 17 and International Financial Reporting Standards 9 – Comparative Information"***. The amendment is a transition option for comparative information on financial assets submitted at the initial date of application of IFRS 17. The amendment seeks to avoid temporary accounting misalignments between financial assets and liabilities of insurance contracts, and thus to improve the usefulness of comparative information for readers of financial statements. The amendments will apply from 1 January 2023, together with the application of the International Financial Reporting Standards 17 principle.
  The directors do not expect a significant effect on the Company's financial statements from the adoption of this amendment.

- On 12 February 2021, the IASB published two amendments entitled "**Disclosure of Accounting Policies—Amendments to IAS 1 and IFRS practice Statement 2" and "Definition of Accounting estimates—Amendments to IAS 8**". The changes aim to improve disclosure of accounting policies in order to provide more useful information to investors and other primary users of financial statements

and to help companies distinguish changes in accounting estimates from changes in accounting policies. The amendments will apply from 1 January 2023, but advance application is allowed.
The directors do not expect a significant effect on the Company's financial statements from the adoption of these amendments.

- On 7 May 2021, the IASB published an amendment called "**Amendments to IAS 12 income taxes: Deposited Tax related to assets and liabilities raising from a Single Transaction**". The document clarifies how deferred taxes on certain transactions that may generate equal amounts of assets and liabilities, such as leasing and decommissioning obligations, should be accounted for. The amendments will apply from 1 January 2023, but advance application is allowed.
The directors do not expect a significant effect on the Company's financial statements from the adoption of this amendment.

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

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

- On January 23, 2020, the IASB published an amendment called "**Amendments to IAS 1 Presentation of Financial statements: Classification of liabilities as current or non-current**". The document aims to clarify how to classify short- or long-term debts and other liabilities. The amendments shall enter into force on 1 January 2024; advance application is still permitted.
The directors do not expect a significant effect on the Company's financial statements from the adoption of this amendment.

- On September 2022 the IASB published an amendment called "***Amendments to IFRS 16 Leases: Lease Liability in a Sale and Leaseback".*** The document requires the seller-lessee to value the lease liability arising from a sale & leaseback transaction so as not to recognize an income or loss that refers to the retained right of use. The amendments shall enter into force on 1 January 2024; advance application is still permitted.
The directors do not expect a significant effect on the Company's financial statements from the adoption of this amendment.

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

3. Financial risk management

3.1 Risk factors of a financial nature

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

The Company's policies for managing and controlling financial risks focus on the unpredictability of financial markets and seek to minimize the potentially negative effects on the financial results. The Company uses derivative financial instruments to hedge certain risks.

Hedging of the Company's financial risks is managed by a head office function working in close collaboration with the individual operating units of the Group.
Qualitative and quantitative information is given below regarding the nature of such risks for the Company.
The quantitative figures shown below have no value for forecasting purposes, specifically, the sensitivity analysis on market risks are unable to reflect the complexity and associated reactions of the market as a result of each change hypothesized.

(a) Market risks

(i) Interest rate risk
The Company's interest rate risk relates to its long-term loans and borrowings. Variable rate loans expose the Company to the cash flow risk associated with interest rates. Fixed rate loans expose the Company to the fair value risk associated with interest rates.
The Company's policy is based on constantly monitoring its level and structure of debt and on the trend in interest rates and macroeconomic variables that might directly influence them, with the goal of optimizing the cost of money. At December 31, 2022, the Company's bank loans and borrowings are, for the most part, all at variable interest and consequently, the company has set up hedging operations aimed at limiting the effects.
Although these transactions are made for hedging purposes, if specific documentation certifying the hedging relationship is not formalized, the accounting standards will not allow hedge accounting treatment. Therefore, fluctuations in their values may affect the Company's financial results.

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

A hypothetical, instantaneous and unfavorable negative variation of 50 base points in annual interest rates in force at December 31, 2022 applicable to financial liabilities at a variable interest rate would result in a greater net cost, on an annual basis, of around € 356 thousand (€ 124 thousand at December 31, 2021). The above calculation takes into consideration the total amounts of financial liabilities net of the total amount of IRS operations carried out for hedging purposes.

(ii) Exchange rate risk
The Company carries out its business internationally and it is exposed to risks deriving from fluctuations in exchange rates, which may affect the economic result and value of equity.
Specifically in cases in which the Company incurs costs expressed in different currencies from those of their respective revenues, the fluctuation of exchange rates may affect the operating result.

In 2022 the overall amount of revenues directly exposed to exchange risk represented 11.3% of the turnover (13.2% in 2021), while the amount of costs exposed to exchange risk is equal to 31.7% of turnover (39.1% in 2021).

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

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

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

Sensitivity analysis
The potential loss of fair value of the net balance of financial assets/liabilities subject to the risk of variation in exchange rates held by the Company at December 31, 2022, as a result of a hypothetical unfavorable and immediate variation of 10% in all relevant single exchange rates of functional currencies with foreign ones, would amount to around € 40 thousand (€ 433 thousand at December 31, 2021).

Other risks on derivative financial instruments

The Company as of December 31,2022 holds some derivative financial instruments whose value is linked to the trend in exchange rates (forward currency purchase operations and options) and the trend in interest rates.

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

Sensitivity analysis

The potential loss of fair value of the exchange rate hedging derivative financial instruments outstanding at December 31, 2022, as a result of an instant hypothetical and unfavourable 10% change in the underlying values, would be approximately € 845 thousand (€ 234 thousand in 2021).

(iii) Price risk

The Company is exposed to fluctuations in the price of raw materials. This exposure is mostly towards suppliers of parts since their price is generally tied by contract to the trend in market prices for raw materials.
The Company usually enters into medium-term contracts with certain suppliers for the purpose of managing and limiting the risk of fluctuations in the price of its main raw materials such as aluminum, sheet metal, plastic and copper, as well as semi-finished products such as motors.
The increase of raw materials' prices is connected to macroeconomic phenomena, driven by the increase in energy costs and basic necessities, as well as the tensions that characterize the Company's supply chain.
The increase in transport and distribution costs has an impact on the operating costs of the Company, with potential reduction in profitability, possible emergence of impairment indicators and a reduction in the net realizable value of the assets.
The risk is partially mitigated through the stipulation of purchase agreements with the main suppliers with prices locked with short-term time horizons to which is added constant monitoring of the cost of raw materials and logistics trend.
The Company uses policies to adjust the price of goods sold in case of significant changes in costs.

(b) Credit risk

The Company has adopted policies to ensure that products are sold to customers of proven creditworthiness and generally obtains guarantees, both financial and otherwise, against credits granted for the supply of products addressed to some countries. Certain categories of credits to foreign customers are also covered by insurance with SACE.

The maximum theoretical exposure to credit risk for the Company at 31 December 2022 is the accounting value of financial assets shown in the financial statements.

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

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

At December 31, 2022, the allocation to doubtful accounts provision refers to the constant analysis of past due loans on a collective basis, in addition to the analysis of individual positions.

At December 31, 2022 "Trade receivables" equal to € 29,285 thousand (€ 33,984 thousand at December 31, 2021), include € 5,549 thousand (€ 3,423 thousand at December 31, 2021) outstanding by more than 3 months. This value has been partially rescheduled according to repayment plans agreed with the clients.

The value of trade receivables by maturity band is shown below:

€/000		31.12.2022
Trade receivables due	0-90 days	11,766
	> 90 days	9,008
Trade Receivables due		**20,774**
Trade receivables overdue	0-90 days	2,962
	> 90 days	5,549
Trade Receivables Overdue		**8,511**
Total Trade Receivables		**29,285**

The maximum exposure to credit risk deriving from trade receivables at the end of the financial period, broken down by geographical area (using the SACE reclassification) is as follows:

€/000	2022	2021
Trade receivables due from customers with SACE 1 rating	23,741	25,401
Trade receivables due from customers with SACE 2 e 3 rating	2,853	6,365
Trade receivables due from customers with non-insurable SACE	2,691	2,218
Total (Note 23)	**29,285**	**33,984**

For all countries, regardless of the rating, the insurance covers 90% of the amounts receivable while, SACE provides no coverage for non-Insurable or suspended countries.

The value of amounts receivable covered by SACE insurance or by other guarantees at December 31, 2022 is € 8,294 thousand.

At December 31, 2022 the 10 most important customers (not including companies belonging to the Emak Group) account for 26.2% of total trade receivables, while the top customer represents 8% of the total.

(c) Liquidity risk

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

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

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

The characteristics and nature of the expiry of debts and of the Company's financial activities are set out in Notes 25 and 28 relating respectively to "Cash and Cash Equivalents" and "Loans and borrowings".
The management considers that currently unused funds and credit lines, amounting to € 53,073 thousand, mainly short-term and guaranteed by Trade Receivables, more than cash flow which will be generated from operating and financial activities, will allow the Company to meet its requirements deriving from investment activities, the management of working capital and the repayment of debts at their natural maturity dates.

3.2 Accounting for derivative financial instruments and hedging activities

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

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

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

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

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

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

3.3 Measurement of current value

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

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

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

4. Key accounting estimates and assumptions

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

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

In this context, it should be noted that the situation caused by the persistent uncertainties of the economic and financial scenario, resulting first from the spread of the Covid-19 pandemic and secondly from the outbreak of the armed conflict in Ukraine, has implied the need to make assumptions regarding the future outlook which is characterized by volatility and unpredictability, as a result, it cannot be excluded that the actual results obtained will be different from the forecasts, and therefore adjustments, which obviously cannot today be estimated or foreseeable, to the book value of the relative items may be necessary. The financial statements heading most affected by the use of estimates is shareholdings in subsidiaries and associates included among non-current assets, as well as in the impairment test on the recoverability of the Company's net capital employed, where the estimates are used to establish any devaluations and recoveries of value.

The application of the IFRS 16 standard requires to make estimates and assumptions including the determination of the probability of exercising the option to extend or terminate the contract.

5. Significant non-recurring events and transactions

Constitution Jiangmen Autech Equipment Co. Ltd

On 30 September 2022, the establishment of the Chinese company Jiangmen Autech Equipment Co. Ltd, 100% owned by the parent company Emak Spa, was registered. The share capital will be paid at a later date

through a net contribution of assets in kind, for a value of about 12 million Renminbi, through the spin-off from subsidiary Jiangmen Emak Outdoor Power Equipment Co.ltd. of fixed assets which are currently granted on loan to third parties and which consequently are not used for the production process.
As at 31 December 2022, the establishment of this company did not have any impact on the financial statement.

Plan to purchase Emak S.p.A. shares

As at 31 December 2021, the Company held 397,233 treasury shares in its portfolio for a value of € 2,029 thousand.
Following the authorization granted by the Shareholders' Meeting on 29 April 2022, Emak S.p.A. made purchases of treasury shares on the market.
During the last quarter of 2022, the company purchased no. 700,000 treasury shares for a value of € 806 thousand. Therefore, as at 31 December 2022 the company holds n. 1,097,233 treasury shares in portfolio for a value of € 2,835 thousand.

During the months of January and February 2023, there were no changes in the consistency of the treasury share portfolio.

6. Balances or transactions arising from atypical and unusual operations

No events/operations as per Consob Communication DEM/6064293 of 28 July 2006 have been recorded during the financial period 2022. As indicated in this Communication "atypical and/or unusual operations are considered as operations that, due to their significance/materiality, the nature of the counterparties, the object of the transaction, the means for determining the transfer price and the time of the event (near the close of the period), may give rise to doubts with regards to: the correctness/completeness of the information in the financial statements, conflicts of interest, the protection of company assets, the safeguarding of minority interests".

7. Net financial position

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

(€/000)	**31/12/2022**	**31/12/2021**
A. Cash	43,334	32,072
B. Cash equivalents	-	-
C. Other current financial assets	17,057	7,775
D. Liquidity funds (A+B+C)	**60,391**	**39,847**
E. Current financial debt	(627)	(578)
F. Current portion of non-current financial debt	(27,370)	(27,905)
G. Current financial indebtedness (E + F)	**(27,997)**	**(28,483)**
H. Net current financial indebtedness (G - D)	**32,394**	**11,364**
I. Non-current financial debt	(74,154)	(37,318)
J. Debt instruments	-	-
K. Non-current trade and other payables	(209)	(225)
L. Non-current financial indebtedness (I + J + K)	**(74,363)**	**(37,543)**
M. Total financial indebtedness (H + L) (ESMA)	**(41,969)**	**(26,179)**
N. Non current financial receivables	**18,921**	**14,948**
O. Net financial position (M-N)	**(23,048)**	**(11,231)**
Effect IFRS 16	**171**	**149**
Net financial position without effect IFRS 16	**(22,877)**	**(11,082)**

The increase in net financial position as at 31 December 2022 compared to 31 December 2021, better explained in the Directors' report, was affected by an increase in net working capital and in particular by the growth in the stock of inventories which allowed and still allows the Company to dealing with fluctuations in demand, thus responding to market needs, minimizing situations of stock-outs.
The last quarter of 2022 compared to the last quarter of 2021 was also affected by a slowdown in supplies which therefore led to a reabsorption of trade payables at the end of the year with negative effects on net working capital.

At December 31, 2022 the net financial position includes:

- under non-current financial receivables medium and long-term loans granted by Emak S.p.A. to subsidiary companies for an amount of € 18,921 thousand, of which € 15,210 thousand due to the subsidiary Comet S.p.A., € 3,600 thousand due to the subsidiary Sabart S.r.l. and finally a financial receivable for equity reinstatement to the parent company Yama S.p.A. for a value of € 111 thousand;
- under current financial receivables, short-term loans granted by Emak S.p.A. to subsidiary companies for an amount of € 16,037 thousand, of which € 16,000 thousand relating to an intercompany current account agreement in favor of the subsidiary Comet S.p.A. and a financial receivable for equity reinstatement for a value of € 37 thousand to the parent company Yama S.p.A;
- under non-current financial payables, the financial payable for equity reinstatement due to the subsidiary Tecomec S.r.l., for an amount of € 111 thousand;
- under current financial payables, the financial payable due to the subsidiary Sabart S.r.l., regulated by an intercompany current account agreement, for an overall amount of € 7 thousand and the financial payable for the equity reinstatement due to the subsidiary Tecomec S.r.l., for € 37 thousand.

As already recorded in the previous year, net current financial indebtedness as at 31 December 2022 has a positive balance, as a result of financial policies adopted in the previous year, to cope with the uncertainty of the macroeconomic scenario and to support the resources necessary for the operations of the Company and of the Group.

At December 31, 2021 the net financial position included:

- under non-current financial receivables medium and long-term loans granted by Emak S.p.A. to subsidiary companies for an amount of € 14,948 thousand, of which € 14,800 thousand due to the subsidiary Comet S.p.A. and a financial receivable for equity reinstatement to the parent company Yama S.p.A. for a value of € 148 thousand;
- under current financial receivables, short-term loans granted by Emak S.p.A. to subsidiary companies for an amount of € 7,478 thousand, of which € 441 thousand due to the subsidiary Comet USA, € 7,000 thousand relating to an intercompany current account agreement in favor of the subsidiary Comet S.p.A. and finally, a financial receivable for equity reinstatement for a value of € 37 thousand to the parent company Yama S.p.A;
- under non-current financial payables, the financial payable for equity reinstatement due to the subsidiary Tecomec S.r.l., for an amount of € 148 thousand;
- under current financial payables, the financial payable due to the subsidiary Sabart S.r.l., regulated by an intercompany current account agreement, for an overall amount of € 89 thousand and the financial payable for the equity reinstatement due to the subsidiary Tecomec S.r.l., for € 37 thousand.

8. Revenues from sales and other operating income

Sales revenues amount to € 147,545 thousand, compared with € 155,927 thousand in the prior year. They are stated net of €387 thousand in returns, compared with € 573 thousand in the prior year. Sales recorded a contraction in the second part of the year: after a first quarter of strong growth in turnover, thanks to the good order collection, there was a very marked slowdown, linked on the one hand to the socio-economic conditions and on the other to particularly unfavorable weather conditions in Europe. The Russian invasion of the Ukrainian territory also contributed to the reduction in turnover, which led to a reduction in sales on the Russian and Belarusian markets of around € 3 million.

The detail of the item is as follows:

€/000	FY 2022	FY 2021
Net sales revenues (net of discounts and rebates)	143,949	151,809
Revenues from recharged transport costs	3,983	4,691
Returns	(387)	(573)
Total	**147,545**	**155,927**

Other operating income is analysed as follows:

€/000	FY 2022	FY 2021
Grants related to income	941	1,037
Capital gains on property, plant and equipment	6	3
Insurance refunds	22	6
Other operating income	2,418	2,223
Total	**3,387**	**3,269**

The heading **"Grants related to income"** refers mainly to:
- Research and Development tax credit provided for by art. 1, paragraph 35, of Law 23 December 2014, no. 190, for € 411 thousand (€ 243 thousand at 31 December 2021);
- the tax credit for investments in capital goods provided for in accordance with law no. 160 of 2019, for a value of € 33 thousand (€ 29 thousand at 31 December 2021);
- the grant as per Law 488/92 for € 25 thousand (€ 33 thousand at 31 December 2021);
- the Executive training fund/Enterprise training fund grant, equal to € 46 thousand, granted to cover the costs incurred by the Company for staff training (€ 59 thousand at 31 December 2021);
- the accrual for the non-repayable grant, equal to € 341 thousand (€ 669 thousand at 31 December 2021, note 17), allowed in relation to the Call of the Ministry of Economic Development "Sustainable Industry - ICT & Digital Agenda" (financing of interventions for the promotion of Major Projects R&D);
- the Natural Gas tax credit pursuant to law no. 142 of 2022, for a value of € 23 thousand and the Electricity tax credit pursuant to law no. 175 of 2022, for a value of € 62 thousand (no value as at 31 December 2021).

The item "**Other operating income**" mainly refers to recharge to subsidiaries for services provided by the Group's IT Corporate function, held by Emak SpA starting from 2019.

9. Raw materials, consumable and goods

The heading is analysed as follows:

€/000	FY 2022	FY 2021
Raw materials	57,460	68,400
Finished products	31,635	42,404
Consumable materials	342	370
Other purchases	1,580	1,367
Total	**91,017**	**112,541**

The contraction in sales starting from the second half of the year, the normalization of procurement conditions and international logistics, led to a revision of purchasing strategies compared to the previous year. In particular, the high level of inventories and the lesser visibility on the demand side led to a revision of the levels of inventories required and a consequent modification of the purchasing conditions. The combination of these circumstances generated a reduction in the need for raw materials and finished products compared to the previous year, with a particular impact in the final part of the year.

10. Personnel expenses

Details of these costs are as follows:

€/000	FY 2022	FY 2021
Wage and salaries	15,666	16,881
Social security charges	4,810	5,244
Employee termination indemnities	1,087	1,039
Other costs	349	287
Development costs capitalized	-	(846)
Directors' emoluments	474	1,438
Temporary staff	2,026	2,937
Total	**24,412**	**26,980**

As a result of the trend in production volumes connected to market demand, the company made less use of outsourced personnel. At the end of the year, due to the reduced need for manpower, the company resorted to social safety nets with an impact in terms of lower costs of € 213 thousand compared to 2021. The reduction in the variable component of remuneration also affected personnel costs and on Directors' emoluments.

During the 2021 financial year, personnel costs for € 846 thousand (€ 822 thousand at 31 December 2020) were capitalized under intangible assets, referring to costs for the development of new products in the context of a multi-year project subject to facilities by the Ministry of Economic Development which ended in December 2021 and which therefore did not generate new capitalizations during the 2022 financial year.

The breakdown of employees by grade is the following:

	Average number of employees in year		Number of employees at this date	
	2022	**2021**	**2022**	**2021**
Executives	12	14	11	14
Office staff	176	184	181	187
Factory workers	243	223	243	222
Total	**431**	**421**	**435**	**423**

11. Other operating costs and provisions

Details of these costs are as follows:

€/000	FY 2022	FY 2021
Subcontract work	3,150	3,170
Transportation	12,640	16,106
Advertising and promotion	849	554
Maintenance	3,631	3,323
Commissions	1,605	1,719
Consulting fees	2,382	2,185
Costs for warranties and after sales service	552	413
Insurance	388	382
Travel	149	42
Postals and telecommunications	288	276
Other services	3,278	2,595
Development costs capitalized	(27)	-
Services	**28,885**	**30,765**
Rents, rentals and the enjoyment of third party assets	**1,079**	**990**
Increases in provisions	**92**	**110**
Increases in provision for doubtful accounts (note 23)	204	3
Other taxes (not on income)	325	314
Other operating costs	576	553
Other costs	**1,105**	**870**
Total other operating costs	**31,161**	**32,735**

In 2022, the progressive and now complete easing of the restrictions connected to the health emergency facilitated the resumption of customer support activities that the company had planned for the year. In this context, the increases in expenses for Advertising and promotion, Consulting fees, After sales services and Travel expenses should be seen. The reduction in transport costs is linked to the lower purchase and sale volumes, despite the presence of very high tariffs for a large part of the year. These costs reached record levels, only to then decrease at the end of the year with a downward trend still in progress. The tensions following the Russian invasion of the Ukrainian territory were at the basis of the significant increase in energy costs: the company incurred higher costs for motive power and heating for an amount of € 683 thousand.

12. Amortization, depreciation and impairment losses

Details of these item are as follows:

€/000	FY 2022	FY 2021
Depreciation of property, plant and equipment (note 16)	3,500	3,625
Amortization of intangible assets (note 17)	2,007	2,108
Amortization of rights of use (note 18)	83	80
Impairment losses and gains	-	10
Total	**5,590**	**5,823**

13. Financial income and expenses

Financial income" is analysed as follows:

€/000	FY 2022	FY 2021
Dividends from subsidiaries (note 38)	14,824	10,757
Dividends from associates	-	-
Interest on trade receivables	146	36
Interest on loans to subsidiaries and other financial income (note 38)	744	550
Interest on financial assets granted to parent company	-	1
Interest on financial assets granted to subsidiaries (note 38)	1	-
Interest on bank and postal current accounts	46	5
Income from adjustment to fair value and fixing of derivates instruments for hedging interest rate risk	1,109	272
Financial income	**16,870**	**11,621**

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

"Financial expenses" are analysed as follows:

€/000	FY 2022	FY 2021
Interest on medium long-term bank loans and borrowings	1,106	493
Interest on short-term bank loans and borrowings	-	34
Financial charges from valuing employee termination ind. (note 31)	11	-
Financial charges from leases	3	2
Costs from adjustment to fair value and closure of derivates instruments for hedging interest rate risk	66	183
Other financial costs	68	1
Financial expenses	**1,254**	**713**

The increase in the "interest on medium long-term bank loan and borrowings" is related to the increase in interest rates and to the bank indebtedness.

Reference should be made to Note 21 for more details on interest rate hedging derivatives risk.

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

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

€/000	FY 2022	FY 2021
Profit / (Loss) on exchange differences on trade transactions	(325)	383
Profit / (Loss) on exchange differences on trade transactions adjustments	989	197
Profit / (Loss) on exchange differences on financial transactions	37	433
Profit / (Loss) on exchange differences on valuation of hedging derivatives	113	21
Exchange gains and losses	**814**	**1,034**

14. Income taxes

This amount is made up as follows:

€/000	FY 2022	FY 2021
Current taxes	472	223
Taxes from prior years	52	34
Deferred tax assets (note 30)	(202)	252
Deferred tax liabilities (note 30)	(67)	(105)
Total	**255**	**404**

“Current income taxes”, for the year 2022, amount to a positive net value of € 472 thousand and refers to:
- the right to receive in retrocession from the tax consolidation, to which the company participates ex. 117 TUIR, the sum of € 484 thousand, on basis of the contribution by Emak of the facility "ACE" and other items, usable by the Group to reduce its consolidated taxable income;
- the cost of IRAP (regional company tax) to € 12 thousand.

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

€/000	FY 2022	% rate	FY 2021	% rate
Profit before taxes	**14,195**		**9,543**	
Theoretical tax charges	**3,960**	**27.9**	**2,662**	**27.9**
Effect of IRAP differences calculated on different tax base	(562)	(4.0)	(286)	(3.0)
Dividends	(3,380)	(23.8)	(2,453)	(25.7)
Non-deductible costs	44	0.3	145	1.5
Previous period taxes	(52)	(0.4)	(34)	(0.4)
ACE facilitation	(74)	(0.5)	(126)	(1.3)
Other differences	(191)	(1.3)	(312)	(3.3)
Effective tax charge	**(255)**	**(1.8)**	**(404)**	**(4.2)**

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

15. Earnings per share

"Basic" earnings per share are calculated by dividing the net profit for the period of the Group attributable to the Company's Shareholders by the weighted average number of ordinary shares outstanding during the period, excluding the average number of treasury shares held (see note 17 of the Consolidated Financial Statements).

16. Property, plant and equipment

Changes in property, plant and equipment are shown below:

€/000	31.12.2021	Increase (Amortizations)	Decreases	Other movements	31.12.2022
Lands and buildings	33,319	214	(34)	-	33,499
Accumulated depreciation	(14,141)	(844)	34	-	(14,951)
Lands and buildings	**19,178**	**(630)**	**-**	**-**	**18,548**
Plant and machinery	21,577	359	-	9	21,945
Accumulated depreciation	(17,598)	(963)	-	-	(18,561)
Plant and machinery	**3,979**	**(604)**	**-**	**9**	**3,384**
Other assets	66,156	1,512	(358)	227	67,537
Accumulated depreciation	(63,148)	(1,693)	357	-	(64,484)
Other assets	**3,008**	**(181)**	**(1)**	**227**	**3,053**
Advances and fixed assets in progress	**268**	**322**	**-**	**(236)**	**354**
Cost	**121,320**	**2,407**	**(392)**	**-**	**123,335**
Accumulated depreciation (note 12)	**(94,887)**	**(3,500)**	**391**	**-**	**(97,996)**
Net book value	**26,433**	**(1,093)**	**(1)**	**-**	**25,339**

€/000	31.12.2020	Increase (Amortizations)	Decreases	Other movements	31.12.2021
Lands and buildings	33,069	135	-	115	33,319
Accumulated depreciation	(13,309)	(832)	-	-	(14,141)
Lands and buildings	**19,760**	**(697)**	**-**	**115**	**19,178**
Plant and machinery	21,249	328	-	-	21,577
Accumulated depreciation	(16,618)	(980)	-	-	(17,598)
Plant and machinery	**4,631**	**(652)**	**-**	**-**	**3,979**
Other assets	65,575	693	(193)	81	66,156
Accumulated depreciation	(61,492)	(1,813)	157	-	(63,148)
Other assets	**4,083**	**(1,120)**	**(36)**	**81**	**3,008**
Advances and fixed assets in progress	**215**	**249**	**-**	**(196)**	**268**
Cost	**120,108**	**1,405**	**(193)**	**-**	**121,320**
Accumulated depreciation (note 12)	**(91,419)**	**(3,625)**	**157**	**-**	**(94,887)**
Net book value	**28,689**	**(2,220)**	**(36)**	**-**	**26,433**

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

The increases relate to:
- land and buildings category, for a total of € 214 thousand, € 181 thousand mainly referring to interventions on the buildings of the Bagnolo in Piano (RE) head office, following the installation of new life lines and the replacement of roofing windows and for 33 thousand Euros for improvements made at the production plant in Pozzilli (IS);
- the plant and machinery category following the realization of new production lines and new test benches for a total of € 260 thousand and for € 99 thousand mainly referred to the installation of advanced

consumption monitoring systems, the replacement of lighting fixtures, as part of the Company's relamping program, as well as the purchase of 3D printers to serve the new engineering hub;

- the **“Other fixed assets”** category mainly includes:
  - acquisitions of equipment and molds for the development of new products, for € 1,171 thousand;
  - acquisitions of electronic machines and office equipment for € 282 thousand;
  - acquisitions of testing and control instruments for € 44 thousand;
  - purchases of internal means of transport for € 15 thousand.

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

The decreases relate to the categories "**Land and Buildings**" and "**Other assets**", for the scrapping of light constructions, molds and electronic machines, for which the relative useful life had essentially already expired.

The Company does not hold goods that a subject to restrictions on entitlement and ownership.

Over the years the company, Comag S.r.l., merged into Emak S.p.A.in 2015 financial year, has benefitted from a number of capital grants paid in accordance with Law 488/92. The contributions paid are posted to the income statement according to the residual possibility of use of the fixed assets to which they refer and are recorded in the statement of financial position under deferred income.
All receivable relating to these contributions have been received.

The Company has verified the recoverability of its fixed assets through an impairment test conducted on its net capital employed, as better explained in note 19.

17. Intangible assets

Intangible assets report the following changes:

€/000	31.12.2021	Increases	Decreases	Other movements	31.12.2022
Development costs	6,400	27	-	-	6,427
Accumulated amortization	(3,436)	(911)	-	-	(4,347)
Development costs	**2,964**	**(884)**	**-**	**-**	**2,080**
Patents and intellectual property rights	10,057	745	-	-	10,802
Accumulated amortization	(9,359)	(584)	-	-	(9,943)
Patents	**698**	**161**	**-**	**-**	**859**
Concessions, licences and trademarks	220	13	-	-	233
Accumulated amortization	(141)	(12)	-	-	(153)
Concessions, licences and trademarks	**79**	**1**	**-**	**-**	**80**
Other intangible assets	3,712	-	-	-	3,712
Accumulated amortization	(2,358)	(500)	-	-	(2,858)
Other intangible assets	**1,354**	**(500)**	**-**	**-**	**854**
Advanced payments	**-**	**111**	**-**	**-**	**111**
Cost	**20,389**	**896**	**-**	**-**	**21,285**
Accumulated depreciation (note 12)	**(15,294)**	**(2,007)**	**-**	**-**	**(17,301)**
Net book value	**5,095**	**(1,111)**	**-**	**-**	**3,984**

€/000	31.12.2020	Increases	Decreases	Other movements	31.12.2021
Development costs	5,554	846	-	-	6,400
Accumulated amortization	(2,522)	(914)	-	-	(3,436)
Development costs	**3,032**	**(68)**	**-**	**-**	**2,964**
Patents and intellectual property rights	9,522	533	-	2	10,057
Accumulated amortization	(8,674)	(685)	-	-	(9,359)
Patents	**848**	**(152)**	**-**	**2**	**698**
Concessions, licences and trademarks	186	34	-	-	220
Accumulated amortization	(129)	(12)	-	-	(141)
Concessions, licences and trademarks	**57**	**22**	**-**	**-**	**79**
Other intangible assets	3,511	201	-	-	3,712
Accumulated amortization	(1,861)	(497)	-	-	(2,358)
Other intangible assets	**1,650**	**(296)**	**-**	**-**	**1,354**
Advanced payments	**2**	**-**	**-**	**(2)**	**-**
Cost	**18,775**	**1,614**	**-**	**-**	**20,389**
Accumulated depreciation (note 12)	**(13,186)**	**(2,108)**	**-**	**-**	**(15,294)**
Net book value	**5,589**	**(494)**	**-**	**-**	**5,095**

The increase in the item "Development costs" refers to consultancy related to electrification technologies as part of a new multi-year project.

In the previous year, the increase in "Development costs" mainly referred to investments in a new development activity started as part of a multi-year project called "New generation of Handheld Outdoor Power Equipment for advanced production systems of spare parts F/150026/00/X40", which ended on 31 December 2021, subject to facilitation by the Ministry of Economic Development. These costs included approximately € 1,985 thousand of personnel costs incurred internally and capitalized under this item.
The facilities provided for by art. 7 of the Ministerial Decree July 24, 2015, under the Fund for Sustainable Growth and the Revolving Fund for Supporting Businesses and Investments in Research, relate to:

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

During the month of April 2022, the Company collected the fourth tranche of the non-repayable grant, equal to a total value of € 316 thousand; the grants disbursed are credited to the income statement gradually in relation to capitalized costs to which they refer and are shown in the balance sheet under deferred income (note 33).

The increase in the item "Patents and intellectual property rights" mainly refers to the customization activities of the management system adopted by the Company, aimed at developing new functions of the same.
All the intangible assets have a finite residual life and are amortized on a straight-line basis over the following periods:

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

Research and development costs directly posted to the income statement amount to € 5,593 thousand, net of capitalizations that took place during the year.

18. Rights of use

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

€/000	31.12.2021	Increases	Amortization	Decreases	31.12.2022
Rights of use other assets	146	113	(83)	(7)	169
Net book value (note 12)	**146**	**113**	**(83)**	**(7)**	**169**

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

19. Goodwill

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

Furthermore, during the year, the Company's Management has deemed it appropriate to verify the recoverability of net invested capital relating to the Emak S.p.A. CGU with respect to indicators of loss of value detected during the financial year 2022, traceable to the reporting for the second consecutive year of a negative operating result for the period. This assessment has also been carried out through the determination of the recoverable value of the reference Cash Generating Unit (CGU) through the "Discounted cash flow" method; the more relevant factors in the estimate of future cash flows are attributable to the intrinsic difficulty in the formulation of future forecasts, to the feasibility of market strategies in highly competitive contexts, and to macroeconomic and geo-political risks connected to geographical areas in which the Company operates.

The plan data of the Emak S.p.A. CGU, which is the smallest series of units for generating cash flow according to the monitoring policies used by management for internal management purposes, have been considered.

The business plans, methodologies and results of the "impairment test" have been approved by the Board of Directors on February 28, 2023, taking account of the opinion of the Risk Control and Sustainability Committee. The discount rate used to discount the expected cash flows has been established by single CGU. This rate (WACC) reflects the current market assessments of the time value of money over the period considered and the specific risks of the Company.

The discount rate used corresponds to an estimate net of taxes determined on the basis of the following main assumptions:
• risk-free rate equal to the average return on ten-year reference government bonds;
• debt based on the financial structure of comparables.

In order to carry out the impairment test on the net capital employed values referring to the Emak S.p.A. CGU, the *Discounted cash flow* has been calculated in the basis of the following assumptions:

- the cash flows used has been extracted from the five-year business plan of the Company, approved by the Board of Directors, that represent management's best estimate in relation to the future operating performances of the Company in the period in question;
- this flows refer to reference units in their current state and exclude any operation of an extraordinary nature and/or operations not yet defined at the closing of the year;
- The WACC used to discount future cash flows are calculated on the basis of the following assumptions:
    - the cost of debt reflects a cost of debt at market values, determined as the sum of the IRS / SWAP rate of the reference area with a maturity of 10 years with an average yield of the 6 months prior to 31 December 2022 to which is added a spread determined on the basis of the actual cost of debt relating to the Group's current loans;
    - The cost of equity capital reflects the average 10-year *(*risk free*)* Government Bond yield of the 6 months previous to 31 December 2022 increased by a premium for market risk and weighted by an industry-specific levered beta*,* considering, moreover, an execution risk of 1% in order to take prudent account of possible deviations between the final results and forecast data, as well as a size risk premium to reflect the risk deriving from the dimensions of the Group with respect to other market operators.

The WACC rate used for discounting cash flows of Emak S.p.A. CGU is 9.5%; the final value has been determined on the basis of a long-term growth rate (g) of 2%, representative of the long-term expectations for the relevant industrial sector, considering the presumed inflationary impacts. The test has not revealed value losses.

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 Company has drawn up sensitivity analyses on the result of the test with respect to variations in the underlying assumptions effecting the use value of the CGU. Also in the event of a positive or negative variation of the WACC of 5%, of the longterm growth rate (g) of 50 bps and of 5% of the cash flows, the analyzes did not show impairment losses.

20. Equity investments

Details of equity investments are as follows:

€/000	31.12.2021	Increases	Decreases	31.12.2022
Equity investments				
- in subsidiaries	89,706	-	-	89,706
- in other companies	2	-	-	2
TOTAL	**89,708**	**-**	**-**	**89,708**

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

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

The Company carried out an impairment test of the equity investments that show indicators of impairment, or object of previous devaluations, in order to identify any losses and / or reversal of impairment losses to be recognized in the Income Statement, following the procedure set forth in IAS 36, and then comparing the book value of the individual equity investments with the value in use given by the current value of the estimated cash flows that are expected to derive from the continuous use of the asset subject to impairment test.
There is a connection between the subsidiaries and the cash generating units ("CGU") identified for implementing the aforementioned impairment tests.
The impairment test was therefore implemented for equity investments in Emak Do Brasil Ltda, Sabart S.r.l., Victus Sp Z.o.o., Tailong (Zhuhai) Ltd and Epicenter LLC.
It should also be noted that the subsidiary Emak Deutschland Gmbh is no longer operational, therefore the Company has not carried out any impairment tests.
The business plans, methodologies and results of the "impairment test" have been approved by the Board of Directors on February 28, 2023, taking account of the opinion of the Risk Control and Sustainability Committee.

For the tests was used the discounted cash flow method (Discounted Cash Flow Unlevered) deriving from the multi-year financial business plans drawn up by the individual subsidiaries and approved by the respective Boards of Directors, relating to the specific CGUs. These forecasts for the explicit period are in line with forecasts on the performance of the operating segment to which each company belongs and represent the best management estimate on the future operating performance of the individual subsidiaries during the period considered, and excluding any transactions of non-ordinary nature and / or transactions not yet defined at the end of the financial year.

The discount rates in the impairment tests were calculated using as baseline the risk-free rates and the market premiums relating to the different countries to which belong the equity investments under assessment.

The terminal value was calculated with the “perpetuity growth” formula, assuming a growth rate “g-rate” equal to the country's long-term inflation and considering an operating cash flow based on the last year of explicit forecast, adjusted to “perpetuity” project a stable situation, specifically by using the following main assumptions:
- balance between investments and amortization (in the logic of considering a level of investments necessary for the maintenance of the business);
- change in working capital equal to zero.

The terminal value was determined on the basis of a long-term growth rate (g) equal to the country's long-term inflation (source *International Monetary Fund*); this rate equal to 2% for China, 2.10% for Italy, 2.50% for Poland, 3% for Brazil and 5% for Ukraine.

The value obtained by summing the discounted cash flows of the explicit period and the terminal value ("Enterprise Value") is deducted the net financial debt at the reference date of the valuation, in this case on 31 December 2022, in order to obtain the economic value of the investments subject to assessment ("Equity Value").

The WACC used to discount future cash flows are calculated on the basis of the following assumptions:

- the cost of debt reflects a cost of debt at market values, determined as the sum of the IRS / SWAP rate of the reference area with a maturity of 10 years with an average yield of the 6 months prior to 31 December 2022 to which is added a spread determined on the basis of the actual cost of debt relating to the Group's current loans;

- The cost of equity capital reflects the average 10-year *(*risk free*)* Government Bond yield of the 6 months previous to 31 December 2022 increased by a premium for market risk and weighted by an industry-specific levered beta, considering, moreover, an execution risk of 1% in order to take prudent account of possible deviations between the final results and forecast data, as well as a size risk premium to reflect the risk deriving from the dimensions of the Group with respect to other market operators.

The WACC used to discount cash flows were respectively 11.5% for Victus Sp Z.o.o. (Poland), 9.5% for Sabart S.r.l. (Italy), 10.7% for Tailong (China), 34.5% for Epicenter Llc (Ukraine), while a WACC of 15.1% was used for the CGU Emak Do Brasil Ltda located in Brazil.

The impairment tests carried out on these subsidiaries did not show any impairment losses to be recognized in the income statement as at 31 December 2022.
Future cash flows derive from business plans drawn up taking into account the critical and macroeconomic risks that distinguish the scope in which the subsidiaries operates and the impairment test not showed impairment losses.

Furthermore, also on the basis of the indications contained in the joint document of the Bank of Italy, Consob and Isvap no. 4 of 3 March 2010, the Company proceeded to draw up a sensitivity analysis on the results of the impairment test with respect to changes in the basic assumptions that affect the value in use of the investment. Also in the case of a positive change of 5% of the WACC, or negative of half a percentage point of the growth rate "g" or of 5% of the cash flows; these analyses do not lead to impairment losses.

Investments in **other companies** relate to:

- one share for membership of the ECOPED Consortium as required by Decree 151/2005, with a value of € 1 thousand;
- one share for membership of the POLIECO Consortium as required by Decree 152/2006, with a value of € 1 thousand.

21. Derivative financial instruments

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

- hedging the risk of changes in debit interest rates;
- hedging purchases in foreign currencies.

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

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

December 31, 2022 appear outstanding forward contracts of purchase in foreign currencies for:

	Company		Nominal value (€/000)	Forward exchange (average)	Due to (*)
Forward contracts for foreign currencies purchases with collar options					
Cnh/Euro	Emak Spa	Cnh	36,000	7.09	12/12/2023
Forward contracts for foreign currencies purchases with nocking forward option					
Cnh/Usd	Emak Spa	Cnh	24,000	7.12	08/12/2023

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

The accounting for the overexposed instruments takes place at fair value. The current value of forward purchase contracts in foreign currency led to the recognition of a positive fair value of € 29 thousand and of a negative fair value of € 329 thousand.
In accordance with the reference accounting standards, these effects have been recognized in the income statement in the current period.

Emak S.p.A. has taken out a number of IRS contracts and options on interest rates, with the aim of covering the risk of variability of interest rates on loans, for a notional total of € 27,338 thousand.

Bank	Company	Notional Euro (€/000)	Date of the operation	Due to
Credit Agricole	Emak S.p.A.	500	24/05/2018	30/06/2023
MPS	Emak S.p.A.	1,000	14/06/2018	30/06/2023
UniCredit	Emak S.p.A.	1,000	14/06/2018	30/06/2023
Banco BPM	Emak S.p.A.	500	21/06/2018	31/03/2023
Banca Nazionale del Lavoro	Emak S.p.A.	938	06/07/2018	06/07/2023
UniCredit	Emak S.p.A.	1,950	31/07/2019	30/06/2024
Banca Nazionale del Lavoro	Emak S.p.A.	1,250	02/08/2019	31/12/2024
Banco BPM	Emak S.p.A.	2,450	02/08/2019	30/06/2024
MPS	Emak S.p.A.	3,750	16/06/2020	30/06/2025
UniCredit	Emak S.p.A.	9,000	06/08/2021	31/03/2025
Bper Banca	Emak S.p.A.	5,000	05/08/2022	30/06/2027
Total		**27,338**		

The recorded value of these contracts at December 31, 2022 shows a positive fair value of € 991 thousand.

The average interest rate resulting from the instruments is equal to 0.07%.

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.
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22. Other financial assets

The **"Other non-current financial assets"** amounted to € 18,921 thousand, against € 14,948 thousand in the previous year and refer to loans quoted in Euros granted to subsidiaries, of which €15,210 thousand due to the subsidiary Comet S.p.A., € 3,600 thousand due to the subsidiary Sabart S.r.l., as well as receivables from the parent company Yama S.p.A. for contractual indemnity for an amount of € 111 thousand.

"Other current financial assets" amounting to € 16,037 thousand refer to the financial receivable of the subsidiary Comet S.p.A, regulated by an intercompany current account agreement, to the receivable in favor of the parent company Yama SpA for € 37 thousand already mentioned in the previous paragraph.

The interest rates applied to loans granted by Emak to the subsidiaries have been established in accordance with the framework resolutions that define the nature and terms of conduct. In general, the yield varies depending on:

- the type and duration of the loan granted;
- the performance of the financial markets in which Emak and its subsidiaries operate and the official reference rates, Euribor;
- the currency of the loan granted.

23. Trade and other receivables

A breakdown of the heading is shown below:

€/000	31.12.2022	31.12.2021
Trade receivables	29,285	33,983
Provision for doubtful accounts	(2,675)	(2,514)
Net trade receivables	**26,610**	**31,469**
Receivables from related parties (note 38)	12,069	13,335
Prepaid expenses and accrued income	948	805
Other receivables	783	564
Total current portion	**40,410**	**46,173**
Other non current receivables	3	3
Total non current portion	**3**	**3**

The item "**Other current receivables**" includes the credit deriving from the relationship that governs the tax consolidation with the parent company Yama S.p.A. and relating to the contribution to the Group of the benefits accrued for the year which at 31 December 2022 amounted to € 484 thousand (€ 334 thousand at 31 December 2021).

Trade receivables have an average maturity of 100 days and there are no trade receivables due after one year. The decrease in the item "trade receivables" is attributable to the higher sales volumes in the last quarter of the previous year as well as to the slowdown in turnover that occurred during 2022.

The item includes amounts in foreign currency, US dollars for 6,494 thousand.

All non-current receivables mature within five years.

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

€/000	Italy	Europe	Rest of the world	Total
Trade receivables	17,124	6,775	5,386	**29,285**
Related parties receivables	1,309	8,615	2,145	**12,069**

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

€/000	FY 2022	FY 2021
Opening balance	**2,514**	**2,569**
Provisions (note 11)	204	3
Usage	(43)	(58)
Closing balance	**2,675**	**2,514**

The book value of this balance approximates its fair value.
The value of the allowance for doubtful accounts refers to € 2,179 thousand for receivables expired for over 90 days (39.26% of the total gross value of trade receivables overdue for more than 3 months) and for € 496 thousand to receivables expired from 0 to 90 days (16.74% of the total gross value of trade receivables expired within 3 months).

24. Inventories

Inventories are detailed as follows:

€/000	31.12.2022	31.12.2021
Raw, ancillary and consumable materials	31,583	28,335
Work in progress and semi-finished products	6,353	8,076
Finished products and goods	12,009	14,522
Total	**49,945**	**50,933**

Inventories are stated net of a provision of € 2,976 thousand at December 31, 2022 (€2,731 thousand at December 31, 2021) intended to align obsolete and slow-moving items to their estimated realizable value.

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

€/000	FY 2022	FY 2021
Opening balance	**2,731**	**2,666**
Provisions	491	772
Usage	(246)	(707)
Closing balance	**2,976**	**2,731**

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

None of the company's inventories at December 31, 2022 act as security against its liabilities.

25. Cash and cash equivalents

Cash and cash equivalents are detailed as follows:

€/000	31.12.2022	31.12.2021
Bank and post office deposits	43,325	32,061
Cash	9	11
Total	**43,334**	**32,072**

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

€/000	31.12.2022	31.12.2021
Cash and cash equivalents	43,334	32,072
Overdrafts (note 28)	(7)	(6)
Total	**43,327**	**32,066**

The macroeconomic context, company and Group operations have led to greater recourse to loans as a lever to support Group strategies.

26. Equity

Share capital
Share capital is fully paid up at 31 December 2022 and amounts to € 42,623 thousand and it is represented by 163,934,835 ordinary shares of par value € 0.26 each.

All shares have been fully paid.

Treasury shares
The total value of treasury shares held at 31 December 2021 amounted to € 2,029 thousand.
The consistency of the portfolio of treasury shares has changed during the year, as during October 2022, the Company has taken a treasury share purchase program, authorized by the Shareholders' Meeting of 29 April 2022. The buyback plan was concluded in December 2022 and registered a total purchase of 700,000 shares for a value of € 806 thousand, corresponding to the nominal value of € 182 thousand and the remaining € 624 thousand at the respective premium paid.
Therefore, the total value of treasury shares at 31 December 2022 amounts to € 2,835 thousand.
(€ 285 thousand referred to nominal value and the remaining € 2,550 thousand to the corresponding premium).

Dividends
On 29 April 2022 the Shareholders' Meeting of Emak S.p.A. resolved to allocate the profit for the year 2021 for € 497 thousand to the legal reserve for € 454 thousand to the extraordinary reserve and for a total of € 12,266 thousand as a dividend to shareholders (0.075 Euros per share) also through use of the retained earnings reserve.
With the approval of these financial statements, we propose the distribution of a total dividend of Euro 0.065 per share, equal to a total of Euro 10,584 thousand.

Share premium reserve
At 31 December 2022, the share premium reserve amounts to € 41,513 thousand, and consists of premiums on subsequently issued shares. The reserve is shown net of charges related to the capital increase amounted to € 1,598 thousand and adjusted for the related tax effect of € 501 thousand.

Legal reserve
The legal reserve at December 31, 2022 of € 4,247 thousand (€ 3,750 thousand at December 31 2021).

Revaluation reserve
At 31 December 2022 the revaluation reserve includes the reserves deriving from the revaluation as per Law 72/83 for € 371 thousand, as per Law 413/91 for € 767 thousand and as per ex Law 104/2020 for € 3,215 thousand; the latter value relates to the realignment applied to the higher real estate values recognized in first time adoption. The component pursuant to ex law 104/2020 is subject, like the others included in this item, to the constraints set out in art. 2445, paragraphs 2 and 3, of the Italian Civil Code, and was fed, in the 2020 financial year, in part through the full use of the first time adoption reserve, and, for the remaining part, with partial use of the share premium reserve.

Other reserves
The extraordinary reserve, included among other reserves, amounts to € 28,527 thousand at December 31 2022, inclusive of all allocations of earnings in prior years.
At 31 December 2022 other reserves also include:

- reserves qualifying for tax relief, referring to tax provisions for grants and donations for € 129 thousand;
- reserves for merger surpluses for € 3,561 thousand;
- reserves from capital grants deriving from the merger of Bertolini S.p.A. for € 122 thousand.

These reserves have remained unchanged compared to the previous year.

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

				Summary of uses in past three years	
Nature/Description (€/000)	**Amount**	**Possible use**	**Available portion**	**Coverage of losses**	**Distribution of profits**
Share capital	**42,623**				
Capital reserve					
Share premium reserve (§)	41,513	A-B-C	41,513	-	-
Revaluation reserve under Law 72/83 (#)	371	A-B-C	371	-	-
Revaluation reserve under Law 413/91 (#)	767	A-B-C	767	-	-
Revaluation reserve under Law 104/20 (#)	3,215	A-B-C	3,215	-	-
Merger surplus reserve (£)	3,561	A-B-C	3,561	-	-
Other untaxed reserve (#)	122	A-B-C	122	-	-
Treasury shares	(2,835)		(2,835)		
Reserves formed from earnings					
Legal reserve	4,247	B	-	-	-
Extraordinary reserve	28,527	A-B-C	28,527	-	-
Untaxed reserve (#)	129	A-B-C	129	-	-
Profits brought forward in FTA	(238)		(238)	-	-
Valutation reserve	(459)		(459)	-	-
Retained earnings	16,539	A-B-C	16,539	-	8,179
Total	**95,459**		**91,212**	-	**8,179**
Undistributable portion (*)			**(5,635)**	-	-
Distributable balance			**85,577**	-	-
Net profit for the period (**)	**14,450**		**13,727**	-	-
Total equity	**152,532**				

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

(#) Subject to tax payable by the company in the event of distribution;
(£) Subject to taxation of the company, in the event of distribution, for the value of € 394 thousand;
(*) The share of long-term costs not yet amortized (€ 2,079 thousand), in addition to the share of necessary future allocation to the legal reserve (€ 3,556 thousand, net of the allocation of 2022 profit referred to in the next point). This bond bears specifically on the share premium reserve (§);
(**) Subject to obliged allocation to the legal reserve for € 723 thousand.

27. Trade and other payables

Details of these amounts are as follows:

€/000	31.12.2022	31.12.2021
Trade payables	21,707	38,430
Payables due to related parties (note 38)	7,443	10,413
Payables due to staff and social security institutions	3,189	4,284
Other payables	407	2,374
Total	**32,746**	**55,501**

The heading **"Other payables"** mainly includes amounts payable to Directors for € 37 thousand, the current part of the contribution as per Law 488/92 of the company Comag S.r.l., merged by incorporation into Emak S.p.A. and the short-term portion of non-repayable contributions relating to the facility by the Ministry of Economic Development as well as the current portion of the investment tax credit ex. Law 160/2019 and pursuant to Law 178/2020 (note 33).

Trade payables do not accrue interest and are normally settled at around 74 days.

The heading includes amounts in foreign currencies as follows:
- US dollars for 3,263 thousand;
- Japanese yen for 11,372 thousand;
- Chinese renminbi yuan for 49,225 thousand.

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

€/000	Italy	Europe	Rest of the world	Total
Trade payables	15,244	2,245	4,218	**21,707**
Related parties payables	386	841	6,216	**7,443**

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

28. Loans and borrowings

Loans and borrowings at December 31, 2022 do not include any secured payables.

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

€/000	31.12.2022	31.12.2021
Overdrafts (note 25)	7	6
Bank loans	27,370	27,905
Financial accrued expenses	145	45
Financial debts from related parties (note 38)	44	126
Other current loans	30	37
Total current portion	**27,596**	**28,119**

The heading "**Financial debts from related parties**" refers to the interest-bearing loan granted by the subsidiary, Sabart S.r.l., for € 7 thousand and to the commitment to retrocess a contractual indemnity due to the subsidiary, Tecomec S.r.l., for the current portion of € 37 thousand.

The heading "**Other current loans**" refers to a payable to shareholders who, on the record date, requested the postponement of the dividend collection.

Short-term loans and borrowings are repayable as follows:

€/000	Due within 6 months	Due within 6 and 12 months	Total
Bank loans	14,751	12,619	**27,370**
Financial debts from related parties (note 38)	37	7	**44**
Total	**14,788**	**12,626**	**27,414**

Interest rates applied to loans granted to Emak by subsidiaries have been established in accordance with the framework resolutions that define the nature and terms of conduct. Generally the yield varies depending on:
- the type and duration of the loan granted;
- the performance of the financial markets in which Emak and its subsidiaries operate and of the official reference rates (Euribor);
- the currency of the loan granted.

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

€/000	31.12.2021	Increases	Decreases	31.12.2022
Bank loans	37,319	69,059	(32,223)	74,155
Financial debts from related parties (note 38)	148	-	(37)	111
Total non current portion	**37,467**	**69,059**	**(32,260)**	**74,266**

The item "**Bank loans**" includes € 3,379 thousand relating to the subsidized rate loan approved by Cassa Depositi e Prestiti S.p.A., for a share equal to 88% of the total value of the loan obtained, as part of the subsidy by the Ministry of Economic Development, already mentioned in note 17.

The heading "**Financial debts from related parties**" of € 111 thousand refers to the commitment to retrocess a contractual indemnity due to the subsidiary, Tecomec S.r.l., for the long-term portion.

Long and medium-term loans and borrowings are repayable according to the following repayment plan:

€/000	Due within 2 years	Due within 3 years	Due within 4 years	Due within 5 years	Total due within 5 years	Due beyond 5 years
Bank loans	21,093	14,212	14,836	9,118	**59,259**	**14,896**
Financial debts from related parties	37	37	37	-	**111**	**-**
Total	**21,130**	**14,249**	**14,873**	**9,118**	**59,370**	**14,896**

The interest rates refer to 3-6 months Euribor plus an average spread of 1.14 percentage points.

A number of medium-long-term loans are subject to finance Covenants assessed on the basis of consolidated Net financial position/Ebitda and Net financial position/Equity ratios. At December 31, 2022 the Company complied with all the benchmarks set by contract.

29. Liabilities deriving from leases

The item "**Liabilities deriving from leases**" which totals € 171 thousand, of which € 98 thousand as noncurrent portion and € 73 thousand as current portion, refers to financial liabilities recorded in application of the IFRS accounting standard 16 - Leases, adopted by the Company from 1 January 2019. These liabilities are equal to the present value of the future residual payments provided by the contracts.

Liabilities deriving from medium and long-term leases are repayable according to the following repayment plan:

€/000	Due within 2 years	Due within 3 years	Due within 4 years	Due within 5 years	Total due within 5 years	Due beyond 5 years
Liabilities for leasing	49	32	17	-	**98**	-
Total	**49**	**32**	**17**	**-**	**98**	**-**

30. Tax assets and liabilities

Deferred tax assets are detailed below:

€/000	31.12.2021	Increases	Decreases	Other movements	31.12.2022
Deferred tax on provision for inventory write-downs	655	69	-	-	724
Deferred tax on provisions for bad debts	93	49	-	-	142
Other deferred tax assets	1,285	114	(434)	(90)	875
Total (note 14)	**2,033**	**232**	**(434)**	**(90)**	**1,741**

The portion of taxes which are expected to reverse within the following 12 months is estimated to be in line with the decrease registered in 2022.

The heading **"Other deferred tax assets"** includes:
- a receivable of € 497 thousand, as tax benefits carried forward, corresponding to aid for economic growth (ACE, pursuant to Article 1, Law 201/2011), accrued in previous years (2012 - 2015) and recognized as due by the Italian Revenue Agency in 2017, following a favourable response to the application not to apply presented by the Company;
- deferred tax assets of € 98 thousand relating to exchange rate differences for the year 2022;
- deferred tax effect resulting from the misalignment between the civil and fiscal value of the value of the assets subject to amortization for € 128 thousand;
- deferred tax assets for € 89 thousand relating to the taxation of the product warranty provision, the use of which will become fiscally relevant in future years;
- deferred tax assets, for € 63 thousand, relating to negative income components subject to deferred taxation.

Deferred tax liabilities are detailed below:

€/000	31.12.2021	Increases	Decreases	31.12.2022
Deferred taxes on capital gains on disposals of fixed assets	2	-	(1)	1
Deferred tax on property IAS 17	98	-	(5)	93
Other deferred tax liabilities	198	272	(199)	271
Total (note 14)	**298**	**272**	**(205)**	**365**

The portion of the taxes which will reverse in the next 12 months amounted to about € 229 thousand.

The **"Other deferred tax liabilities"** heading mainly refers to the active exchange differences pertaining to the financial year 2022, but not realized in the period and therefore destined for future taxation and the deferred tax effect deriving from the accounting of the entry relating to the valuation of the severance indemnity fund according to IAS 19.

It should be noted that no deferred taxes were allocated in respect of the various stratifications of revaluation reserves, which are reserves in suspension of the tax, as it is unlikely that the conditions that could determine taxation will arise in the future. The theoretical total amount of these taxes at December 31, 2022 is € 1,112 thousand.

The **current tax receivables** amount at December 31, 2022 to € 1,662 thousand, against € 2,348 thousand at December 31, 2021, and refer to:

- credits at reimbursements relating to deductibility of IRES (Italian corporate income tax) from IRAP (regional corporate tax) for a total amount of € 344 thousand, concerning the appeal filed in previous years as per art. 2 Law no. 201/2011 for a value of € 156 thousand and as per art.6, Decree Law 185/2008 for a further € 188 thousand;
- VAT credits for € 660 thousand;
- "Ecobonus" deduction credit due for energy saving measures for € 68 thousand;
- Investment tax credit ex. Law 160/2019 and pursuant to Law 178/2020 for € 133 thousand;
- R&D tax credit L. 190/14 and L 160/2019 for € 355 thousand;
- IRAP (regional company tax) tax credit for € 85 thousand;
- other minor tax receivables, for a total of € 17 thousand.

Current tax liabilities amount to € 826 thousand at December 31, 2022 (€ 972 thousand at 31 December 2021) and mainly refer to withholding taxes to be paid for € 765 thousand, to the payable for substitute tax of € 33 thousand, relating to the realignment applied, in the previous year, to real estate values, fiscally not recognized, recognized at the first time adoption of the principles international accounting, relating to two buildings and the related appurtenant land and grounds, located in Via Fermi, at nos. 6 and 8, in Bagnolo in Piano (RE).

31. Employee benefits

The liability refers to the time-discounted debt for termination indemnity due at the end of an employee's working life, amounting to € 2,003 thousand. The amount of termination indemnity calculated according to the nominal debt method in force at the closing date would be € 2,177 thousand.

Movements of the liability recorded in the balance sheet:

€/000	2022	2021
Opening balance	**2,522**	**2,676**
Actuarial (gains)/losses	(322)	91
Interest cost on obligation (note 13)	11	-
Disbursements	(208)	(245)
Closing balance	**2,003**	**2,522**

The principal economic and financial assumptions used are as follows:

	FY 2022	FY 2021
Annual inflation rate	2.30%	1.75%
Discount rate	3.63%	0.44%
Dismissal rate	3.00%	3.00%

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

Payments in 2023 are expected to be in line with 2022.

32. Provisions for risk and charges

Movements in this balance are analysed below:

€/000	31.12.2021	Increases	Decreases	31.12.2022
Provisions for agents' termination indemnity	398	52	(64)	386
Other provisions	25	-	-	25
Total non current portion	**423**	**52**	**(64)**	**411**
Provisions for products warranties	320	-	-	320
Other provisions	35	40	-	75
Total current portion	**355**	**40**	**-**	**395**

The provision for agents' termination indemnity is calculated with reference to the agency contracts in existence at year end and refers to the indemnity that is likely to be paid to agents.

Other provisions in the long term refer to € 25 thousand, for defense costs provisioned in respect of the conduct of tax disputes pertaining to the company Bertolini S.p.A. (incorporated at the time) for which Emak, based on the opinion expressed by its defenders, does not expect to mobilize additional funds to incumbent liabilities.

The product warranty provision relates to future costs for warranty repairs that will be supposedly incurred for products sold covered by the legal and/or contractual warranty period, the provision is based on estimates extrapolated from historical trends.

The item **"Other provisions"** for the current portion, equal to € 75 thousand, refers to the best estimate of liabilities currently considered probable in correspondence with relief on claims for product civil liability.

33. Other non-current liabilities

"**Other non current liabilities**" equal to € 635 thousand (€ 647 thousand at December 31, 2021) refers to the deferred income relating to capital grants received as per Law 488/92 by Comag S.r.l., merged into Emak S.p.A. in the year 2015, and spread over subsequent financial periods, equal to € 405 thousand, and the non-repayable grant, obtained as part of a multi-year research and development project provided by the Ministry of Economic Development, amounting to € 126 thousand (note 17) and, finally, for € 104 thousand, to the portion relating to the investment tax credit pursuant to Law 160/2019 and pursuant to Law 178/2020, credited to the income statement gradually, according to the residual possibility of use of the assets to which it refers. The part of the grant receivable within one year is included in current liabilities under "Other payables" and amounts respectively to € 23 thousand, € 94 thousand and € 46 thousand.

34. Contingent liabilities

At the date of December 31, 2022 the Company does not have any disputes other than those referred to in these notes. In the Director's opinion, at the closing date, there were no reasonable grounds for the occurrence of additional future liabilities with respect to those already disclosed in these notes.

35. Commitments

Purchase of further equity interests
There are no contractual agreements referring to the purchase of further stakes held directly by the Company.

Purchase of fixed assets

The Company has commitments for the purchase of fixed assets not recorded in the financial statements at 31 December 2022 for the amount of € 990 thousand.

36. Guarantees

Guarantees granted to *third parties*

They amount to € 1,739 thousand and are made up as follows:

- € 539 thousand for a insurance guarantee in favour of EPA (United Environmental Protection Agency) in compliance with an American regulation in force from 2010 regarding the emissions of combustion engines;
- € 500 thousand for a surety policy in favour of the Campobasso customs office to guarantee customs duties;
- € 200 thousand for a surety policy in favour of Simest for loans (the debt related to this guarantee was fully extinguished on 12/09/2021);
- € 500 thousand for a surety policy in favour of ROJ Srl supplier for the purchase of components for electronic boards.

Comfort letters, sureties and credit orders in favor of subsidiaries

These amount to € 97,745 thousand, and refer to the balance of credit line available or used as at December 31, 2022, broken down as follows:

€/000	Amount guaranteed
Emak France SAS	1,810
Emak U.K. Ltd.	1,604
Jiangmen Emak Outdoor Power Equipment Co. Ltd.	13
Victus Emak SP. Z.O.O.	1,152
Tecomec S.r.l.	23,273
Comet S.p.A	44,167
Comet S.p.A. (operation Lavorwash)	12,600
Valley Industries LLP	13,126
Total	**97,745**

37. Ordinary shares, treasury shares and dividends

Share capital is fully paid up at December 31, 2022 and amounts to € 42,623 thousand and it consists of 163,934,835 ordinary shares of par value € 0.26 each.

	31.12.2022	31.12.2021
Number of ordinary shares	163,934,835	163,934,835
Treasury shares	(1,097,233)	(397,233)
Total outstanding shares	**162,837,602**	**163,537,602**

During 2022 financial year, the dividends approved in the shareholders' meeting of 29 April 2022 relating to the 2021 financial year were paid for a total of € 12,266 thousand.

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

During 2022, the company purchased no. 700,000 treasury shares.

Therefore, as at 31 December 2022 Emak S.p.A. holds n. 1,097,233 treasury shares in portfolio for a value of € 2,835 thousand.

During the months of January and February 2023 no treasury shares were acquired or sold by Emak S.p.A., as a result, the holding and value of treasury shares is unchanged with respect to December 31, 2022.

38. Related Party transactions

Related parties transactions not usual, neither the recurring, not coming under the ordinary scope of activity

Emak adopted in accordance with the law an assurance procedure for the operations typically extraordinary, entered into with related parties, which defines and governs all the potential relationships of this nature, to be applied to all entities of the Group.

On May 12, 2021, the Board of Directors of Emak S.p.A. has approved an updated edition of the procedures relating to transactions with related parties, in order to comply with CONSOB resolution no. 21624 of 10/12/2020, taken in implementation of the provisions of the new paragraph 3 of art. 2391-bis of the Italian Civil Code.
The new procedures have been in force since 1 July 2021 and are also published on the company website, at the address https://www.emakgroup.it/it-it/investor-relations/corporate-governance/altre-informazioni/

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

* * * * * * *

Related parties ordinary transactions in 2022 within the Group controlled by Emak S.p.A.

With regards to the group of companies under its control, the active and passive supply relationships maintained by Emak correspond to the industrial and commercial supply chain relating to its normal business activity.
It should be noted that all transactions relating to the exchange of goods and the provision of services that occurred in 2022 in the group fall within ordinary business of Emak and have been adjusted based on market conditions (i.e. conditions equivalent to those that would be applied in relations between independent parties). These conditions correspond with aims strictly industrial and commercial and of Group financial management optimization. The execution of these transactions is governed by specific and analytical procedures and programmatic documents ("framework resolutions"), periodically approved by the Board of Directors, with the assistance and consent of the independent directors, meeting in the related parties transactions Committee.

The operations carried out in 2022 with related parties belonging to the Emak Group and the values of such relations in force at the closing date of the financial year are shown below.

Receivables for loans and interest:

Companies belonging to Emak S.p.A. (€/000)	Financial income	Current financial assets	Non current financial assets
Comet S.p.A.	716	16,000	15,210
Comet USA Inc.	5	-	-
Sabart S.r.l.	23	-	3,600
Total (note 13 and note 22)	**744**	**16,000**	**18,810**

Payables for loans and interests:

Companies belonging to Emak S.p.A. (€/000)	Financial expenses	Current financial liabilities	Non current financial liabilities
Sabart S.r.l.	-	7	-
Tecomec S.r.l.	-	37	111
Total (note 28)	**-**	**44**	**111**

Other reports related to financial nature concerning the relationship of the guarantee referred to in paragraph 36 above.

Sale of goods and services and receivables**:**

Companies belonging to Emak S.p.A. (€/000)	Net sales	Other operating incomes	Dividends	Total	Trade and other receivables
Emak Suministros Espana SA	4,396	24	258	**4,678**	**999**
Emak Deutschland Gmbh	-	-	-	**-**	**-**
Emak UK Ltd.	1,304	5	-	**1,309**	**356**
Emak France SAS	13,781	-	1,000	**14,781**	**2,332**
Jiangmen Emak Outdoor Power Equipment Co. Ltd.	369	29	-	**398**	**133**
Victus Emak Sp. z.o.o.	11,335	33	1,103	**12,471**	**4,593**
Tailong (Zhuhai) Machinery Manufacturing Equipment Ltd.	8	-	-	**8**	**5**
Epicenter Llc.	1,308	-	-	**1,308**	**-**
Emak Do Brasil Industria Ltda	244	-	-	**244**	**2,002**
Comet S.p.A.	20	547	6,500	**7,067**	**312**
Comet USA Inc.	-	-	-	**-**	**5**
PTC S.r.l.	5	141	-	**146**	**111**
Sabart S.r.l.	307	211	2,283	**2,801**	**238**
Tecomec S.r.l.	20	905	3,680	**4,605**	**483**
Lavorwash S.p.A.	4	375	-	**379**	**149**
Total (C)	**33,101**	**2,270**	**14,824**	**50,195**	**11,718**

Purchase of goods and services and payables:

Companies belonging to Emak S.p.A. (€/000)	Purchases of raw and finished products	Other costs	Total costs	Trade and others payables
Emak Suministros Espana SA	65	37	**102**	31
Emak Deutschland Gmbh	-	-	**-**	-
Emak UK Ltd.	1	22	**23**	4
Emak France SAS	12	345	**357**	46
Jiangmen Emak Outdoor Power Equipment Co. Ltd.	23,539	10	**23,549**	5,381
Comet USA	-	11	**11**	12
Victus Emak Sp. z.o.o.	-	290	**290**	40
Tailong (Zhuhai) Machinery Manufacturing Equipment Ltd.	727	-	**727**	452
Epicenter Llc.	-	5	**5**	198
Emak Do Brasil Industria Ltda	-	81	**81**	43
Comet S.p.A.	513	-	**513**	156
Sabart S.r.l.	11	-	**11**	7
Tecomec S.r.l.	100	-	**100**	41
Ningbo Tecomec	1,163	-	**1,163**	316
Speed France SAS	635	2	**637**	122
Speed North America INC	-	57	**57**	13
Total (D)	**26,766**	**860**	**27,626**	**6,862**

Usual dealings with related parties external to the Emak Group occurring during 2022 regarding ordinary commercial and financial operations

Emak S.p.A. is part of the larger group of companies that are owned by Yama S.p.A., its parent company.

Firstly, the dealings entered into in the 2022 financial year with companies directly controlled by Yama are exclusively of an ordinary commercial nature, all coming under Emak's typical activities and all at arm's length. Some companies supply Emak with components and materials, others buy products from Emak to complete their respective commercial product range.

Secondly, dealings of a financial nature and of a usual character derive from Emak S.p.A.'s participation in the tax consolidation as per arts. 117 and following of the TUIR (the Consolidated Law on Income Tax) with the controlling company, Yama S.p.A., the latter in its capacity as consolidator. The criteria and means for regulating such dealings are established and formalised in consolidation agreements, based on the parity of treatment of the participants (note 23). The operations illustrated in paragraph 22 of these Notes are also of a financial nature.

Other dealings with "other related parties" consist in professional services of a legal and tax nature, provided by bodies subject to significant influence on the part of non-executive director.

Details of the transactions entered into in 2022 with Yama and with other related parties not controlled by Emak are shown below, as well as indications of the entity of such dealings in force at the closing date of the financial year.

Sale of goods and services and receivables:

Releted parties (€/000)	Net sales	Other operating incomes	Trade and other receivables
Euro Reflex D.o.o.	936	-	335
Garmec S.r.l.	3	-	-
Selettra S.r.l.	3	-	4
Yama S.p.A.	-	10	12
Total (E)	**942**	**10**	**351**
Total C+E (note 23)	**34,043**	**2,280**	**12,069**

Purchase of goods and services:

Releted parties (€/000)	Purchases of raw materials and finished products	Other costs	Total costs	Trade payables
Garmec S.r.l.	1	-	**1**	**1**
Euro Reflex D.o.o.	2,288	38	**2,326**	**400**
Selettra S.r.l.	113	9	**122**	**48**
Total (F)	**2,402**	**47**	**2,449**	**449**
Other related parties (G)	**-**	**228**	**228**	**132**
Totals D+F+G (note 27)	**29,168**	**1,135**	**30,303**	**7,443**

Relationships of financial nature and related income:

Releted parties (€/000)	Financial income	Current financial assets	Non current financial assets
Yama S.p.A.	-	37	111
Euro Reflex D.o.o.	1	-	-
Total (note 13 and 22)	**1**	**37**	**111**

* * * * * * *

Other transactions with related parties of a usual nature

Other significant dealings on the part of Emak with related parties are those concerning the remuneration of company officers, established in compliance with general meeting resolutions which have established, for the three-year period of office, maximum global remunerations and, with regards to the managing Directors, bonus schemes. The resolutions of the Board of Directors regarding the remuneration are taken with the opinion of the Committee and, if all the conditions are met, they make use of the procedural simplification provisions provided for by art. 13, paragraphs 1 and 3, lett. b), of CONSOB resolution no. 17221/2010.
More detailed information regarding the remuneration policy, the procedures used for its adoption and implementation, as well as a description of each of the headings making up remuneration, are disclosed in the report drawn up by the Company pursuant to art. 123-ter 58/98, which is submitted for approval to the Shareholders' Meeting and which is available on the website.

Emak
our power, your passion

Costs incurred during the financial period for the remuneration of Emak S.p.A.'s directors and auditors are as follows:

(€/000)	FY 2022	FY 2021
Emoluments of directors and statutory auditors	476	1,374
Benefits in kind	26	31
Wage and salaries	401	1,182
Employee termination indemnities	29	37
Total	**932**	**2,624**

It should be noted that, in the previous financial year, there is a variable incentive part of the remuneration destined for executive directors, included in the first item of the table.

The total debt for remuneration of Directors and Auditors of the Parent Company at December 31, 2022 amounted to € 90 thousand.

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

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

In compliance with the transparency obligations regarding public grants provided for by article 1, paragraphs 125-129 of Law no. 124/2017, subsequently integrated by the "security" Decree Law (no. 113/2018) and by the "Simplification" Decree Law (no. 135/2018), information relating to public grants received by the Company during the 2022 financial year is given below.
It should be noted that a cash-based reporting criterion has been adopted, reporting the grants collected during the period in question.
Disbursements received as consideration for supplies and services provided have not been taken into consideration.

€/000

Lender	Description	Emak S.p.A.
Ministry of Economic Development	Non-repayable grant	316
Fondidirigenti	Contribution for training plans	27
Fondimpresa	Contribution for training plans	19
MEF	Tax credit under Law 160/2019	235
MEF	Tax credit under Law 34/2020	4
MEF	Tax credit under Law 178/2020	42
MEF	Tax credit under Law 175/2022	63
MEF	Tax credit under Law 142/2022	23
Total		**729**

40. Subsequent events

There are no noteworthy events except as already described in note 15 of the Directors Report.

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

For the proposal of allocation of the net profit for the year and distribution of dividends, please refer to note 16 of the Directors Report.

Supplementary schedules

The following schedules, forming an integral part of the explanatory notes to the financial statements, are provided as appendices:

1. CHANGES IN EQUITY INVESTMENTS IN SUBSIDIARY COMPANIES AND ASSOCIATES

2. DETAILS OF EQUITY INVESTMENTS IN SUBSIDIARY COMPANIES AND ASSOCIATES

3. FINANCIAL HIGHLIGHTS OF THE ULTIMATE PARENT COMPANY

4. SCHEDULE OF FEES FOR AUDIT SERVICES AND OTHER SERVICES DIFFERENT THAN AUDITING

Appendix 1

Changes in equity investments

	31.12.2021				Changes				31.12.2022			
	Number of shares	Values in the financial statements €/000	% total shareholding	direct shareholding	Subscriptions And acquisitions	Other movements	Sales	Revaluations (Depreciations)	Number of shares	Values in the financial statements €/000	% total shareholding	direct shareholding
Italy												
Comet S.p.A.	5,000,000	27,232	100	100					5,000,000	27,232	100	100
Sabart S.r.l.	1 share	21,011	100	100					1 share	21,011	100	100
Tecomec S.r.l.	1 share	27,830	100	100					1 share	27,830	100	100
Spain												
Emak Suministros Espana SA	405	572	90	90					405	572	90	90
Germany												
Emak Deutschland Gmbh	10,820	-	100	100					10,820	-	100	100
Great Britain												
Emak UK Ltd	342,090	691	100	100					342,090	691	100	100
France												
Emak France SAS	2,000,000	2,049	100	100					2,000,000	2,049	100	100
China												
Jiangmen Emak Outdoor Power Equipment Co. Ltd.	-	2,476	100	100					-	2,476	100	100
Tailong (Zhuhai) Machinery Manufacturing Equipment Ltd.	-	2,550	100	100					-	2,550	100	100
Poland												
Victus Emak Sp. z.o.o.	32,800	3,605	100	100					32,800	3,605	100	100
Ukraine												
Epicenter	1 share	1,690	100	100					1 share	1,690	100	100
Brazil												
Emak do Brasil Industria Ltda	8,516,200	-	99.9	99.9					8,516,200	-	99.9	99.9
Total investments in subsidiaries		**89,706**				**-**		**-**		**89,706**		
Italy												
Equity in other companies	2 shares	2	-	-					2 shares	2	-	-
Total other companies		**2**								**2**		
Total		**89,708**				**-**		**-**		**89,708**		

Appendix 2

Details of equity investments

€/000	Registered office	Value in the financial statements	% Share	Share Capital	Equity (*) Total	Equity (*) Attributable to Emak S.p.A.	Profit/(Loss) of the year (*)
Emak Suministros Espana SA	Madrid	572	90	270	3,963	3,567	(68)
Emak Deutschland Gmbh	Fellbach-Oeffingen	-	100	553	2	2	-
Emak UK Ltd	Burntwood	691	100	381	890	890	2
Emak France SAS	Rixheim	2,049	100	2,000	7,519	7,519	1,847
Jiangmen Emak Outdoor Power Equipment Co. Ltd.	Jiangmen	2,476	100	3,183	20,739	20,739	(69)
Tailong (Zhuhai) Machinery Manufacturing Equipment Ltd.	Zhuhai	2,550	100	2,038	4,064	4,064	(2,850)
Victus Emak Sp. z.o.o.	Poznan	3,605	100	2,230	8,093	8,093	826
Epicenter LLC.	Kiev	1,690	100	547	3,056	3,056	830
Emak do Brasil Industria Ltda	Ribeirao Preto	-	99.9	3,696	(175)	(173)	130
Tecomec S.r.l.	Reggio Emilia	27,830	100	1,580	30,848	30,848	3,532
Comet S.p.A.	Reggio Emilia	27,232	100	2,600	47,333	47,333	7,519
Sabart S.r.l.	Reggio Emilia	21,011	100	1,900	7,867	7,867	1,898
Total investments in subsidiaries		**89,706**					

(*) Amounts resulting from the reporting package of subsidiaries prepared in accordance with IAS / IFRS for the purpose of preparation of the consolidated financial statements.

Appendix 3

<u>Highlights from the latest financial statements of the parent company Yama S.p.A.</u>

(€/000) FINANCIAL POSITION	31.12.2021	31.12.2020
Assets		
A) Amounts receivable from shareholders for outstanding payments	-	-
B) Fixed assets	68,479	68,593
C) Current assets	9,530	9,497
D) Prepayment and accrued income	9	6
Total assets	**78,018**	**78,096**
Liabilities		
A) Equity:		
Share capital	14,619	14,619
Reserves	45,573	47,726
Net profit	5,192	657
B) Provisions for risks and charges	263	263
C) Employment benefits	6	3
D) Amounts payable	12,363	14,812
E) Accruals and deferred income	2	16
Total liabilities	**78,018**	**78,096**

INCOME STATEMENT	31.12.2021	31.12.2020
A) Revenues from sales	39	37
B) Production costs	(955)	(1,028)
C) Financial income and expenses	6,094	1,991
D) Adjustments to the value of financial assets	(103)	(520)
E) Extraordinary income and expenses	-	-
Profit before taxes	**5,075**	**480**
Income taxes	117	177
Net profit	**5,192**	**657**

Appendix 4

Schedule of fees relating to the 2022 financial period for audit services and other services, subdivided by type.

Type of service	Entity providing the service	Beneficiary	Fees (€/000)
Audit	Deloitte & Touche S.p.A.	Emak S.p.A.	160
Audit	Deloitte & Touche S.p.A.	Italian controlled companies	192
Audit	Deloitte & Touche S.p.A. Network	Foreign controlled companies	64
Certification services	Deloitte & Touche S.p.A.	Emak S.p.A.	38
			453

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

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

1. We, the undersigned, Cristian Becchi, as Chief Executive Officer for finance and control, and Roberto Bertuzzi, the latter also in his position as the manager in charge of preparing the accounting statements 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, in relation to the nature of the entity and
- effective application

of administrative and accounting procedures for the preparation of the company's individual financial statements and the consolidated financial statements for the financial period ending December 31,2022.

2. No factors of a significant nature have arisen.

3. It is certified, moreover, that:

3.1 the individual financial statements and consolidated financial statements for the financial period:

a) have been drawn up in conformity with the international accounting standards recognised by the European Community in accordance with EC regulation no. 1606/2002 of the European Parliament and European Council of 19 July 2002;

b) correspond to the accounting documents, ledgers and records;

c) appear to be suitable for providing a true and fair view of the statement of financial position, economic and financial situation of the issuer and of the entities included in the consolidation.

3.2 The Directors' Report contains a reliable analysis of operating trends and results, as well as of the current situation of the issuer and of the entities included in the consolidation, together with a description of the main risks and uncertainties to which they are exposed.

Data: 16 March 2023

The Chief Executive Officer for finance and control:
Cristian Becchi

The Manager in charge of preparing the accounting statements:
Roberto Bertuzzi

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

To the Shareholders of
Emak S.p.A.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Emak S.p.A. (the "Company"), which comprise the statement of financial position as at December 31, 2022, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at December 31, 2022, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree no. 38/05.

Basis for Opinion

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

Key Audit Matters

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

Impairment test of net invested capital	
Description of the key audit matter	The Company records it in its financial statements as at December 31, 2022 a net invested capital equal to Euro 175,580 thousand, determined as the sum of the Shareholders' equity (Euro 152,532 thousand) and the net financial position (negative for Euro 23,048 thousand). The Company verified the recoverability of the net invested capital related to the operating activities of the CGU Emak S.p.A. (Euro 84,495 thousand), against the impairment indicators recorded for the year 2022, related to the achievement of a negative operating result, and the amount (Euro 28,856 thousand) of certain equity investments in subsidiaries from which impairment indicators were found, in accordance with the provisions of accounting standard IAS 36 - Impairment of Assets. Impairment tests are carried out by comparing the recoverable values, determined according to the value in use method, and the related carrying amounts. As a result of the impairment tests, approved by the Board of Directors on February 28, 2023, the Company has not recorded any impairment losses. Management's assessment process to ascertain possible impairment losses is based on assumptions concerning, among other things, the forecast of the expected cash flows of the CGU, as well as the determination of an appropriate discount rate (WACC) and long-term growth period (g-rate). The assumptions reflected in the five-years plan of the CGU are influenced by future expectations and market conditions, which determine elements of physiological uncertainty in the estimate. In consideration of the importance of the amount of the net invested capital, the subjective nature of the estimates relating to the determination of the cash flows of the CGU and the key variables of the impairment model, as well as the unpredictable factors that can influence market trends in which the subsidiaries operate, we considered the impairment tests of net invested capital related to the operating activities of the CGU Emak and of the equity investments in subsidiaries subject to impairment test, to be a key audit matter of the Company's financial statements as at December 31, 2022. The explanatory notes to the financial statements in paragraphs "2.7 Impairment of assets", "2.11 Shareholdings in subsidiaries" and "4. Key accounting estimates and assumptions" describe the Management assessment process and notes 19 and 20 report the significant assumptions and information on the item subject to impairment test, including a sensitivity analysis that illustrates the effects deriving from changes in the key variables used to carry out the impairment tests.

Audit procedures performed	In the context of our audit work, we performed the following procedures, also through the involvement of experts belonging to our network: • identification and understanding of the controls put in place by the Management for the recognition of the indicators of possible impairment losses and for the determination of the value in use of the CGUs, analyzing the methods and assumptions used by the Management for the execution of the impairment test; • reasonableness analysis of the main assumptions adopted for the determination of cash flow forecasts, also by analyzing data and obtaining information from Management; • analysis of the actual values for 2022 compared to the original plans in order to assess the nature of the variances and the reliability of the budgeting process; • evaluation of the reasonableness of the discount rates (WACC) and long-term growth rates (g-rate) applied in the test, by identifying and observing external sources usually used in professional practice; • verification of the mathematical accuracy of the model used to determine the value in use of the CGUs; • verification of the sensitivity analysis prepared by the Management; • examination of the adequacy of the disclosure provided on impairment tests and of its compliance with the requirements of IAS 36.

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

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

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

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

Auditor’s Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence applicable in Italy, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, the actions taken to eliminate the risks involved or the related safeguard measures applied.

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

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

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

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinion on the compliance with the provisions of the Delegated Regulation (EU) 2019/815

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

We have carried out the procedures set forth in the Auditing Standard (SA Italia) n. 700B in order to express an opinion on the compliance of the financial statements as at December 31, 2022 with the provisions of the Delegated Regulation.

In our opinion, the financial statements as at December 31, 2022 have been prepared in XHTML format in accordance with the provisions of the Delegated Regulation.

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

The Directors of Emak S.p.A. are responsible for the preparation of the report on operations and the report on corporate governance and ownership structure of Emak S.p.A. as at December 31, 2022, including their consistency with the related financial statements and their compliance with the law.

We have carried out the procedures set forth in the Auditing Standard (SA Italia) n. 720B in order to express an opinion on the consistency of the report on operations and some specific information contained in the report on corporate governance and ownership structure set forth in art. 123-bis, n. 4 of Legislative Decree 58/98 with the financial statements of Emak S.p.A. as at December 31, 2022 and on their compliance with the law, as well as to make a statement about any material misstatement.

In our opinion, the above-mentioned report on operations and information contained in the report on corporate governance and ownership structure are consistent with the financial statements of Emak S.p.A. as at December 31, 2022 and are prepared in accordance with the law.

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

DELOITTE & TOUCHE S.p.A.

Signed by
Stefano Montanari
Partner

Bologna, Italy
March 28, 2023

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

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