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

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Annual report 2023

our power, your passion

Annual report at 31 December 2023

This Annual financial statement was approved by the Board of Directors on 14 March 2024.

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

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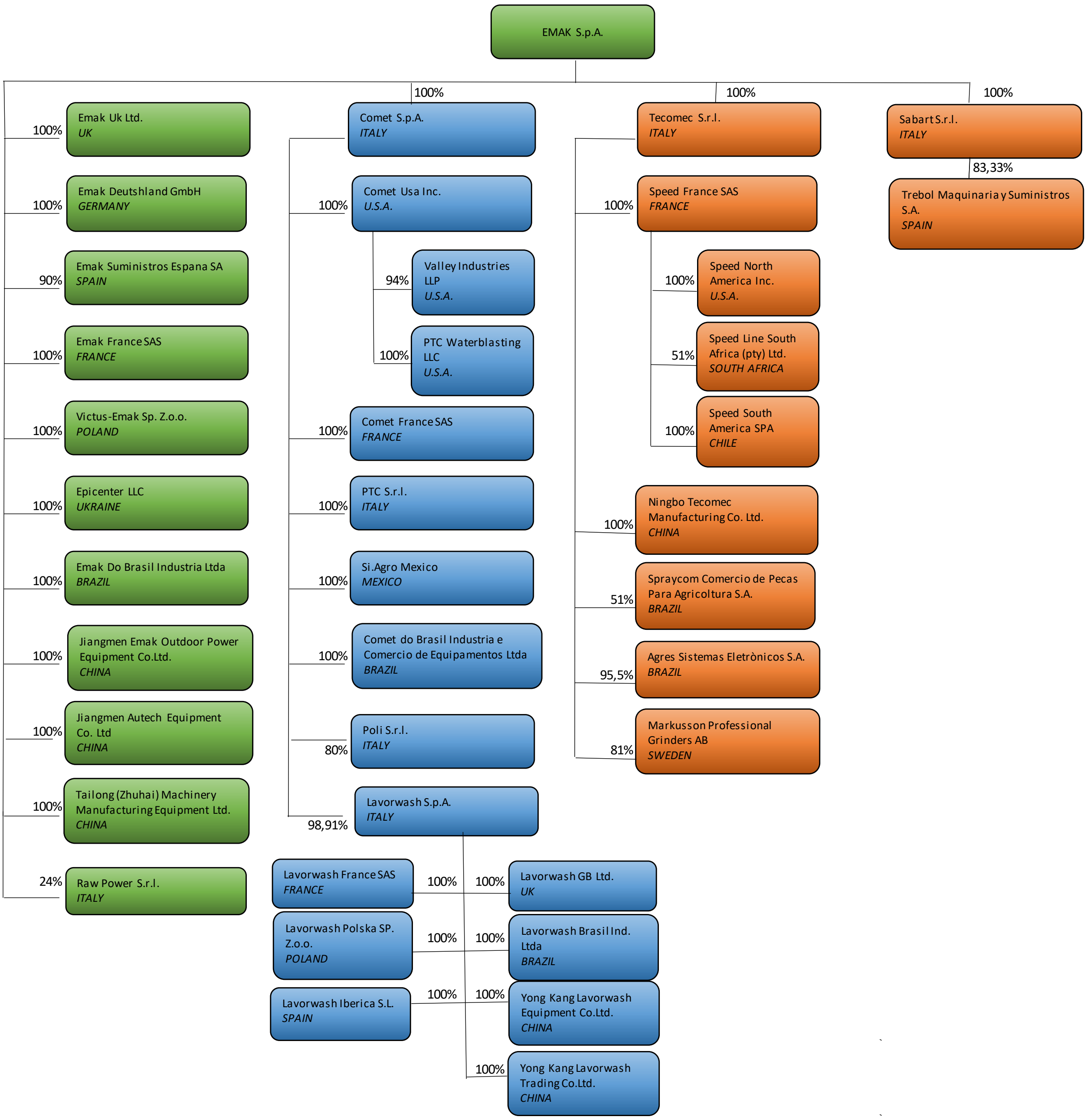
Organizational chart of Emak Group as at 31 December 2023



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 99.99% by Emak S.p.A. and 0.01% 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 19%.
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 4.5%.
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. Jiangmen Autech Equipment Co. Ltd, incorporated on September 30, 2022, has been operational since May 1, 2023.
10. Emak Deutschland Gmbh has ceased its operational activities.
11. Speed Industrie Sarl was liquidated in December 2023.

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
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 Euronext Segment of Equities with High Requirements (STAR).

At the closing date of December 31, 2023 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 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 Water Jetting (PWJ): this segment is managed by Comet S.p.A. and its subsidiaries, including Lavorwash S.p.A.;
- Components and Accessories (C&A): this segment is managed by Tecomec S.r.l., Sabart S.r.l. and their subsidiaries.

Outdoor Power Equipment (30% of total Group sales)
The ***Outdoor Power Equipment*** segment is involved in the development, manufacture and marketing of products for gardening and forestry activity and small machines for agriculture, such as brushcutters, lawnmowers, tractors, chainsaws and motor hoes. The Group is a leader in the European market, in which it operates with sales branches in the major markets, and is supported by a vast network of independent importers in the remaining ones. At global level, the Group has a network of 150 distributors in over 115 countries. Given the technical contents of the products, sales are mainly made through the network of specialised distributors, characterised by a high-level pre- and after-sales service, while the mass retail channel is used only in a few countries. Online sales occur through a dedicated proprietary portal, agreements with sector market places and through platforms developed by its network of distributors.
The Group distributes its products under the main brands Oleo-Mac, Efco, Bertolini, Nibbi and, only for the French market, Staub. The Group's offer is aimed mostly at private users and a residual part at professionals. In this sector the Group concentrates its resources on product innovation (electrification and the development of clean motors, safety and comfort) and process innovation, on the strengthening of its market position and on the penetration of new markets with a high potential for development.
Demand in the sector is generally linked to the economic trend and to users' available income. The sales trend, finally, depends on the weather: over the year, in fact, the business has a seasonality that is heavily weighted in the first half of the year; a spring season with a more or less favourable climate can lead to a different trend in the demand for gardening products.

Pumps and Water Jetting (43% of total Group sales)
The Pumps and Water Jetting segment brings together the development, manufacturing and marketing of three product lines: (i) agriculture (around 41% of the segment turnover), a complete range of centrifugal pumps, diaphragm pumps, piston pumps, sprayers and products for irrigating and weeding; (ii) industry (around 21% of the segment turnover), with a complete range of pumps at low and high pressure (up to 2,800 bars), hydrodynamic units (so-called installations) and accessories for water blasting and machines for urban cleaning; (iii) washing or cleaning (around 38% of the segment turnover), with a complete offer of pressure washers, for domestic and professional use, floor washing-drying machines and vacuum cleaners. The Group markets its products with the Comet, HPP, Lemasa, PTC Waterjetting Equipment, PTC Urban Cleaning Equipment, Lavor, Poli, Valley and Bestway brands. Distribution of the products occurs through its sales branches and independent distributors in over 130 countries throughout the world. The type of clientele and sales channel varies depending on the products: the agriculture line is sold to manufacturers of spraying and weeding machines, directly to final users (mainly farmers) or through a network of specialised dealers and

importers; the range for industry is sold to manufacturers of pressure washers and hydrodynamic units, to contractors/users of the complete system or through specialized dealers; the cleaning line is sold through specialized dealers, mass retail, online and to contractors.
In this sector, the Group focuses its activities on product innovation, the extension of its offer, both in terms of product and sectors of use, besides on the maximization of the synergies deriving from acquisitions made over the years.
Demand for agriculture and industry products is generally linked to the trend in the different sectors/fields of application; the one for washing products is mainly related to the economic cycle trend, people's available income and any increase in hygiene standards.

Components&Accessories (27% of total Group sales)
The Components and Accessories segment is related to the development, manufacture and marketing of products intended for the outdoor power equipment sector (equal to around 55% of the segment turnover), agriculture (equal to around 25% of the segment turnover) and washing (equal to around 20% of the segment turnover). Within the wide offer range, the most representative products are wire and heads for brushcutters (which together compose the cutting system); chain sharpeners for chainsaws; guns, valves and nozzles for pressure washers for industrial washing and for agricultural applications; precision products and solutions for agriculture (precision farming). In this segment, the Group operates partly through its own Tecomec, Geoline, Agres, Mecline, Markusson, Sabart and Trebol brands, and partly supplying products with third-party brands. The Group serves the major manufacturers of machines for gardening, agriculture and cleaning, through a network of specialised distributors and has consolidated relationships with the largest mass retail chains.
In this sector, the Group focuses its resources on product innovation, on the strengthening of its partnerships with leading manufacturers and on the extension of its offer.
Demand for the products of this segment follows the trends of the other businesses in which the Group operates. In the world of Outdoor power equipment, the weather and the available income of final users can influence the sales of machines and their use, contributing to the sale of products for original equipment and for spare parts respectively. In the agricultural and washing sectors, the raw materials trend, government policies and the general economic situation can influence the levels of investment of market operators.

Productive structure

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

Outdoor Power Equipment

the Group utilises four production sites: two in Italy and two in China. The Parent Company plant deals with the production of portable products, such as semi-professional and professional brush-cutters and chainsaws. The production model is focused on assembly: the products are entirely developed and designed internally; the components are produced according to the technical specifications provided. The Pozzilli factory is dedicated to the production of wheel-based products such as lawnmowers and small tractors. The production model for this range of products provides for the purchase of the motor from leading world producers and its assembly inside the machine. With particular reference to the lawn-mower range, the shell is produced internally with a vertical process which includes sheet metal stamping, welding and painting. The Chinese production facility of Jiangmen replicates that of the parent company, making products intended for both price sensitive markets such as the Far East, South-East Asia and South America, and mature markets to complete the offer. The second Chinese factory, in Zhuhai, is specialised in the production of cylinders for the two-stroke motors of the Group's portable products.

Pumps and Water Jetting

The manufacture in this segment is carried out in four Italian factories: one Chinese, two Brazilian and four 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 assembly of machines in the cleaning segment (such as high-pressure water jet machines) for the South American market. The American plants carry out the production of sprayers and of a vaste range of equipment, machines, systems and devices for agricultural applications.

Components and Accessories

The Group has a total of eight 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.

2023 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, in relation to both product and process. In a dynamic and competitive scenario likes the one in which it operates, the Group pays great attention to the development of its own range of products, in terms of both extension and evolution. Research and development are focused on the reduction of the products' environmental impact through new technologies (range electrification), reduction in the emissions of endothermic motors and the use of recycled materials. A further line of development is the extension of applications and of the sectors of use of its products (e.g., industrial pumps in agriculture). With regards to processes, drivers of innovation relate to methodological research and digitalisation aimed at improving the efficiency of internal processes.
2. Distribution, considered, on the one hand, as the strengthening of its position in the distribution network and, on the other hand, as business growth achieved in high-potential markets, in order to obtain the right balance of distribution in different geographical areas.
3. Efficiency, considered as continuous improvement in its processes and in the management of its activities, aimed at the generation of resources to be allocated to the Group's medium and long-term development initiatives.
4. Acquisitions, considered as growth by external means, to strengthen the businesses with greater profitability, increase the weight of sectors characterised by greater resilience and medium/long-term stability, re-equilibrate the weight of reference markets at geographical level, and, finally, acquire new know-how and complete product ranges.

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, the 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 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, followed by the more recent conflict in the Middle East in the fall of 2023, has had and will have significant repercussions on the variables that determine the performances of businesses, notably the prices of raw materials, transportation costs, energy costs, exchange rates, consumption trends, inflation rate trends and, consequently, interest rates, 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.
Transition risks derive from the transition towards a low carbon and climate-resilient economy to meet climate change mitigation and adaptation requirements (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) and can have financial implications for organizations.

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 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 30% of Group revenues.

Transition risks are managed inside the Group in day-to-day business activities. The regulatory evolution of Group's 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.
Said 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).

With regards to physical risk, the Group is carrying out scenario analyses aimed at identifying and understanding what the effects of a series of climate events could be on company assets. Specifically, the analysis has been performed taking into consideration the Group's production plants and identifying the most relevant risks, their future projection over two time horizons consistent with the Group's business and considers two scenarios (one pessimistic and one optimistic). Finally, the analysis examines the initiatives already undertaken and those planned that can mitigate any negative effects of climate events. The work carried out to date has concerned 4 specific risks and, for each, the companies potentially most impacted, the interventions already implemented in order to mitigate the risk and possible initiatives to be implemented have been identified:

- water stress: the possible negative impact appears to be mitigated by the limited use of water in the Group's production processes and by the reuse procedures already in place at most of the companies involved;
- heat stress and change in air temperature: the possible impact linked to the well-being of employees and the economic implications of the phenomenon are mitigated by the use of air cooling systems within the production premises and by the flexible organization of work;
- river flooding: the possible negative impact linked mainly to economic aspects is mitigated by the limited number of plants potentially affected and, in the most pessimistic hypotheses, by their limited weight on the Group's activities.

The analysis carried out so far has not determined the need for interventions by the Group. 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.

Tax risk management

The 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 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. 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.

The recent and rapid evolution of AI (Artificial Intelligence) technologies raises the issue of their impact on company business models and operational processes, with a general effect on competitiveness and efficiency. The group closely monitors the technology's evolution and continually evaluates its applications within its business model, in order to develop an appropriate investment plan, both in terms of resources and human capital, to seize opportunities and minimize adverse effects.

Financial risks

In the ordinary performance of its operating activities, the 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 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 2023	YEAR 2022
Revenues from sales	566,317	605,723
EBITDA before non ordinary income/expenses (*)	67,878	76,644
EBITDA (*)	66,304	76,079
EBIT	37,224	46,755
Net profit	19,922	31,165

Investment and free cash flow (€/000)

	YEAR 2023	YEAR 2022
Investment in property, plant and equipment	17,204	16,429
Investment in intangible assets	5,732	5,303
Free cash flow from operations (*)	49,002	60,489

Statement of financial position (€/000)

	31.12.2023	31.12.2022
Net capital employed (*)	475,162	454,292
Net debt (*)	(191,495)	(177,305)
Total equity	283,667	276,987

Other statistics

	YEAR 2023	YEAR 2022
EBITDA / Net sales (%)	11.7%	12.6%
EBIT / Net sales (%)	6.6%	7.7%
Net profit / Net sales (%)	3.5%	5.1%
EBIT / Net capital employed (%)	7.8%	10.3%
Net debt / Equity	0.68	0.64
Number of employees at period end	2,362	2,284

Share information and prices

	31.12.2023	31.12.2022
Earnings per share (€)	0.117	0.185
Equity per share (€) (*)	1.72	1.68
Official price (€)	1.10	1.17
Maximum share price in period (€)	1.32	2.13
Minimum share price in period (€)	0.89	0.88
Stockmarket capitalization (€ / million)	180	191
Average number of outstanding shares	162,837,602	163,451,400
Number of shares comprising share capital	163,934,835	163,934,835
Free cash flow from operations per share (€) (*)	0.301	0.370
Dividend per share (€)	0.045	0.065

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

2. Information on the Russia-Ukraine and Israel-Palestinian conflicts and on geopolitical tensions in the Red Sea

The war between Ukraine and Russia has had a significant impact on the economy and finances of both countries involved, as well as other nations and the global economic system as a whole.

The Group continues to monitor the evolution of the situation resulting the invasion of the Ukrainian territory by the Russian Federation and to implement the necessary actions to mitigate the risks and direct and indirect impacts on the Group.

Regarding the direct impacts, the Group operates in Ukraine mainly through a subsidiary, Epicenter Llc, while it distributes its products through independent customers in other areas impacted by the conflict: particularly Russia and Belarus.

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, which has 22 employees, generated a turnover of € 5 million in 2023 financial year (€ 4.7 million in 2022).

The total assets of the Ukrainian subsidiary as of 31 December 2023 amount to € 3.8 million, mainly represented by inventories, trade receivables and cash on hand. The local management continues to monitor market exposure, the integrity of the product inventory and the evolution of the situation to guarantee the continuity of the business under the safest condition.

Excluding the activities of the trading subsidiary, the Ukrainian market is marginal for the Group, with sales in 2023 amounting to of approximately € 0.7 million (€ 0.4 million in 2022) and direct exposure of receivables on the Ukrainian market as of 31 December 2023, amounted to approximately € 22 thousand.

The Group's revenues achieved in the Russian and Belarusian markets represent 2% in 2023 in line with 2% in 2022. The exposure at 31 December 2023 amounts to about € 0.1 million, decreased compared to previous periods.

As for the supply chain, there are no impacts related to the current conditions.

The Group systematically monitors the regulatory and sanction framework related to the markets and parties affected by the conflict, complying with the most scrupulous checks of the counterparties to limit regulatory risks, the continuous assessment of the geopolitical framework aims to prevent potential negative impacts of a commercial and financial nature.

With reference to the most recent Israeli-Palestinian conflict, the Group monitors its evolution, although at the moment there are no direct impacts on its business, as the involved areas are neither markets nor direct sources of supply.

The geopolitical tensions in the Red Sea have led, since the last months of 2023, to a redefinition of global maritime trade routes, which are leading to an increase in transport costs and delivery times of goods. As of the closing date of this financial statement, the Group does not detect material impacts on its economic and financial performance, although it does not exclude that the prolonged conditions of tension in the area may manifest adverse impacts on the level of service and cost of maritime transportation, and consequently, on general economic trends.

These situations contribute to the persistence of uncertainties in the geopolitical, economic, and financial context, requiring the Group to take necessary actions to mitigate the risks and direct and indirect impacts deriving from them.

3. Scope of consolidation

Compared to 31 December 2022, the company Bestway LLC entered the scope of consolidation following the acquisition on February 1, 2023, by Valley LLP. On March 21, 2023 Bestway was merged by incorporation into Valley LLP.

In December 2023, the company Speed Industrie Sarl completed the liquidation process of its assets and proceeded with the dissolution of the company; consequently, the income statement of the financial year is included in the consolidation area, but not the balance sheet data as of December 31, 2023.

In 2022, the results of the Spanish company Trebol Maquinaria Y Suministros S.A. were included in the consolidation area starting from the last quarter of the financial year.

We also note the change in the percentage investment in Lavorwash S.p.A., which went from 98.45% to 98.91% following the purchase of shares from some minority shareholders.

The associated company Raw Power S.r.l., with headquarters in Reggio Emilia (Italy) and share capital of € 75,292, is 24% held by Emak S.p.A. and consolidated starting from the first quarter of 2023 with the equity method.

4. Economic and financial results of Emak Group

Comments on economic figures

Revenues from sales

Emak Group achieved a consolidated turnover of € 566,317 thousand, compared to € 605,723 thousand of last year, a decrease of 6.5%. This change is due to the increase of turnover deriving from the expansion of the scope of consolidation which has contributed for 5.7%, from the negative effect of translation changes for 0.5% and from a negative organic change of sales for 11.7%.

EBITDA

Ebitda for the period amounts to € 66,304 thousand (an incidence of 11.7% on sales) compared to € 76,079 thousand in 2022 (an incidence of 12.6% on sales).
During the year, non-ordinary revenues were recorded for € 117 thousand (€ 286 thousand in 2022) and non-ordinary expenses for € 1,691 thousand (€ 851 thousand in 2022).
Ebitda before non-ordinary expenses and revenues is equal to € 67,878 thousand, an incidence of 12% on revenues, compared to € 76,644 thousand of last year, an incidence of 12.7% on revenues.

The application of the IFRS 16 principle has resulted in a positive effect on the Ebitda for the year for € 9,351 thousand, against to an effect of € 7,431 thousand in 2022.

Ebitda benefited from the change in the area for € 2,173 thousand and from the decrease in logistic costs, while it was affected by the decrease in sales volumes and the increase in commercial costs.

Personnel costs increased, in absolute value, compared to the previous year for € 5,517 mainly due to the effect of the change in the scope of consolidation, which contributed for € 4,584 thousand, and for the dynamics of labor costs.

The average number of resources employed by the Group, also considering temporary workers employed in the period and the different scope of consolidation, was 2,511 compared to 2,476 of last year.

Operating result

Operating result for the year 2023 amounts to € 37,224 thousand with an incidence of 6.6% on revenues, compared to € 46,755 thousand of 2022 (7.7% of sales).

Amortization and depreciation amounted to € 29,080 thousand compared to € 29,324 thousand of the previous year. The 2022 value included € 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 7.8% compared to 10.3% of the previous year.

Net result

Net profit for the year 2023 is € 19,922 thousand, against € 31,165 thousand for the last year.

The item "financial income", equal to € 5,621 thousand, compared to € 4,007 thousand of the previous year and includes € 2,312 thousand of income on valuation and fixing of derived for hedging interest rate and € 1,729 thousand of income for debt adjustment estimate for purchase of remaining minority shares subject to Put & Call Option.
The item “financial expenses” equal to € 17,830 thousand (of which € 12,394 thousand of interests to banks), increased compared to € 8,560 thousand of 2022, mainly due to the increase in the cost of money and for the higher gross indebtedness.

The item includes charges of debt adjustment estimate for purchase of remaining shares of the subsidiaries for an amount of € 302 thousand (€ 2,400 thousand in 2022).

The 2023 currency management is positive for € 418 thousand (positive € 1,895 thousand in the previous year). Exchange rate management was positively affected by the revaluation of the Brazilian real against the Euro and the US dollar and the Euro against Chinese Renminbi.

The item "Income from/(expenses on) equity investment", equal to a positive value of € 2 thousand, relates to the valuation according to the equity method of the investment in the associated company Raw Power S.r.l.

The tax rate for the year is 21.7%, compared to 29.3% of the previous year, primarily due to a higher incidence of non-taxable income, mainly attributable to non-taxable grants and incentives, the recognition of financial income and expenses not relevant for tax purposes resulting from the adjustment of debts for the purchase of remaining shares of subsidiaries subject to Put & Call Option, and the recognition of tax benefits related to previous years.

Comment to consolidated statement of financial position

€/000	31.12.2023	31.12.2022
Net non-current assets (*)	223,575	206,605
Net working capital (*)	251,587	247,687
Total net capital employed (*)	**475,162**	**454,292**
Equity attributable to the Group	279,352	273,003
Equity attributable to non controlling interests	4,315	3,984
Net debt (*)	(191,495)	(177,305)

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

Net non-current assets

Net non-current assets at December 31, 2023 amount to € 223,575 thousand compared to € 206,605 thousand at December 31, 2022.

During 2023 Emak Group invested € 22,936 thousand in property, plant and equipment and intangible assets, as follows:

€/000	31.12.2023	31.12.2022
Innovation technological of products	5,426	4,939
Production capacity and process innovation	8,990	8,223
Computer network system	4,682	3,559
Industrial buildings	2,229	3,155
Other investments	1,609	1,856
Total	**22,936**	**21,732**

Investments broken down by geographical area are as follows:

€/000	31.12.2023	31.12.2022
Italy	14,850	14,742
Europe	1,636	2,595
Americas	4,633	2,816
Asia, Africa and Oceania	1,817	1,579
Total	**22,936**	**21,732**

Net working capital

Net working capital moves from € 247,687 thousand at December 31, 2022 to € 251,587 thousand at December 31, 2023, an increase of € 3,900 thousand. The change in net working capital is due to the change in the scope of consolidation for € 12,302 thousand.

The following table reports the change in net working capital in 2023 compared with the previous year:

€/000	Y 2023	Y 2022
Opening Net working capital	**247,687**	**198,085**
Increase/(decrease) in inventories	(12,128)	14,982
Increase/(decrease) in trade receivables	(3,642)	(8,792)
(Increase)/decrease in trade payables	6,071	34,620
Change in scope of consolidation	12,302	1,612
Other changes	1,297	7,180
Closing Net working capital	**251,587**	**247,687**

In 2023 the positive trend of reduction in net working capital benefited, for the same area, to the normalization of the level of inventories, a consequence of the initiatives carried out starting from the second half of 2022, the reduction in trade receivables partially offset the effects of an increase in Net Working Capital due to the decrease in trade payables, linked to lower purchases made during the period.

Net financial position

Net negative financial position amounts to € 191,495 thousand at 31 December 2023, compared to € 177,305 thousand at 31 December 2022.

The following table shows the movements in the net financial position of 2023 compared with 2022:

€/000	2023	2022
Opening NFP	**(177,305)**	**(144,269)**
Net profit	19,922	31,165
Amortization, depreciation and impairment losses	29,080	29,324
Cash flow from operations, excluding changes in operating assets and liabilities	**49,002**	**60,489**
Changes in operating assets and liabilities	7,947	(46,432)
Cash flow from operations	**56,949**	**14,057**
Changes in investments and disinvestments	**(23,473)**	**(21,261)**
Changes rights of use IFRS 16	**(13,451)**	**(4,994)**
Dividends cash out	**(10,788)**	**(12,425)**
Other equity changes	**(262)**	**(269)**
Changes from exchange rates and translation reserve	**(2,861)**	**(4,691)**
Change in scope of consolidation	**(20,304)**	**(3,453)**
Closing NFP	**(191,495)**	**(177,305)**

Cash flow from operations is equal to € 49,002 thousand compared to € 60,489 thousand of the previous financial year. Cash flow from operations is positive for € 56,949 thousand compared to € 14,057 thousand in the previous year.
The increase in net financial position recorded in 2023, compared to the dymamic of 2022, is mainly due to the effect of the change in the scope of consolidation for the acquisition of Bestway for € 20,304 thousand, an higher investments to lease contracts for € 13,451 thousand, of which approximately € 3,850 thousand referring to Bestway.

Details of the net financial position is analysed as follows:

(€/000)	31.12.2023	31.12.2022
A. Cash	75,661	86,477
B. Cash equivalents	-	-
C. Other current financial assets	1,087	2,745
D. Liquidity funds (A+B+C)	**76,748**	**89,222**
E. Current financial debt	(24,304)	(22,956)
F. Current portion of non-current financial debt	(70,226)	(60,694)
G. Current financial indebtedness (E + F)	**(94,530)**	**(83,650)**
H. Net current financial indebtedness (G - D)	**(17,782)**	**5,572**
I. Non-current financial debt	(174,980)	(184,028)
J. Debt instruments	-	-
K. Non-current trade and other payables	-	-
L. Non-current financial indebtedness (I + J + K)	**(174,980)**	**(184,028)**
M. Total financial indebtedness (H + L) (ESMA)	**(192,762)**	**(178,456)**
N. Non-current financial receivables	1,267	1,151
O. Net financial position (M-N)	**(191,495)**	**(177,305)**
Effect IFRS 16	**43,936**	**38,039**
Net financial position without effect IFRS 16	**(147,559)**	**(139,266)**

Net financial position at 31 December 2023 includes actualized financial liabilities related to the payment of future rental and rent payments, in application of IFRS 16 standard, equal to overall € 43,936 thousand, of which € 7,503 thousand falling due within 12 months, while at 31 December 2022 they amounted to a total of € 38,039 thousand, of which € 6.357 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 2024;
- amounts due to other providers of finance falling due by 31 December 2024;
- debt for equity investments in the amount of € 2,837 thousand.

Financial liabilities for the purchase of the remaining minority shares subject to Put & Call Options are equal to € 6,034 thousand, of which € 3,197 thousand in the medium to long term, related to the following companies:
- Markusson for an amount of € 2,313 thousand;
- Agres for an amount of € 1,055 thousand;
- Valley LLP for an amount of € 1,061 thousand;
- Poli S.r.l. for an amount of € 1,605 thousand.

Equity

Equity at December 31, 2023 is € 283,667 thousand against € 276,987 thousand at December 31, 2022.

Summary of annual consolidated figures broken down by operating segment

	OUTDOOR POWER EQUIPMENT		PUMPS AND WATER JETTING		COMPONENTS AND ACCESSORIES		Other not allocated / Netting		Consolidated	
€/000	**31.12.2023**	**31.12.2022**	**31.12.2023**	**31.12.2022**	**31.12.2023**	**31.12.2022**	**31.12.2023**	**31.12.2022**	**31.12.2023**	**31.12.2022**
Sales to third parties	166,994	199,436	244,252	241,283	155,071	165,004			**566,317**	**605,723**
Intersegment sales	393	357	3,045	3,308	8,129	9,685	(11,567)	(13,350)		
Revenues from sales	167,387	199,793	247,297	244,591	163,200	174,689	(11,567)	(13,350)	**566,317**	**605,723**
Ebitda (*)	11,694	12,257	31,290	34,910	25,517	31,937	(2,197)	(3,025)	**66,304**	**76,079**
Ebitda/Total Revenues %	*7.0%*	*6.1%*	*12.7%*	*14.3%*	*15.6%*	*18.3%*			***11.7%***	***12.6%***
Ebitda before non ordinary expenses (*)	11,984	12,495	31,928	35,082	26,163	32,092	(2,197)	(3,025)	**67,878**	**76,644**
Ebitda before non ordinary expenses/Total Revenues %	*7.2%*	*6.3%*	*12.9%*	*14.3%*	*16.0%*	*18.4%*			***12.0%***	***12.7%***
Operating result	3,834	1,251	20,263	26,054	15,324	22,475	(2,197)	(3,025)	**37,224**	**46,755**
Operating result/Total Revenues %	*2.3%*	*0.6%*	*8.2%*	*10.7%*	*9.4%*	*12.9%*			***6.6%***	***7.7%***
Net financial expenses (1)									**(11,789)**	**(2,658)**
Profit befor taxes									**25,435**	**44,097**
Income taxes									**(5,513)**	**(12,932)**
Net profit									**19,922**	**31,165**
Net profit/Total Revenues%									***3.5%***	***5.1%***
(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	**31.12.2023**	**31.12.2022**	**31.12.2023**	**31.12.2022**	**31.12.2023**	**31.12.2022**	**31.12.2023**	**31.12.2022**	**31.12.2023**	**31.12.2022**
Net debt (*)	11,174	21,295	134,618	108,992	45,703	47,018	0	0	**191,495**	**177,305**
Shareholders' Equity	185,337	184,363	99,670	98,689	76,978	72,228	(78,318)	(78,293)	**283,667**	**276,987**
Total Shareholders' Equity and Net debt	196,511	205,658	234,288	207,681	122,681	119,246	(78,318)	(78,293)	**475,162**	**454,292**
Net non-current assets (2) (*)	122,370	122,922	116,156	101,679	60,261	57,242	(75,212)	(75,238)	**223,575**	**206,605**
Net working capital (*)	74,141	82,736	118,132	106,002	62,420	62,004	(3,106)	(3,055)	**251,587**	**247,687**
Total net capital employed (*)	196,511	205,658	234,288	207,681	122,681	119,246	(78,318)	(78,293)	**475,162**	**454,292**
(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	**31.12.2023**	**31.12.2022**	**31.12.2023**	**31.12.2022**	**31.12.2023**	**31.12.2022**	**31.12.2023**	**31.12.2022**	**31.12.2023**	**31.12.2022**
Number of employees at period end	725	747	959	873	669	655	9	9	**2,362**	**2,284**
OTHER INFORMATIONS	**31.12.2023**	**31.12.2022**	**31.12.2023**	**31.12.2022**	**31.12.2023**	**31.12.2022**	**31.12.2023**	**31.12.2022**	**31.12.2023**	**31.12.2022**
Amortization, depreciation and impairment losses	7,860	11,006	11,027	8,856	10,193	9,462			**29,080**	**29,324**
Investment in property, plant and equipment and in intangible assets	6,202	4,461	9,814	8,639	6,920	8,632			**22,936**	**21,732**

(*) 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 2023 by business segment and geographic area, compared with the same period last year.

	OUTDOOR POWER EQUIPMENT			PUMPS AND WATER JETTING			COMPONENTS AND ACCESSORIES			CONSOLIDATED		
€/000	31.12.2023	31.12.2022	Var. %	31.12.2023	31.12.2022	Var. %	31.12.2023	31.12.2022	Var. %	31.12.2023	31.12.2022	Var. %
Europe	141,768	173,097	(18.1)	104,789	123,277	(15.0)	86,202	82,616	4.3	332,759	378,990	(12.2)
Americas	6,124	8,529	(28.2)	111,177	86,538	28.5	49,175	63,197	(22.2)	166,476	158,264	5.2
Asia, Africa and Oceania	19,102	17,810	7.3	28,286	31,468	(10.1)	19,694	19,191	2.6	67,082	68,469	(2.0)
Total	**166,994**	**199,436**	**(16.3)**	**244,252**	**241,283**	**1.2**	**155,071**	**165,004**	**(6.0)**	**566,317**	**605,723**	**(6.5)**

Outdoor Power Equipment

The segment's revenues are down by 16.3% compared to the previous year, the reduction in customers' spending capacity, a high level of inventories in the distribution network and an unfavorable spring season have affected sales especially in the first part of the year in the Europe and Americas area, in contrast to the trend in the Asia, Africa and Oceania area thanks to the performance of the Turkish market.

It should be noted that the sale of components and spare parts recorded a result in line with the previous year, demonstrating the use of the machines in the field and the good level of service provided to the network by the group's distributors.

The EBITDA, amounting to €11,694 thousand, shows a slight decrease compared to €12,257 thousand in 2022, due to lower sales volumes, partially offset by higher margins resulting from increased selling prices and the normalization of operating costs. In this regard, there is a significant reduction in logistics costs, particularly in maritime freight, along with a substantial contraction in energy costs. During the year, support to the sales network was strengthened, with a corresponding effect on the growth of costs for after-sales services, travel, and advertising.

Net financial position shows a significant improvement, thanks to the cash flow for the year which benefits from a sharp reduction in net working capital, following the reduction in sales and production volumes.

Pumps and Water Jetting

The segment's sales increased by 1.2% compared to the same period of the previous financial year.

The negative sales trend in Europe is heavily concentrated in the Italian and French markets, with a general observation of continuous reduction in online channel sales.

Sales in the American market benefited from the change in the consolidation area for € 31.6 million, offsetting a declining trend in sales in the USA, Mexico and Canada. Good sales performances were recorded in the Brazilian market.

In the Asia, Africa and Oceania area, the general decline in sales was partly offset by the positive results achieved on the Turkish market.

EBITDA, equal to € 31,290 thousand, down compared to 2022, penalized by an organic reduction in sales and an increase in fixed and labor costs, benefits from the contribution of the change in area.

Net negative financial position, equal to € 134,618 thousand, increased compared to 31 December 2022, mainly due to the change in area.

Components and accessories

Sales in the segment were down 6% compared to the previous year.
The growth in turnover in Europe is due to the effect of the change in the area, which contributed approximately 3 million euros, offsetting the decrease recorded in the Italian and Spanish markets. In fact, the results of the 2022 financial statements included the results of the Spanish company Trebol only for the last quarter of the financial year.

The sharp decline in sales in the Americas area is mainly attributable to the negative performance of the Brazilian subsidiaries active in the agriculture sector, caused by the disappearance of certain public incentives. Sales of certain products on the North American market are declining.
The slight growth in turnover in Asia, Africa and Oceania is attributable to the positive performance of Turkey.

EBITDA, equal to € 25,517 thousand, down compared to 2022, was affected by the decrease in sales and an unfavorable mix effect, only partially offset by the reduction in transport costs, fixed company costs and the change in the scope.

Net negative financial position, equal to € 45,703 thousand, decreased compared to the end of 2022, thanks to the cash flow for the year, while it was affected by the stipulation and renewal of new contracts for the use of third-party assets which increased IFRS 16 financial debts.

5. Results of Group companies

5.1 Emak S.p.A. – Parent Company

The Parent Company achieved net revenues of € 117,805 thousand against € 147,545 thousand in 2022, down by 20.2%.
Sales recorded a contraction in the first part of the year. The slowdown in order intake recorded in the second half of 2022, attributable to changing market conditions, negatively impacted sales until the middle of the year. In the latter part, there was a progressive normalization of distribution channel conditions and the initial positive effects from activities supporting the sales network began to emerge.

Ebitda for the year amounts to € 3,724 thousand, compared to € 3,354 thousand in the previous year, the figure was negatively affected by the reduction in sales volumes, more than offset by the dynamics of sales prices and costs of production factors, to the benefit of operating margins. The containment of operating expenses as well as a lower use of outsourced labor also contributed to the positive EBITDA result. During the year, the company made use of social safety nets to manage the decline in demand and the related consequences on production volumes.

The operating result for the year is negative for € 1,701 thousand against a negative result of € 2,235 thousand in 2022.

The company ended the year with a net profit of €10,446 thousand compared to €14,450 thousand in 2022.
The result benefits from dividends received from subsidiaries amounting to € 12,200 thousand (compared to € 14,824 thousand in 2022), while higher financial expenses towards credit institutions and expenses related to derivative contract management negatively impacted the result.
The exchange rate management was positive for € 105 thousand (€ 814 thousand in 2022).

Net negative financial position decreased from €23,048 thousand at 31 December 2022 to € 11,008 thousand at 31 December 2023. The change mainly due to the positive cash flow generated from operating activities and the reduction in net working capital resulting from the contraction of sales and production volumes.

5.2 Subsidiaries

At 31 December 2023 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 39 companies.

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

Company	Head office	31/12/2023 Sales	31/12/2023 Net profit	31/12/2022 Sales	31/12/2022 Net profit	
Parent company						
Emak S.p.A.	Bagnolo in Piano (Italy)	117,805	10,446	147,545	14,450	
Fully consolidated companies						
Emak France Sas	Rixheim (France)	32,850	1,081	42,065	1,847	
Jiangmen Emak Outdoor Power Equipment Co. Ltd	Jiangmen City (China)	21,410	(194)	26,704	(69)	
Victus Emak Sp. Z o.o.	Poznam (Poland)	18,829	303	22,418	826	
Emak Deutschland GmbH	Fellbach-Oeffingen (Germany)	-	(2)	-	-	6
Emak Suministros Espana SA	Madrid (Spain)	6,422	57	7,003	(68)	
Emak U.K. LTD	Burntwood (UK)	2,908	(287)	3,731	2	
Tailong (Zhuhai) Machinery Equipment Ltd.	Zhuhai (China)	2,091	(589)	3,253	(2,850)	
Epicenter LLC	Kiev (Ukraine)	5,020	916	4,700	830	
Emak Do Brasil Industria LTDA	Ribeirao Preto (Brazil)	1,403	139	1,339	130	
Tecomec Srl	Reggio Emilia (Italy)	63,569	6,974	67,682	3,532	
Speed France Sas	Arnas (France)	21,507	773	22,406	1,179	
Speed North America Inc.	Wooster, Ohio (USA)	19,114	229	17,304	329	
Speed Line South Africa (Pty) Ltd.	Pietermaritzburg (South Africa)	1,745	208	1,900	189	
Ningbo Tecomec Manufacturing Co. Ltd.	Ningbo City (China)	11,462	184	14,173	374	
Speed Industrie Sarl	Mohammedia (Morocco)	-	(68)	-	(26)	1
Speed South America S.p.A.	Providencia (RCH)	4,939	721	4,262	657	
Comet Spa	Reggio Emilia (Italy)	73,599	5,448	92,036	7,519	
Comet France Sas	Wolfisheim (France)	9,067	685	9,401	868	
Comet USA	Burnsville, Minnesota (USA)	-	1,419	-	2,343	*
Valley Industries LLP	Paynesville, Minnesota (USA)	70,747	1,948	43,282	3,903	2
Ptc Waterblasting	Burnsville - Minnesota (USA)	2	(68)	9	(47)	
PTC Srl	Rubiera, Reggio Emilia (Italy)	13,825	1,055	12,635	619	
S.I. Agro Mexico	Guadalajara (Mexico)	7,919	325	8,934	672	
Comet do Brasil Ind. E Com. de Equipamentos Ltda	Indaiatuba (Brazil)	17,916	2,432	8,148	1,329	3
Lemasa S.A.	Indaiatuba (Brazil)	-	-	7,359	1,194	3
Sabart Srl	Reggio Emilia (Italy)	29,236	2,016	27,008	1,898	
Lavorwash S.p.a	Pegognaga, Mantova (Italy)	58,630	4,586	70,796	4,129	
Lavorwash France S.a.s.	La Courneuve (France)	2,091	24	8,951	113	
Lavorwash GB Ltd	St. Helens Merseyside (UK)	1,826	141	1,759	92	
Lavorwash Iberica S.l.	Tarragona (Spain)	1,212	102	1,124	99	
Lavorwash Polska SP ZOO	Bydgoszcz (Poland)	5,098	466	4,039	(12)	
Lavorwash Brasil Ind. E Com. Ltda	Indaiatuba (Brazil)	4,391	78	4,181	358	
Yong Kang Lavorwash Equipment Co. Ltd	Yongkang City (China)	15,798	719	22,783	694	
Yongkang Lavor Trading Co. Ltd.	Yongkang City (China)	1,621	85	3,017	97	
Spraycom S.A.	Catanduva, San Paolo (Brazil)	6,601	1,390	7,347	1,512	
Markusson Professional Grinders AB	Rimbo (Sweden)	3,887	917	5,438	1,236	
Agres Sistemas Eletrônicos S.A.	Uberaba (Brazil)	12,576	(1,089)	21,633	3,695	
Poli S.r.l.	Colorno, PR (Italy)	6,207	734	5,811	726	
Trebol Maquinaria y Suministros S.A.	A Coruña (Spain)	4,165	275	1,104	86	4
Jiangmen Autech Equipment Co. Ltd	Jiangmen City (China)	-	196	-	-	5

1 In December 2023, the company completed the liquidation process and proceeded with the dissolution of the company.

2 The economic values include the results of Bestway LLC, acquired on February 1, 2023, and merged by incorporation into Valley LLP on March 21, 2023.

3 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.

4 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 2022 data refers only to the last quarter.

5 On May 1, 2023, the subsidiary Jiangmen Autech Equipment became operational; therefore, the 2023 data includes 8 months of financial statements.

6 It is noted that Emak Deutschland GmbH is no longer operational and has initiated the liquidation process.

** 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.

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 2023 the Group allocated a total of € 24 million to Research and Development, of which € 14.4 million for product innovations and adaptation of production capacity and process innovation and € 9.6 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 2023 compared to the previous year:

Employees at	31/12/2022	Change in scope of consolidation	Other movements	31/12/2023
Italy	1,072	-	(13)	1,059
France	163	-	(1)	162
UK	10	-	1	11
Spain	35	-	-	35
Poland	38	-	-	38
Sweden	5	-	-	5
China	390	-	(25)	365
Usa	138	81	56	275
Ukraine	24	-	(1)	23
South Africa	10	-	11	21
Brazil	356	-	(29)	327
Mexico	20	-	-	20
Chile	23	-	(2)	21
Total	**2,284**	**81**	**(3)**	**2,362**

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 65.2% 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 few Italian companies in the Group, including Emak S.p.A., in the tax consolidation headed by Yama S.p.A.
For some years there have been collaboration relationships for consultancy services of a technological nature linked to the development of new electrical products with the company Raw power S.r.l. Following the purchase

of the 24% connection share which took place in the first half of 2023, the transactions with this company they qualify as related party transactions.
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.

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 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.

* * * * * * *

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 based on adequate protection procedures, that provide for the Parent Company to perform control and harmonization activities.

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

At December 31, 2022, the Company held 1,097,233 treasury shares in portfolio for an equivalent value of € 2,835 thousand.
During 2023 financial year and in the months of January and February 2024, 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.

* * * * * * *

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 some 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);
- Jiangmen Autech Equipment Co. Ltd.

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

The Group's management, having acknowledged a particularly unfavorable external scenario at the beginning of 2023, focused on cash generation and the implementation of its investment plan, necessary to ensure medium-to-long term development. 2024 is shaping up to be another challenging year, given the uncertainties related to the geopolitical context with possible consequences on our outlet markets. The outlook for the future is nevertheless positive, thanks to the potential organic development resulting from the Group's solid market positioning and the contribution that the acquisitions concluded in the last 18 months will guarantee.

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 PNR Group
On 15 January 2024 the subsidiary Tecomec S.r.l. concluded the acquisition of the PNR group, headquartered in Voghera (Italy), made up of 5 target companies (4 in Europe and 1 in the USA) and a total of 120 employees.

The target companies are active in the design, production and marketing of components for industrial cleaning with applications in related sectors such as high-pressure washing and agriculture and in diversified sectors, such as metal, paper, chemical, pharmaceutical and food.

Preliminary information on the results of the acquired group for 2023 is of a consolidated turnover of over 15 million euros, a normalized EBITDA margin estimated in the order of 22% and a negative net financial position of approximately 0.6 million euros.

The deal, with a consideration of 15 million euros guarantees the 79.995% of the shares from the majority shareholder and a call option lasting in 12 months in favour of Tecomec S.r.l. for the remaining shares owned by the minority shareholder.

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 2023 and shareholders' equity at December 31, 2023 of the Group (Group share), with the corresponding values of the Parent Company Emak S.p.A.

€/000	Equity at 31.12.2023	Result for the year ending 31.12.2023	Equity at 31.12.2022	Result for the year ending 31.12.2022
Equity and result of Emak S.p.A.	**152,347**	**10,446**	**152,532**	**14,450**
Equity and result of consolidated subsidiaries	353,621	34,329	347,287	40,005
Effect of the elimination of the accounting value of shareholdings	(212,728)	(325)	(213,413)	(195)
Elimination of dividends	-	(24,374)	-	(21,340)
Elimination of intergroup profits	(9,575)	(156)	(9,419)	(1,755)
Evaluation of equity investment in associated	2	2	-	-
Total consolidated amount	**283,667**	**19,922**	**276,987**	**31,165**
Non controlling interest	**(4,315)**	**(847)**	**(3,984)**	**(897)**
Equity and result attributable to the Group	**279,352**	**19,075**	**273,003**	**30,268**

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 2023, which show a profit of € 10,446,461.00. We also propose the distribution of a dividend of € 0.045 for each outstanding share.

We therefore invite you to take this resolution:

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

with regard to point 1.1 to the agenda

resolves

a) to approve the Directors' Report and the financial statements at December 31, 2023, closed with a net profit of € 10,446,461.00;

with regard to point 1.2 to the agenda

resolves

a) to allocate the net profit of € 10,446,461.00 as follows:

- € 522,323.04 to the legal reserve;
- to the Shareholders, as dividend, the amount of € 0.045 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 0.045 per share (coupon no. 26) on 5 June 2024, with detachment date 3 June, and record date 4 June. >>

Bagnolo in Piano (RE), lì 14 March 2024

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: defined as profit/(loss) for the period gross of depreciation of tangible and intangible fixed assets and rights of use, write-downs of fixed assets, goodwill and equity investments, Income from/(expenses on) equity investment, income and financial charges, foreign exchange gains and charges and income taxes.
- 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: this indicator is calculated by adding to the scheme envisaged by the "Call for attention no. 5/21" of 29 April 2021 issued by Consob, which refers to ESMA guidelines 32-382-1138 of 4 March 2021, the non-current financial receivables.

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 2023

our power, your passion

Consolidated financial statements

Consolidated Income Statement

Thousand of Euro

CONSOLIDATED INCOME STATEMENT	Notes	Year 2023	of which to related parties	Year 2022	of which to related parties
Revenues from sales	10	**566,317**	**969**	**605,723**	**1,045**
Other operating incomes	10	5,493		4,753	12
Change in inventories		755		12,790	
Raw materials, consumables and goods	11	(298,310)	(1,754)	(331,528)	(2,452)
Personnel expenses	12	(105,036)		(99,519)	
Other operating costs and provisions	13	(102,915)	(643)	(116,140)	(526)
Amortization, depreciation and impairment losses	14	(29,080)	(1,859)	(29,324)	(4,698)
Operating result		**37,224**		**46,755**	
Financial income	15	5,621		4,007	1
Financial expenses	15	(17,830)	(384)	(8,560)	(366)
Exchange gains and losses	15	418		1,895	
Income from/(expenses on) equity investment	22	2		-	
Profit befor taxes		**25,435**		**44,097**	
Income taxes	16	(5,513)		(12,932)	
Net profit (A)		**19,922**		**31,165**	
(Profit)/loss attributable to non controlling interests		(847)		(897)	
Net profit attributable to the Group		**19,075**		**30,268**	
Basic earnings per share	17	**0.117**		**0.185**	
Diluted earnings per share	17	**0.117**		**0.185**	

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME	Notes	Year 2023	Year 2022
Net profit (A)		**19,922**	**31,165**
Profits/(losses) deriving from the conversion of foreign company accounts		(2,192)	2,141
Actuarial profits/(losses) deriving from defined benefit plans (*)	33	(43)	741
Income taxes on OCI (*)		11	(206)
Total other components to be included in the comprehensive income statement (B)		**(2,224)**	**2,676**
Total comprehensive income for the perdiod (A)+(B)		**17,698**	**33,841**
Comprehensive net profit attributable to non controlling interests (C)		**(844)**	**(949)**
Comprehensive net profit attributable to the Group (A)+(B)+(C)		**16,854**	**32,892**

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

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

Statement of consolidated financial position

Thousand of Euro

ASSETS	Notes	31.12.2023	of which to related parties	31.12.2022	of which to related parties
Non-current assets					
Property, plant and equipment	18	86,021		82,524	
Intangible assets	19	29,228		24,482	
Rights of use	20	41,907	13,014	36,461	13,860
Goodwill	21	72,554	9,914	71,216	9,914
Equity investments in other companies	22	8		8	
Equity investments in associates	22	802		-	
Deferred tax assets	32	11,531		10,395	
Other financial assets	27	1,267	74	1,151	111
Other assets	24	96		60	
Total non-current assets		**243,414**		**226,297**	
Current assets					
Inventories	25	234,656		233,970	
Trade and other receivables	24	121,936	2,132	119,661	1,079
Current tax receivables	32	11,249		9,967	
Other financial assets	27	59	37	38	37
Derivative financial instruments	23	1,028		2,707	
Cash and cash equivalents	26	75,661		86,477	
Total current assets		**444,589**		**452,820**	
TOTAL ASSETS		**688,003**		**679,117**	

SHAREHOLDERS' EQUITY AND LIABILITIES	Notes	31.12.2023	of which to related parties	31.12.2022	of which to related parties
Shareholders' Equity					
Shareholders' Equity of the Group	28	279,352		273,003	
Non-controlling interests		4,315		3,984	
Total Shareholders' Equity		**283,667**		**276,987**	
Non-current liabilities					
Loans and borrowings due to banks and other lenders	30	138,547		152,346	
Liabilities for leasing	31	36,433	11,867	31,682	12,789
Deferred tax liabilities	32	7,968		7,962	
Employee benefits	33	6,066		6,291	
Provisions for risks and charges	34	2,885		2,778	
Other liabilities	35	1,653		1,510	
Total non-current liabilities		**193,552**		**202,569**	
Current liabilities					
Trade and other payables	29	109,772	1,606	109,344	1,233
Current tax liabilities	32	4,691		4,984	
Loans and borrowings due to banks and other lenders	30	86,424		76,594	
Liabilities for leasing	31	7,503	1,819	6,357	1,670
Derivative financial instruments	23	603		699	
Provisions for risks and charges	34	1,791		1,583	
Total current liabilities		**210,784**		**199,561**	
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**688,003**		**679,117**	

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

Statement of changes in consolidated equity for the Emak Group at 31.12.2022 and at 31.12.2023

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 31.12.2021	**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**
Profit reclassification				722				3,144	15,818	(30,268)	**(10,584)**	(204)	**(10,788)**
Other changes									79		**79**	(309)	**(230)**
Net profit for the period						(2,189)	(32)			19,075	**16,854**	844	**17,698**
Balance at 31.12.2023	**42,623**	**41,513**	**(2,835)**	**4,969**	**4,353**	**75**	**(984)**	**35,483**	**135,080**	**19,075**	**279,352**	**4,315**	**283,667**

Consolidated Cash Flow Statement

(€/000)	Notes	31.12.2023	31.12.2022
Cash flow from operations			
Net profit for the period		**19,922**	**31,165**
Amortization, depreciation and impairment losses	14	29,080	29,324
Financial expenses from discounting of debts and other income/expenses from non-monetary transactions	15	80	119
Income from/(expenses on) equity investment	15	(2)	-
Financial (income)/ Expenses from adjustment of estimated liabilities for outstanding commitment associates' shares	15	(1,427)	1,864
Capital (gains)/losses on disposal of property, plant and equipment		(183)	(69)
Decreases/(increases) in trade and other receivables		314	10,646
Decreases/(increases) in inventories		11,978	(12,586)
(Decreases)/increases in trade and other payables		(4,270)	(43,128)
Change in employee benefits		(225)	(1,209)
(Decreases)/increases in provisions for risks and charges		292	(142)
Change in derivative financial instruments		1,561	(2,317)
Cash flow from operations		**57,120**	**13,667**
Cash flow from investing activities			
Change in property, plant and equipment and intangible assets		(22,851)	(21,350)
(Increases) and decreases in securities and financial assets		(923)	(90)
Proceeds from disposal of property, plant and equipment and other changes		183	69
Change in scope of consolidation	7	(20,304)	(3,360)
Cash flow from investing activities		**(43,895)**	**(24,731)**
Cash flow from financing activities			
Other changes in equity		(262)	(269)
Change in short and long-term loans and borrowings		(1,796)	39,642
Liabilities for leasing refund		(7,756)	(6,427)
Dividends paid		(10,788)	(12,425)
Cash flow from financing activities		**(20,602)**	**20,521**
Total cash flow from operations, investing and financing activities		**(7,377)**	**9,457**
Effect of changes from exchange rates and translation reserve		**(3,063)**	**(2,937)**
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**(10,440)**	**6,520**
OPENING CASH AND CASH EQUIVALENTS		**83,349**	**76,829**
CLOSING CASH AND CASH EQUIVALENTS		**72,909**	**83,349**

ADDITIONAL INFORMATION ON THE CASH FLOW STATEMENT

(€/000)		31.12.2023	31.12.2022
RECONCILIATION OF CASH AND CASH EQUIVALENTS			
Opening 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)
Closing cash and cash equivalents, detailed as follows:	26	**72,909**	**83,349**
Cash and cash equivalents		75,661	86,477
Overdrafts		(2,752)	(3,128)
Other information:			
Income taxes paid		(9,228)	(14,798)
Financial interest income		1,104	272
Financial expenses paid		(11,700)	(3,910)
Change in related party receivables and service transactions		(1,053)	(13)
Change in related party payables and service transactions		373	(3,279)
Change in current tax receivables		(1,282)	120
Change in current tax liabilities		(293)	(1,322)
Change in related party financial assets		37	37
Related party liabilities for leasing refund		(2,163)	(2,002)

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.

Emak
our power, your passion

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 EURONEXT 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 14, 2024 approved the Financial Report to December 31, 2023, also prepared according to the format required by the European Commission Regulation 2018/815 / EU (European Single Electronic Format) and ordered his immediate notification under Art. 154-ter, paragraph 1-ter TUF, to the Board of Auditors and to the Auditing firm in order for them to carry out their relative duties. In connection with this communication, the company has issued an appropriate press release with the key figures of the financial statements and the proposal for the allocation of the profit for the year submitted for approval by the Shareholders' Meeting convened for 29 April 2024.

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 and income from/(expenses on) equity investment, 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 parties.

2.2 Methods of consolidation

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

The acquisition of subsidiaries is accounted for using the purchase method (“Acquisition method”), except for those acquired in 2011 from the parent company Yama S.p.A. The cost of acquisition initially corresponds to the fair value of the assets acquired, the financial instruments issued and the liabilities at the date of acquisition. 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 81%, is consolidated at 100% on the basis of the "Put and Call Option Agreement" which regulates the purchase of the remaining 19%.
- Agres Sistemas Eletrônicos S.A., participated by Tecomec S.r.l., with a share of 95.5%, is consolidated at 100% on the basis of the "Put and Call Option Agreement" which regulates the purchase of the remaining 4.5%;
- 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, 2023 include the following companies consolidated using the full consolidation method:

Name	Head office	Share capitale	Currency	% consolidated	Held by	% of equity investment
Parent Company						
Emak S.p.A.	Bagnolo in Piano - RE (I)	42,623,057	€			
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	€	98.91	Comet S.p.A.	98.91
Poli S.r.l. (1)	Colorno - PR (I)	60,000	€	100.00	Comet S.p.A.	80.00
Europe						
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	€	98.91	Lavorwash S.p.A.	100.00
Lavorwash GB Ltd	St. Helens Merseyside (UK)	900,000	GBP	98.91	Lavorwash S.p.A.	100.00
Lavorwash Polska SP.ZOO	Bydgoszcz (PL)	163,500	PLN	98.91	Lavorwash S.p.A.	100.00
Lavorwash Iberica S.L.	Tarragona (E)	80,000	€	98.91	Lavorwash S.p.A.	100.00
Markusson Professional Grinders AB (2)	Rimbo (SE)	50,000	SEK	100.00	Tecomec S.r.l.	81.00
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.	99.63
					PTC S.r.l.	0.37
Emak do Brasil Industria LTDA	Ribeirao Preto (BR)	23,557,909	BRL	100.00	Emak S.p.A.	99.99
					Comet do Brasil LTDA	0.01
PTC Waterblasting LLC	Burnsville - Minnesota (USA)	285,000	USD	100.00	Comet Usa Inc	100.00
S.I. Agro Mexico	Guadalajara (MEX)	1,000,000	MXN	100.00	Comet S.p.A.	97.00
					PTC S.r.l.	3.00
Speed South America S.p.A.	Providencia - Santiago (RCH)	444,850,860	CLP	100.00	Speed France SAS	100.00
Valley Industries LLP (3)	Paynesville - Minnesota (USA)	-	USD	100.00	Comet Usa Inc	94.00
Speed North America Inc.	Wooster - Ohio (USA)	10	USD	100.00	Speed France SAS	100.00
Lavorwash Brasil Ind. Ltda	Indaiatuba (BR)	34,285,838	BRL	98.91	Lavorwash S.p.A.	99.99
					Comet do Brasil LTDA	0.01
Spraycom comercio de pecas para agricoltura S.A.	Catanduva (BR)	533,410	BRL	51.00	Tecomec S.r.l.	51.00
Agres Sistemas Eletrônicos S.A. (4)	Pinais (BR)	1,047,000	BRL	100.00	Tecomec S.r.l.	95.50
Rest of the world						
Jiangmen Emak Outdoor Power Equipment Co.Ltd	Jiangmen (RPC)	20,425,994	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	98.91	Lavorwash S.p.A.	100.00
Yongkang Lavorwash Trading Co. Ltd	Yongkang City (RPC)	3,930,579	RMB	98.91	Lavorwash S.p.A.	100.00
Jiangmen Autech Equipment Co. Ltd	Jiangmen (RPC)	5,106,499	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 19%.
(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 4.5%.

Compared to 31 December 2022, the company Bestway LLC entered the scope of consolidation following the acquisition on February 1, 2023, by Valley LLP. On March 21, 2023 Bestway was merged by incorporation into Valley LLP.

In December 2023, the company Speed Industrie Sarl completed the liquidation process of its assets and proceeded with the dissolution of the company; consequently, the income statement of the financial year is included in the consolidation area, but not the balance sheet data as of December 31, 2023.

In 2022, the results of the Spanish company Trebol Maquinaria Y Suministros S.A. were included in the consolidation area starting from the last quarter of the financial year.

We also note the change in the percentage investment in Lavorwash S.p.A., which went from 98.45% to 98.91% following the purchase of shares from some minority shareholders.

The associated company Raw Power S.r.l., with headquarters in Reggio Emilia (Italy) and share capital of € 75,292, is 24% held by Emak S.p.A. and consolidated starting from the first quarter of 2023 with the equity method.

2.3 Translation differences

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

Transactions and balances
Transactions in foreign currencies are translated 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.

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");
(iv) the other residual transactions are recorded at the specific exchange rate of the transaction.

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 2023	31.12.2023	Average 2022	31.12.2022
GB Pounds (UK)	0.87	0.87	0.85	0.89
Renminbi (China)	7.66	7.85	7.08	7.36
Dollar (Usa)	1.08	1.11	1.05	1.07
Zloty (Poland)	4.54	4.34	4.69	4.68
Zar (South Africa)	19.96	20.35	17.21	18.10
Uah (Ukraine)	39.54	42.00	34.02	39.04
Real (Brazil)	5.40	5.36	5.44	5.64
Dirham (Morocco)	10.96	10.93	10.68	11.16
Mexican Pesos (Mexico)	19.18	18.72	21.19	20.86
Chilean Pesos (Chile)	908.20	977.07	917.83	913.82
Swedish krona (Sweden)	11.48	11.10	10.63	11.12

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 and kept in the financial statements during the transition period having the Group identified the residual value of the respective assets recorded in the balance sheet at that date as the fair value of the assets and opted to use this value as a substitute for cost at the transition date (so-called "Deemed Cost"), 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.

(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 financial assets falling within the application of IFRS 9 are recognised at amortised cost or at *fair value* based on the identified business model 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).

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.

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 amortized.

2.12 Shareholdings in associated companies

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 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 expense, exchange gains and losses

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 1,2023
The following IFRS accounting standards, amendments and interpretations were first adopted by the Group starting January 1, 2023:

- On May 18, 2017, IASB published **IFRS 17 – Insurance contracts**, which is intended to replace international Financial Reporting Standards (**IFRS 4 – Insurance contracts**). The standard was applied starting from 1 January 2023. 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 adoption of this standard and the related amendment has not had any effects on the consolidated financial statements of the Group.

- On 7 May 2021, the IASB published an amendment called "**Amendments to IAS 12 income taxes: Deposited Tax related to assets and liabilities raising from a Single Transaction**". The document clarifies how deferred taxes on certain transactions that may generate equal amounts of assets and

liabilities on the first registration date, such as leasing and decommissioning obligations, should be accounted for. The amendments have been applied since 1 January 2023.
The adoption of this amendment has not had any effects on the Group's consolidated financial statements.

- 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 amendments regarding IAS 1 require an entity to disclose material information on the accounting policies applied by the Group. The changes aim to improve disclosure of accounting policies applied by the Group 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 have been applied since 1 January 2023. The adoption of this amendment has not had any effects on the Group's consolidated financial statements.

- On May 23, 2023, the IASB published an amendment entitled **'Amendments to IAS 12 Income Taxes: International Tax Reform - Pillar Two Model Rules'**. The document introduces a temporary exception to the recognition and disclosure requirements for deferred tax assets and liabilities related to the Pillar Two Model Rules (whose regulation is in force in Italy as of December 31, 2023, but applicable from January 1, 2024) and provides specific disclosure requirements for entities affected by the related International Tax Reform.
The document provides for the immediate application of the temporary exception, while the disclosure requirements will only be applicable to annual financial statements beginning on or after January 1, 2023 (or at a later date), but not to interim financial statements with a closing date prior to December 31, 2023. The adoption of this amendment has not had any effects on the Group's consolidated financial statements.

ACCOUNTING STANDARD, AMENDMENTS AND INTERPRETATIONS ENDORSED BY THE EUROPEAN UNION, BUT NOT YET MANDATORY APPLICABLE AND NOT EARLY ADOPTED FROM THE GROUP ON DECEMBER 31ST, 2023

The following accounting standards, amendments, and interpretations of IFRS have been endorsed by the European Union but are not yet mandatorily applicable and have not been adopted early by the Group as of December 31, 2023:

- 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**" and on 31 October 2022 published an amendment called ***"Amendments to IAS 1 Presentation of Financial Statements: Non-Current Liabilities with Covenants"***. These changes aim to clarify how to classify short- or long-term debts and other liabilities. Furthermore, the amendments also enhance the information that an entity must provide when its right to defer the settlement of a liability for at least twelve months is subject to compliance with certain parameters (i.e., covenants). The changes 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.

ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS INTERNATIONAL FINANCIAL REPORTING STANDARDS NOT YET APPROVED BY THE EUROPEAN UNION AT DECEMBER 31ST, 2023

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

- On May 25, 2023, the IASB published an amendment entitled **'Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures: Supplier Finance Arrangements'**. The document requires an entity to provide additional disclosures about reverse factoring arrangements that enable users of financial statements to evaluate how supplier finance arrangements may affect the entity's liabilities and cash flows and to understand the effect of those arrangements on the entity's exposure to liquidity risk. The amendments will apply from 1 January 2024, but earlier application is permitted. The Directors do not expect a significant effect on the Group's consolidated financial statements from the adoption of this amendment.

- On August 15, 2023 the IASB published an amendment entitled ***"Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability".*** The document requires an entity to apply a consistent methodology to determine whether one currency can be converted into another and, when this is not possible, how to determine the exchange rate to use and the disclosure to provide in the notes to the financial statements. The amendments will apply from 1 January 2025, but earlier application is 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 3.5 for the ratio Net financial position (NFP) / EBITDA, in order to ensure access to finance at a limited cost while maintaining a high credit rating. This debt target could be revised in case of changes in the macroeconomic situation or 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 2023 and 31 December 2022 are as follows:

€/000	31.12.2023	31.12.2023 WITHOUT IFRS16 (2)	31.12.2022	31.12.2022 WITHOUT IFRS16 (2)
Net financial position (Nfp) (note 9)	191,495	147,559	177,305	139,266
Total Equity	283,667	285,380	276,987	278,416
Ebitda before non ordinary income/expenses (1)	67,878	58,528	76,644	69,213
Nfp/Equity	**0.68**	**0.52**	**0.64**	**0.50**
Nfp/Ebitda before non ordinary income/expenses	**2.82**	**2.52**	**2.31**	**2.01**

(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 2023, 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, 2023 applicable to financial liabilities at a variable interest rate would result in a greater net cost, on an annual basis, of around € 946 thousand (€ 757 thousand at December 31 2022). 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, 2023 for which the Group is exposed to exchange rate risk as a result of the use of a currency different from Group companies' local reporting currency are as follows:

Credit position in US Dollars	16,040 thousand
Credit position in Mexican Pesos	14,599 thousand
Credit position in Zloty	2,960 thousand
Credit position in GB Pound	716 thousand
Credit position in Brazilian Real	134 thousand

Debt position in Renminbi	158,530 thousand
Debt position in Euro	14,604 thousand
Debt position in Yen	6,441 thousand
Debt position in Swiss Francs	47 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 2023 financial period, the overall amount of revenues directly exposed to exchange risk represented 7.6% of the Group's aggregate turnover (7.6% in the 2022 financial period), while the amount of costs exposed to exchange risk is equal to 16.1% of aggregate Group turnover (20% in the 2022 financial period).

  The main currency exchanges to which the Group is exposed are the following:
  - EUR/USD, relating to transactions 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 transactions 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 transactions in the Polish market;
  - EUR/UAH and USD/UAH, in respect of transactions on the Ukrainian market;
  - USD/REAL, RMB/REAL and EUR/REAL, in respect of transactions on the Brazilian market;
  - EUR/USD, relating to transactions in the South African market;
  - EUR/MXR relating of transactions in the Mexican market;
  - USD/SEK and EUR/SEK, relating to transactions 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, 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, 2023, 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 € 1,115 thousand (€ 1,988 thousand at December 31 2022).

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, 2023 as a result of a hypothetical unfavourable and immediate variation of 10% in underlying values would amount to around € 271 thousand (€ 1,295 thousand at December 31, 2022).

(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 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 subject to risk hedging through leading insurance companies.
The maximum theoretical exposure to credit risk for the Group at 31 December 2023 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, 2023 Trade receivables, equal to € 118,247 thousand (€ 118,470 thousand at 31 December 2022), include € 10,064 thousand (€ 12,747 thousand at 31 December 2022) 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, 2023 is € 30,301 thousand (€ 28,775 thousand at December 31, 2022).

At December 31, 2023 the first 10 customers account for 14.3% of total trade receivables (12.8% at December 31, 2022), while the top customer represents 3.1% of the total (4.6% at December 31, 2022).

(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 € 154 million compared to € 163 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, employee benefits, taxes, other provisions, liabilities for the purchase of the minority shareholding, liabilities for leasing and rights 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 in February 2022, followed by the more recent conflict in the Middle East that erupted in the fall of 2023, 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 and 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 WATER JETTING		COMPONENTS AND ACCESSORIES		Other not allocated / Netting		Consolidated	
€/000	**31.12.2023**	**31.12.2022**	**31.12.2023**	**31.12.2022**	**31.12.2023**	**31.12.2022**	**31.12.2023**	**31.12.2022**	**31.12.2023**	**31.12.2022**
Sales to third parties	166,994	199,436	244,252	241,283	155,071	165,004			**566,317**	**605,723**
Intersegment sales	393	357	3,045	3,308	8,129	9,685	(11,567)	(13,350)		
Revenues from sales	167,387	199,793	247,297	244,591	163,200	174,689	(11,567)	(13,350)	**566,317**	**605,723**
Ebitda (*)	11,694	12,257	31,290	34,910	25,517	31,937	(2,197)	(3,025)	**66,304**	**76,079**
Ebitda/Total Revenues %	*7.0%*	*6.1%*	*12.7%*	*14.3%*	*15.6%*	*18.3%*			***11.7%***	***12.6%***
Ebitda before non ordinary expenses (*)	11,984	12,495	31,928	35,082	26,163	32,092	(2,197)	(3,025)	**67,878**	**76,644**
Ebitda before non ordinary expenses/Total Revenues %	*7.2%*	*6.3%*	*12.9%*	*14.3%*	*16.0%*	*18.4%*			***12.0%***	***12.7%***
Operating result	3,834	1,251	20,263	26,054	15,324	22,475	(2,197)	(3,025)	**37,224**	**46,755**
Operating result/Total Revenues %	*2.3%*	*0.6%*	*8.2%*	*10.7%*	*9.4%*	*12.9%*			***6.6%***	***7.7%***
Net financial expenses (1)									**(11,789)**	**(2,658)**
Profit befor taxes									**25,435**	**44,097**
Income taxes									**(5,513)**	**(12,932)**
Net profit									**19,922**	**31,165**
Net profit/Total Revenues%									***3.5%***	***5.1%***
(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	**31.12.2023**	**31.12.2022**	**31.12.2023**	**31.12.2022**	**31.12.2023**	**31.12.2022**	**31.12.2023**	**31.12.2022**	**31.12.2023**	**31.12.2022**
Net debt (*)	11,174	21,295	134,618	108,992	45,703	47,018	0	0	**191,495**	**177,305**
Shareholders' Equity	185,337	184,363	99,670	98,689	76,978	72,228	(78,318)	(78,293)	**283,667**	**276,987**
Total Shareholders' Equity and Net debt	196,511	205,658	234,288	207,681	122,681	119,246	(78,318)	(78,293)	**475,162**	**454,292**
Net non-current assets (2) (*)	122,370	122,922	116,156	101,679	60,261	57,242	(75,212)	(75,238)	**223,575**	**206,605**
Net working capital (*)	74,141	82,736	118,132	106,002	62,420	62,004	(3,106)	(3,055)	**251,587**	**247,687**
Total net capital employed (*)	196,511	205,658	234,288	207,681	122,681	119,246	(78,318)	(78,293)	**475,162**	**454,292**
(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	**31.12.2023**	**31.12.2022**	**31.12.2023**	**31.12.2022**	**31.12.2023**	**31.12.2022**	**31.12.2023**	**31.12.2022**	**31.12.2023**	**31.12.2022**
Number of employees at period end	725	747	959	873	669	655	9	9	**2,362**	**2,284**
OTHER INFORMATIONS	**31.12.2023**	**31.12.2022**	**31.12.2023**	**31.12.2022**	**31.12.2023**	**31.12.2022**	**31.12.2023**	**31.12.2022**	**31.12.2023**	**31.12.2022**
Amortization, depreciation and impairment losses	7,860	11,006	11,027	8,856	10,193	9,462			**29,080**	**29,324**
Investment in property, plant and equipment and in intangible assets	6,202	4,461	9,814	8,639	6,920	8,632			**22,936**	**21,732**

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

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

7. Significant non-recurring events and transactions

Acquisition of the Bestway Ag Holdings LLC business

On 1 February 2023, Valley Industries LLP completed 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 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 approximately 32 million US Dollars and an EBITDA of 2.5 million US 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, on March 21, 2023, the NewCo was merged by incorporation into Valley Industries.

The final consideration for the acquisition was equal to 22.1 million US dollars (of which 3.5 million deposited in an escrow account) fully paid at the closing date.

The fair value of the assets and liabilities of acquisition determined on the basis of the last financial statements of February 1, 2023 and the price paid are detailed below:

€/000	Book values	Fair Value adjustments	Fair value of acquired assets and liabilities
Non-current assets			
Property, plant and equipment	1,867	-	1,867
Intangible fixed assets	5,568	-	5,568
Current assets			
Inventories	12,814	-	12,814
Trade and other receivables	4,568	-	4,568
Current liabilities			
Trade and other payables	(5,080)	-	(5,080)
Total net assets acquired	**19,736**	**-**	**19,736**
% interest held			**100%**
Equity acquired			**19,736**
Goodwill			**567**
Acquisition price paid at closing			**20,304**

The fair values of the assets, liabilities and contingent liabilities acquired were determined, in compliance with the provisions of IFRS 3 "Business Combinations”. It should also be noted that no adjustments have been identified for the adjustment to the fair value of the assets and liabilities reflected in the financial statements of the acquired company, which, by virtue of the previously commented transfer operation, these items were already recorded in the financial statement of the NewCo at the relative current values defined from the parties. This situation, already determined provisionally in the half-yearly financial report at 30 June 2023, is now considered definitive.

<u>Acquisition of 24% of Raw power S.r.l.</u>

On 22 February 2023, the Parent Company sanctioned the entry into the shareholding structure of the company 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.
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 rationale of the operation is to allow the enhancement of the know-how of electric motors technology in order to increase competitiveness in the market of battery products, in continuous and rapid evolution.

The fair value of the assets and liabilities acquired is shown below, determined on the basis of the accounting situation at the acquisition date:

€/000	Book values	Fair Value adjustments	Fair value of acquired assets and liabilities
Non-current assets			
Property, plant and equipment	71	-	71
Intangible assets	31	-	31
Other financial assets	1	-	1
Current assets			
Trade and other receivables	613	-	613
Cash and cash equivalents	877	-	877
Non-current liabilities			
Employee benefits	(103)	-	(103)
Current liabilities			
Trade and other payables	(339)	-	(339)
Current tax liabilities	(33)	-	(33)
Total net assets acquired	**1,118**	**-**	**1,118**
% interest held			**24%**
Net equity acquired			**268**
Goodwill			**532**
Net cash outflow for subscription of paid-in capital			**800**

The fair values of the assets, liabilities and contingent liabilities were determined, in compliance with the provisions of IFRS 3 "Business Combinations”. It should also be noted that, following the analyses conducted, no adjustments have been identified for the adjustment to the fair value of the assets and liabilities reflected in the associate company's financial statements. This situation, already determined provisionally in the half-yearly financial report at 30 June 2023, is now considered definitive.

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. The difference between the price paid and the value of the payable for the purchase of 4.5% recognized in the consolidated financial statements as at 31 December 2022 amounts to € 98 thousand and was recognized as a charge in the income statement as at 31 December 2023.

Incorporation of PTC Waterblasting into Comet USA

During 2023, the company Comet Usa Inc. has started the preparatory procedures for the merger by incorporation of the company Ptc Waterblasting, already 100% controlled.
The company was incorporated in 2017 with the aim of developing 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.

Jiangmen Autech Equipment Co. Ltd

As of May 1, 2023, the Chinese subsidiary Jiangmen Autech Equipment Co. Ltd became operational following the completion of the spin-off procedure and transfer of the business branch of the Chinese subsidiary Jiangmen Emak Outdoor Power Equipment.

Exercise of option on 30% of Markusson Professional Grinders AB

During the month of May 2023, the subsidiary Tecomec S.r.l., following the resolution of the Board of Directors of 10 May, exercised the call option for the purchase of a further 30% of Markusson shares, as envisaged by the contract signed on 2020, thus rising to 81% as a controlling percentage of the Swedish company. The shareholders' agreements stipulated with the minority shareholder provide for the purchase of the additional 19% in 2026.
The value of the transaction, calculated according to the same parameters used for the original purchase of the 51%, is 26,451 thousand Sek, equal to approximately € 2.3 million. The difference between the price paid and the value of the payable for the purchase of 30% recorded in the consolidated financial statements as of 31 December 2022 amounts to € 174 thousand and was recognized as a charge in the income statement as of 31 December 2023.

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 2023. 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 (to the item M) 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)	31.12.2023	31.12.2022
A. Cash	75,661	86,477
B. Cash equivalents	-	-
C. Other current financial assets	1,087	2,745
D. Liquidity funds (A+B+C)	**76,748**	**89,222**
E. Current financial debt	(24,304)	(22,956)
F. Current portion of non-current financial debt	(70,226)	(60,694)
G. Current financial indebtedness (E + F)	**(94,530)**	**(83,650)**
H. Net current financial indebtedness (G - D)	**(17,782)**	**5,572**
I. Non-current financial debt	(174,980)	(184,028)
J. Debt instruments	-	-
K. Non-current trade and other payables	-	-
L. Non-current financial indebtedness (I + J + K)	**(174,980)**	**(184,028)**
M. Total financial indebtedness (H + L) (ESMA)	**(192,762)**	**(178,456)**
N. Non-current financial receivables	1,267	1,151
O. Net financial position (M-N)	**(191,495)**	**(177,305)**
Effect IFRS 16	**43,936**	**38,039**
Net financial position without effect IFRS 16	**(147,559)**	**(139,266)**

The increase in net financial position at 31 December 2023 compared to 31 December 2022 is mainly due to the effect of the change in the scope consolidation for the acquisition of Bestway and to the greater investments from lease contracts.

Net financial position at December 31, 2023, includes € 6,034 thousand (€ 13,157 thousand at December 31, 2022), referring to payables for the purchase of the remaining minority shareholding subject to Put & Call Options (Note 30). These debts refer to the purchase of investments in the following companies:

- Markusson for an amount of € 2,313 thousand;
- Agres for an amount of € 1,055 thousand;
- Valley LLP for an amount of € 1,061 thousand;
- Poli S.r.l. for an amount of € 1,605 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 € 3,197 thousand while the current portion of payables for the purchase of equity investments, recorded in the item “Current financial debt”, is equal to € 2,837 thousand.

Net financial position at December 31, 2023, includes, in the items referring to “Financial debts”, financial liabilities for € 43,936 thousand (€ 38,039 thousand at December 31, 2022) deriving from the application of IFRS 16- Leases. Current portion of this financial liability is equal to € 7,503 thousand (€ 6,357 thousand at December 31, 2022) and non current portion is equal to € 36,433 thousand (€ 31,682 thousand at December 31, 2022). Liabilities for leasing to related parties are included in this amount for an amount of € 13,686 thousand, of which € 1,819 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 2023, the item financial receivables also includes receivables from related parties for an amount of € 111 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 € 566,317 thousand, compared to € 605,723 thousand of last year, and they are recorded net of returns for € 1,680 thousand, against € 1,274 thousand of last year.

Details of revenues from sales are as follows:

€/000	FY 2023	FY 2022
Net sales revenues (net of discounts and rebates)	562,303	600,538
Revenues from recharged transport costs	5,694	6,459
Returns	(1,680)	(1,274)
Total	**566,317**	**605,723**

The reduction in "Revenue" is linked to an organic decline in demand levels, resulting from certain macroeconomic dynamics and their impact on customer purchasing power, as well as the progressive change in consumption preferences following the easing of post-pandemic restrictions.
The change in the consolidation area had a positive effect of € 34,566 thousand on revenues for the year.

Other operating income is analysed as follows:

€/000	FY 2023	FY 2022
Grants related to income and assets	1,519	1,376
Revenues for rents	620	650
Capital gains on property, plant and equipment	231	75
Advertising reimbursement	169	171
Recovery of canteen costs	143	129
Recovery of warrants costs	74	78
Insurance refunds	309	56
Recovery of administrative costs	96	144
Other operating income	2,332	2,074
Total	**5,493**	**4,753**

The item "Grants related to income and assets" mainly includes tax credits and accruals for non-repayable grant for R&D projects.

11. Cost of raw materials, consumable and goods

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

€/000	FY 2023	FY 2022
Raw materials, semi-finished products and goods	294,492	327,422
Other purchases	3,963	4,106
Development costs capitalized	(145)	-
Total	**298,310**	**331,528**

The contraction in sales and the high level of inventory resulted in a reduction of the need for raw materials and finished products compared to the previous year.

12. Personnel expenses

Details of these costs are as follows:

€/000	FY 2023	FY 2022
Wage and salaries	74,405	67,731
Social security charges	20,598	18,951
Employee termination indemnities	2,962	2,985
Other costs	2,852	2,772
Development costs capitalized	(984)	(527)
Directors' emoluments	1,027	1,239
Temporary staff	4,176	6,368
Total	**105,036**	**99,519**

The change in the scope of consolidation affected personnel costs for € 4,584 thousand.
During the 2023 financial year, personnel costs for € 984 thousand were capitalized under intangible fixed assets (€ 527 thousand at 31 December 2022), mainly referring to the costs for the development of new products.

The increase in the amount of development costs capitalized depends on the start of an important project in the OPE segment, having expenses with eligible requirements for capitalization.

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 costs for the year include reorganization costs for € 662 thousand; mainly referring to retirement incentives paid by some Group foreign companies. In the previous year these charges, amounted to € 204 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 2023	FY 2022
Subcontract work	12,418	17,233
Maintenance	8,377	7,104
Trasportation and duties	23,316	37,601
Advertising and promotion	6,396	5,119
Commissions	9,419	9,328
Travel	4,279	2,753
Postals and telecommunications	926	841
Consulting fees	6,845	6,212
Driving force	3,495	4,012
Various utilities	2,142	1,907
Services and bank fees	939	787
Costs of after sales warranty	2,188	1,663
Insurances	2,116	1,850
Other services	10,171	10,528
Development costs capitalized	(282)	(147)
Services	**92,745**	**106,791**
Rents, rentals and the enjoyment of third party assets	**4,026**	**3,723**
Increases in provisions	**760**	**597**
Credit losses	68	194
Increases in provision for doubtful accounts (note 24)	1,101	1,152
Capital losses on property, plant and equipment	50	7
Other taxes (not on income)	1,867	1,812
Grants	116	148
Other costs	2,182	1,716
Other operating costs	**5,384**	**5,029**
Total	**102,915**	**116,140**

The reduction in transportation expenses is linked to lower purchase and sales volumes, as well as a decrease in transportation tariffs and maritime freight rates. In 2023, there was a decrease in energy expenses due to the normalization of related costs during the financial year.
Travel expenses and, in general, expenses for promotion and advertising have increased compared to 2022 due to the full recovery of network support activities after years characterized by restrictions associated with the COVID-19 pandemic.

14. Amortization, depreciation and impairment losses

Details of these amounts are as follows:

€/000	FY 2023	FY 2022
Amortization of intangible assets (note 19)	6,631	5,880
Depreciaton of property, plant and equipment (note 18)	14,255	13,842
Amortization of rights of use (note 20)	8,194	6,645
Impairment losses of goodwill (note 21)	-	2,957
Total	**29,080**	**29,324**

The amortization and depreciation at December 31, 2023 amounted to € 29,080 thousand.

The item Amortization of rights of use includes the amortization of rights of use recognized among non-current assets in application of IFRS 16 - *Leases*.
Amortization is calculated based on the duration of the contracts, taking into account the reasonableness of the probable renewals where they are contractually provided for.

The impairment losses recognized in the previous financial year related to the full impairment of goodwill of the subsidiary Tailong following the results of its impairment test.

15. Financial income and expenses, exchange gains and losses

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

€/000	FY 2023	FY 2022
Income from adjustment to fair value and fixing of derived instruments for hedging interest rate risk	2,312	2,813
Interest of trade receivables	302	259
Interest on bank and postal current accounts	1,157	261
Financial income of debt adjustment estimate for purchase commitment of remaining shares of subsidiaries	1,729	536
Other financial income	121	138
Financial income	**5,621**	**4,007**

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 commitment of the remaining shares of the companies:

- Agres Sistemas Eletrônicos S.A, subject to Put & Call option for the purchase of the remaining 4.5% of the company, with an adjustment in the year of € 1,726 thousand (a negative adjustment of € 797 thousand was recorded at 31 December 2022);
- Valley Industries LLP, subject to Put & Call option for the purchase of the remaining 6% of the company for an amount of € 3 thousand (€ 536 thousand in the previous year).

The adjustment of these payables, included among financial liabilities, is a consequence of the updating of the Multi-Year Plans originally planned by the target companies. The Price of the Put & Call options, in fact, is correlated to the future economic and financial indicators of the companies acquired.

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 2023	FY 2022
Interest on medium long-term bank loans and borrowings	11,243	3,670
Financial charges of debt adjustment estimate for purchase commitment of remaining shares of subsidiaries	302	2,400
Financial charges from leases	1,616	1,065
Costs from adjustment to fair value and fixing of derived instruments for hedging interest rate risk	2,722	130
Interest on short-term bank loans and borrowings	1,151	396
Financial charges from valuing employee terminations indemnities (note 33)	180	28
Financial expenses from discounting debts	40	47
Other financial costs	576	824
Financial expenses	**17,830**	**8,560**

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 remaining shares and to the difference between the price paid for the Put & Call exercise and the respective financial debt recorded in the financial statements at 31 December 2022 of the companies:

- Agres Sistemas Eletrônicos S.A, subject to Put & Call option for the purchase of 4.5% of the company, for an amount of € 98 thousand;
- Markusson, subject to Put & Call option for the purchase of 30% of the company, for an amount of € 174 thousand;
- Markusson, subject to Put & Call option for the adjustment of the remaining share of 19% of the company, for an amount of € 30 thousand (a negative adjustment of € 1,603 thousand was recorded at 31 December 2022).

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 2023	FY 2022
Profit / (Loss) on exchange differences on trade transactions	(55)	987
Profit / (Loss) on exchange differences on trade transactions adjustments	635	675
Profit / (Loss) on exchange differences on financial transactions	27	528
Profit / (Loss) on exchange differences on valuation of hedging derivatives	(189)	(295)
Exchange gains and losses	**418**	**1,895**

The exchange rate management 2023 is positive for € 418 thousand against a positive value equal to € 1,895 thousand of the previous year.
Foreign exchange management was positively affected by the revaluation of the Brazilian real against the Euro and US dollar and the Euro against the Chinese Renminbi.

16. Income taxes

The tax charge in 2023 for current and deferred tax assets and liabilities amounts to € 5,513 thousand (€ 12,932 thousand in the previous year).

This amount is made up as follows:

€/000	FY 2023	FY 2022
Current income taxes	7,014	13,476
Taxes from prior years	(420)	(44)
Deferred tax assets (note 32)	(1,148)	(527)
Deferred tax liabilities (note 32)	67	27
Total	**5,513**	**12,932**

Current income taxes include the cost of IRAP (regional company tax) to € 742 thousand, compared to € 1,179 thousand in 2022.

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 2023	% Rate	FY 2022	% Rate
Profit before taxes	**25,435**		**44,097**	
Theoretical tax charges	**7,096**	**27.9**	**12,303**	**27.9**
Effect of IRAP differences calculated on different tax base	269	1.1	139	0.3
Non-taxable income	(812)	(3.2)	(499)	(1.1)
Non-deductible costs	606	2.4	1,297	2.9
Differences in rates with other countries	(260)	(1.0)	165	0.4
Taxes on financial charges concerning the discounting and adjustment of payables for equity investments	(388)	(1.5)	547	1.2
Previous period taxes	(420)	(1.7)	(44)	(0.1)
Other differences	(578)	(2.3)	(976)	(2.2)
Effective tax charge	**5,513**	**21.7**	**12,932**	**29.3**

The effective tax rate is 21.7% against 29.3% at 31 December 2022, which primarily influenced by the increased incidence of non-taxable income, mainly attributable to contributions and non-taxable benefits, the recognition of not fiscally relevant financial income and expenses resulting from the adjustment of debts for the purchase of remaining shares of subsidiaries subject to Put & Call Option (Note 15) with a positive effect on the tax rate for the year of 1.5%, and the recognition of tax benefits related to previous years, with a positive effect on the tax rate of 1.7%.

In the previous financial year, the tax rate was negatively influenced by the recognition of the impairment of goodwill for 'Tailong,' which was not tax-deductible, with an effect on the tax rate of 1.9% and by the recognition of net financial charges which were not relevant for tax purposes. and relating to the adjustment of debts for the purchase of the remaining shares of subsidiary companies, with an effect on the tax rate for the year of 1.2%.

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 2023	FY 2022
Net profit attributable to ordinary shareholders in the parent company (€/000)	19,075	30,268
Weighted average number of ordinary shares outstanding	162,837,602	163,451,400
Basic earnings per share (€)	**0.117**	**0.185**

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	31.12.2022	Change in scope of consolidation Increase	Increase/ (Amortizations)	Decreases	Exchange differences	Reclassification	31.12.2023
Lands and buildings	59,508		564		(1,157)	531	59,446
Accumulated depreciation	(25,330)		(1,504)		392	-	(26,442)
Lands and buildings	**34,178**	**-**	**(940)**	**-**	**(765)**	**531**	**33,004**
Plant and machinery	127,125	2,972	7,786	(1,446)	(1,323)	2,225	137,339
Accumulated depreciation	(98,809)	(1,105)	(7,414)	1,446	1,087	344	(104,451)
Plant and machinery	**28,316**	**1,867**	**372**	**-**	**(236)**	**2,569**	**32,888**
Other assets	139,535		4,879	(1,592)	(808)	2,016	144,030
Accumulated depreciation	(125,581)		(5,337)	1,376	715	6	(128,821)
Other assets	**13,954**	**-**	**(458)**	**(216)**	**(93)**	**2,022**	**15,209**
Advances and fixed assets in progress	**6,076**	**-**	**3,975**	**-**	**25**	**(5,156)**	**4,920**
Cost	**332,244**	**2,972**	**17,204**	**(3,038)**	**(3,263)**	**(384)**	**345,735**
Accumulated depreciation (note 14)	**(249,720)**	**(1,105)**	**(14,255)**	**2,822**	**2,194**	**350**	**(259,714)**
Net book value	**82,524**	**1,867**	**2,949**	**(216)**	**(1,069)**	**(34)**	**86,021**

€/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**

Tangible fixed assets of Bestway AG at the date of entry into the consolidation area, they amounted to € 1,867 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 recognized as income in the income statement progressively in relation to the remaining possibility of utilization of the assets to which they refer and are shown in the statement of financial position as deferred income.

19. Intangible assets

Intangible assets report the following changes:

€/000	31.12.2022	Change in scope of consolidation Increase	Increases	Decreases	Amortizations	Exchange differences	Reclassification	31.12.2023
Development costs	4,104	-	1,436	(1)	(1,698)	69	98	4,008
Patents and software	3,013	-	2,139	(26)	(1,794)	1	364	3,697
Concessions, licences and trademarks	3,624	5,568	24	-	(987)	(47)	-	8,182
Other intangible assets	12,226	-	314	-	(2,152)	74	41	10,503
Advanced payments and fixed assets in progress	1,515	-	1,819	(36)	-	9	(469)	2,838
Net book value	24,482	5,568	5,732	(63)	(6,631)	106	34	29,228

€/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

Research costs directly recorded in the income statement amount to € 9,554 thousand, net of the capitalization that took place during the year and mainly refer to costs incurred for the development of new products.

Intangible fixed assets of Bestway AG at the date of entry into the consolidation area, they amounted to € 5,568 thousand and relate to the value of the trademark at the acquisition date, whose useful life has been estimated by the Administrators to be 15 years.

Other intangible fixed assets mainly 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 2023 of € 3,936 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 2023 of €1,256 thousand and with an estimated useful life of 10 years;
- Markusson, which took place in 2020, for a net value at 31 December 2023 of € 1,005 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 2023 of € 2,332 thousand and with an estimated useful life of 14 years.

During 2023, the implementation activity of the new management system continued for Comet S.p.A. and Lavorwash S.p.A., with the go-live taking place at the beginning of 2024. This resulted in investments of € 1,400 thousand in 2023 (compared to € 632 thousand in 2022).

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 trademark 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 € 497 thousand as at 31 December 2023.
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	31.12.2022	Increases	Amortization	Decreases	Exchange difference	31.12.2023
Rights of use buildings	35,002	11,908	(7,024)	(120)	165	39,931
Rights of use other assets	1,459	1,705	(1,170)	(38)	20	1,976
Net book value (note 14)	36,461	13,613	(8,194)	(158)	185	41,907

€/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

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, in addition to the new contracts signed by the new company which entered the consolidation area after the date of acquisition for € 3,981 thousand.

21. Goodwill

The goodwill of € 72,554 thousand reported at December 31, 2023 is detailed below:

Cash Generating Unit (CGU)	*Country*	Description	31.12.2022	Change in scope of consolidation	Exchange differences	31.12.2023
Victus	Poland	Goodwill recorded in Victus IT	5,200	-	408	5,608
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, A1 and Bestway	13,662	567	(483)	13,746
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	9,912	-	455	10,367
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	1,585	-	4	1,589
Agres	Brazil	Goodwill recorded in Agres	7,477	-	386	7,863
Poli	Italy	Goodwill recorded in Poli	1,815	-	-	1,815
Trebol	Spain	Goodwill recorded in Trebol	1,191	-	-	1,191
		Total	**71,216**	**567**	**771**	**72,554**

The difference compared to December 31, 2022, is attributable to the change in consolidation exchange rates, for € 771 thousand, and to the acquisitions of the company Bestway AG Holdings LLC for € 567 thousand.

the item at the end of the financial year is composed of:

- Goodwill allocated to the CGU Victus, equal to € 5,608 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 2023 financial statements, as was done for the previous year, was tested using the cash flows derived from the subsidiary PTC, which since 2022, 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 € 13,746 thousand, include an amount of € 11,765 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, an amount equal to € 1,423 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 and an amount of € 558 thousand arising from the acquisition of the business of the company Bestway AG realized in the first months of 2023 (€ 567 thousand at the acquisition date), subsequently merged into Valley.

- The goodwill recorded for € 901 thousand refers to the acquisition of the 51% of the company Geoline Electronic S.r.l., 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 € 10,367 thousand refers to the goodwill recorded in relation to the acquisition of the 100% of Lemasa – in 2022 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 assets and liabilities acquired 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 refer to the acquisition of the 97.78% of the Lavorwash Group, which took place in 2017.

- The goodwill of Spraycom 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 € 1,589 thousand refers to the goodwill recognized as part of the acquisition of the Markusson company which took place in 2020, partly regulated by a *Put & Call option* exercised for 30% in the first half of 2023 and the residual for 19%. 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 € 7,863 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 exercised for 4.5% in the first half of 2023 and residual for 4.5%, 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 of Poli 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 29, 2024, with the agreement of 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 EURIRS rate with a maturity of 10 years with an average yield of the 6 months prior December 31, 2023 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 2023 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 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 broken down by geographical area are as follows:

	31.12.2023	31.12.2022
Italy	10.0%	9.5%
France	9.1%	8.4%
Spain	9.4%	9.2%
Poland	11.1%	11.5%
Sweden	8.9%	8.0%
China	-	10.7%
Mexico	12.8%	12.4%
Usa	9.6%	8.8%
Brazil	14.5%	15.1%

The terminal value was determined on the basis of a long-term growth rate (g) equal to the long-term inflation of the country in which each CGU operates (source *International Monetary Fund*); this rate is reported below, broken down by country:

	31.12.2023	31.12.2022
Italy	2.0%	2.1%
France	2.0%	1.8%
Spain	1.8%	2.3%
Poland	2.5%	2.5%
Sweden	2.3%	2.3%
China	-	2.0%
Mexico	3.0%	3.3%
Usa	2.1%	2.0%
Brazil	3.0%	3.0%

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.

The impairment tests conducted did not reveal any impairment losses.

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 estimation of the use value of the various CGUs, considering alternative scenarios: (i) a positive variation of the WACC of 5%, (ii) a negative variation of 50 bps of the long-term growth rate (g), (iii) a negative variation of 5% in cash flows for each year of the plan.
These analyzes did not show any impairment losses except for the CGU relating to Lavorwash Group for which a change in the basic assumptions would result in a partial impairment loss of the goodwill.

The Group's Management verify the recoverability of net invested capital of Emak S.p.A. CGU, even though no goodwill or other intangible assets with indefinite life are allocated to it, considering the indicators of loss of value detected during the financial year, traceable to the 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 used 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 unit 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 10%; 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 analyses conducted on the test results indicate potential value losses considering alternatively a positive 5% variation of the WACC, a negative variation of 50 bps of the long-term growth rate (g) or a negative 5% variation of cash flows for each year of the plan. However, the Directors, considering the analyses performed on the recoverability of the individual assets of the CGU, mainly composed of trade receivables, inventory, and tangible fixed assets, primarily lands and buildings, do not perceive any issues regarding the recoverability of their respective carrying amounts.

Finally, the Directors, noting that the Shareholders' Equity of the Emak Group is higher than market capitalization of the stock at 31 December 2023 (equivalent to 180 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 30 January 2024. The impairment test was performed applying the same methodology previously illustrated, applying WACC rate of 10% 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 for each year of the plan, has not indicated value losses.

22. Equity investments and Investments in associates

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

The item " **Income from/(expenses on) equity investment**", amounting to € 802 thousand, refers to the value of the share pertaining to the Group in associates obtained with the application of the equity method.
In particular, the item refers to the company Raw Power S.r.l., which entered the scope of consolidation starting from 22 February 2023 as previously commented (Note 7).
The value of the equity investments in associated companies was adjusted as at 31 December 2023 for a negative value of € 2 thousand, recorded under the Income Statement item " Income from/(expenses on) equity investment ".

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, 2023 is shown as follows:

€/000	31.12.2023	31.12.2022
Positive *fair value* assesment exchange rate hedge	13	142
Positive *fair value* assessment exchange rate options	-	29
Positive *fair value* assessment IRS and interest rate options	1,015	2,536
Total derivative financial instrument assets	**1,028**	**2,707**
Negative *fair value* assesment exchange rate hedge	220	557
Negative *fair value* assesment exchange rate options	-	142
Negative *fair value* assessment IRS and interest rate options	383	-
Total derivative financial instrument liabilities	**603**	**699**

At December 31, 2023 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	50,000	7.86	10/07/2024
Usd/Euro	Emak France	Usd	300	1.11	15/02/2024
Eur/Pln	Victus-Emak S.p. Z.o.o.	Euro	2,700	4.40	20/05/2024
Usd/Pln	Victus-Emak S.p. Z.o.o.	Usd	375	4.18	20/03/2024
Cnh/Pln	Victus-Emak S.p. Z.o.o.	Cnh	10,200	1.76	03/04/2024
Cnh/Euro	Tecomec S.r.l.	Cnh	6,600	7.82	03/06/2024
Usd/Eur	Sabart Srl	Usd	2,360	1.10	28/03/2024
Pln/Euro	Lavorwash Spa	Pln	2,000	4.54	18/04/2024
Euro/Mxn	S.I. Agro Mexico	Euro	1,750	20.36	31/07/2024
Forward contracts for foreign currencies sales with differential settlement at maturity					
Brl/Eur	Tecomec S.r.l.	Brl	5,700	5.66	23/10/2024

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

Finally, on December 31, 2023 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 € 52,388 thousand. The expiration of the instruments is so detailed:

Bank	Company	Notional Euro (€/000)	Date of the operation	Due to
UniCredit	Emak S.p.A.	650	31/07/2019	30/06/2024
Banca Nazionale del Lavoro	Emak S.p.A.	625	02/08/2019	31/12/2024
Banco BPM	Emak S.p.A.	1,050	02/08/2019	30/06/2024
MPS	Emak S.p.A.	2,250	16/06/2020	30/06/2025
UniCredit	Emak S.p.A.	5,000	06/08/2021	31/03/2025
Bper Banca	Emak S.p.A.	4,688	05/08/2022	30/06/2027
UniCredit	Emak S.p.A.	5,000	04/08/2023	31/07/2030
UniCredit	Emak S.p.A.	5,000	22/09/2023	31/07/2030
Banca Nazionale del Lavoro	Comet S.p.A.	1,875	02/08/2019	31/12/2024
MPS	Comet S.p.A.	3,333	08/10/2021	28/06/2026
Banca Nazionale del Lavoro	Comet S.p.A.	7,500	18/02/2022	31/12/2026
Banca Nazionale del Lavoro	Comet S.p.A.	5,000	06/06/2023	07/04/2028
MPS	Tecomec S.r.l.	1,667	13/10/2021	28/06/2026
Banca Nazionale del Lavoro	Tecomec S.r.l.	3,750	18/02/2022	31/12/2026
Banca Nazionale del Lavoro	Tecomec S.r.l.	5,000	06/06/2023	07/04/2028
Total		**52,388**		

The average of the hedging interest rates resulting from the instruments is equal to 0.63% at December 31, 2023.

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, 2023 is an overall positive fair value of € 425 thousand (positive fair value equal to € 2,008 thousand at 31 December 2022).

24. Trade and other receivables

Details of these amounts are as follows:

€/000	31.12.2023	31.12.2022
Trade receivables	118,247	118,470
Provision for doubtful accounts	(4,695)	(5,837)
Net trade receivables	**113,552**	**112,633**
Trade receivables from related parties (note 40)	332	404
Prepaid expenses and accrued income	3,157	2,623
Other receivables	4,895	4,001
Total current portion	**121,936**	**119,661**
Other non current receivables	96	60
Total non current portion	**96**	**60**

The receivables remain at levels similar to the previous year as the turnover in the last quarter increased compared to the same period of the previous year. The reduction in the provision refers to positions that were already set aside and definitively written off during 2023.

The creditworthiness of customers is confirmed at good levels of reliability.

The item "Other receivables", for the current portion, includes:
- an amount of € 1,964 thousand as advances to suppliers for the supply of goods;
- an amount of € 1,800 thousand, (€ 675 thousand at 31 December 2022), 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	31.12.2023	31.12.2022
Opening balance	**5,837**	**6,008**
Change in scope of consolidation increase	127	2
Provisions (note 13)	1,101	1,152
Decreases	(2,367)	(1,373)
Exchange differences	(3)	48
Closing balance	**4,695**	**5,837**

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	31.12.2023	31.12.2022
Raw, ancillary and consumable materials	64,319	76,660
Work in progress and semi-finished products	36,692	36,427
Finished products and goods	133,645	120,883
Total	**234,656**	**233,970**

Inventories at December 31, 2023 are stated net of provisions amounting to € 13,632 thousand (€ 12,200 thousand at December 31, 2022) 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.

Detail of change in the provision for inventories is as follows:

€/000	FY 2023	FY 2022
Opening balance	**12,200**	**11,158**
Change in scope of consolidation	275	120
Provisions	2,061	1,623
Exchange differences	(6)	67
Usage	(898)	(768)
Closing balance	**13,632**	**12,200**

26. Cash and cash equivalents

Cash and cash equivalents are detailed as follows:

€/000	31.12.2023	31.12.2022
Bank and post office deposits	75,548	86,340
Cash	113	137
Total	**75,661**	**86,477**

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

€/000	31.12.2023	31.12.2022
Cash and cash equivalents	75,661	86,477
Overdrafts (note 30)	(2,752)	(3,128)
Total	**72,909**	**83,349**

27. Other financial assets

Other financial assets amount to € 1,267 thousand, which is non-current portion, and € 59 thousand as current portion and refer mainly to:

- an amount of € 562 thousand relating to guarantee deposits; entered under the non-current assets;
- an amount of € 605 thousand relating to sureties, recorded under non-current assets;
- an overall amount of € 111 thousand, of which € 74 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 2023 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 2023 amounts to € 2,835 and has not undergone any changes compared to the previous year.

Dividends
On 28 April 2023 the Shareholders' Meeting of Emak S.p.A. resolved to allocate the profit for the year 2022 for € 722 thousand to the legal reserve for € 3,144 thousand to the extraordinary reserve and for a total of € 10,584 thousand as a dividend to shareholders (0.065 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 0.045 per share, equal to a total of Euro 7,328 thousand.

Share premium reserve
At 31 December 2023, 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, 2023 of € 4,969 thousand (€ 4,247 thousand at December 31, 2022).

Revaluation reserve
At 31 December 2023 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 2023 the reserve for translation differences for an amount of € 75 thousand is entirely attributable to the differences generated from the translation of balances into the Group's reporting currency.
The reserve recorded a negative adjustment of € 2,189 thousand mainly due to the performance of the US dollar and Chinese Renminbi currency only partially offset by the positive effect of the Brazilian currency.

Reserve IAS 19
At 31 December 2023 the IAS 19 reserve is equal a negative amount of € 984 thousand, for the actuarial valuation differences of post-employment benefits to employees. The same changed at 31 December 2023 for € 32 thousand.

Other reserves
At 31 December 2023 the Other reserves include:
- the extraordinary reserve, amounts to € 31,671 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	31.12.2023	31.12.2022
Trade payables	86,254	87,163
Payables due to related parties (note 40)	551	697
Payables due to staff and social security institutions	14,075	13,297
Advances from customers	2,455	2,731
Accrued expenses and deferred income	3,268	2,228
Other payables	3,169	3,228
Total current portion	**109,772**	**109,344**

The item "**Trade payables**" includes € 301 thousand related to the short term payable for the acquisition, which took place in 2020, 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 item "Other payables" includes € 1,055 thousand, compared to € 536 thousand at 31 December 2022, for current IRES tax liabilities recorded by some companies of the Group towards the parent company Yama S.p.A. and arising from the relationships that govern the consolidated tax return, to which the same participating.

30. Loans and borrowings

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

€/000	31.12.2023	31.12.2022
Bank loans	80,214	66,838
Overdrafts (note 26)	2,752	3,128
Liabilities for purchase of equity investments	2,837	6,356
Financial accrued expenses	606	224
Other loans	15	48
Total current portion	**86,424**	**76,594**

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

- an amount of € 171 thousand relates to the estimated dividends due to the minority shareholders of the company Markusson;
- € 1,605 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;
- an amount of € 1,061 thousand refers to the debt towards the transferor shareholder of the company Valley Industries LLP for the purchase of the remaining 6% subject to the "Put & Call Option without expiry date.

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	31.12.2023	31.12.2022
Bank loans	135,350	145,545
Liabilities for purchase of equity investments	3,197	6,801
Other loans	-	-
Total non current portion	**138,547**	**152,346**

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

- € 1,936 thousand, relates to the discounted debt (of which € 206 thousand for future dividends) for the purchase price portion of 19% of Markusson shares and governed by the "*Put and Call option*" contract to be exercised in 2026;
- € 1,055 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;
- € 206 thousand relates to the estimated dividends due to the minority shareholders of the company Markusson.

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

€/000	31.12.2022	Increases	Decreases	Exchange differences	31.12.2023
Bank loans	145,545	55,274	(65,618)	149	135,350
Liabilities for purchase of equity investments	6,801	-	(3,604)	-	3,197
Other loans	-	-	-	-	-
Total	**152,346**	**55,274**	**(69,222)**	**149**	**138,547**

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, 2023 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	44,458	37,904	22,312	16,278	**120,952**	**14,398**
Liabilities for purchase of equity investments	-	3,197	-	-	**3,197**	**-**
Other loans	-	-	-	-	**-**	**-**
Total	**44,458**	**41,101**	**22,312**	**16,278**	**124,149**	**14,398**

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.

31. Liabilities deriving from *leases*

The item “**Liabilities deriving from *leases*”** which totals € 43,936 thousand, of which € 36,433 thousand as non-current portion and € 7,503 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 2022 these liabilities amounted to € 38,039 thousand, of which € 31,682 thousand as non-current portion and € 6,357 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	6,698	6,565	6,082	5,752	**25,097**	**11,336**
Total	**6,698**	**6,565**	**6,082**	**5,752**	**25,097**	**11,336**

32. Tax assets and liabilities

Deferred tax assets are detailed below:

€/000	31.12.2022	Increases	Decreases	Other movements	Exchange differences	31.12.2023
Deferred tax on impairment losses of assets	169	279	(49)	-	(7)	392
Deferred tax on reversal of unrealized intercompany gains	3,537	55	-	-	-	3,592
Deferred tax on provision for inventory write-downs	2,368	573	(447)	-	(4)	2,490
Deferred tax on losses in past financial periods	84	502	-	(15)	(8)	563
Deferred tax on provisions for bad debts	503	110	(43)	-	-	570
Deferred tax on right of use IFRS 16	277	180	(2)	-	2	457
Deferred tax asset on unrealized exchange differences	418	52	(19)	-	18	469
Deferred tax on tax realignment and revalutations	1,144	68	(12)	-	-	1,200
Other deferred tax assets	1,895	337	(436)		2	1,798
Total (note 16)	**10,395**	**2,156**	**(1,008)**	**(15)**	**3**	**11,531**

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 2023.

“Other deferred tax assets" mainly includes the tax credit on 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	31.12.2022	Increases	Decreases	Other movements	Exchange differences	31.12.2023
Deferred tax on property ex IAS 17	93	-	(6)	-	-	87
Deferred tax on depreciations	5,527	209	(479)	(54)	(4)	5,199
Other deferred tax liabilities	2,342	775	(432)	10	(13)	2,682
Total (note 16)	**7,962**	**984**	**(917)**	**(44)**	**(17)**	**7,968**

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

The portion of taxes which are expected to reverse within the following 12 months is estimated to be in line with the decrease registered in 2023.

At December 31, 2023, 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.

Current tax receivables amount at December 31, 2023 to € 11,249 thousand, against € 9,967 thousand at December 31, 2022, and refer to VAT credits, surplus payments on account of direct tax and other tax credits.

Current tax liabilities amount to € 4,691 thousand at December 31, 2023, compared with € 4,984 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, 2023 such benefits refer principally to the discounted liability for employment termination indemnity payable at the end of an employee's working life, amounting to € 5,537 thousand against € 5,829 thousand at December 31, 2022. The valuation of the indemnity leaving fund (TFR), carried out according to the nominal debt method, in force at the closing date, would be € 5,761 thousand against € 6,096 at December 31, 2022.

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

€/000	FY 2023	FY 2022
Opening balance	**6,291**	**7,500**
Current service cost and other provisions	192	126
Actuarial (gains)/losses	43	(741)
Interest cost on obligation (note 15)	180	28
Disbursements	(640)	(622)
Closing balance	**6,066**	**6,291**

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

	FY 2023	FY 2022
Annual inflation rate	2.00%	2.30%
Discount rate	3.08%	3.63%
Dismissal rate	3.00%	3.00%

Demographic assumptions refer to the most recent statistics published by ISTAT.
In the 2024 financial year, payments are expected to be in line with 2023.

34. Provisions for risks and charges

Movements in these provisions are detailed below:

€/000	31.12.2022	Increases	Decreases	Exchange differences	31.12.2023
Provisions for agents' termination indemnity	2,608	226	(245)	-	2,589
Other provisions	170	250	(125)	1	296
Total non current portion	**2,778**	**476**	**(370)**	**1**	**2,885**
Provisions for products warranties	1,337	213	(121)	21	1,450
Other provisions	246	163	(68)	0	341
Total current portion	**1,583**	**376**	**(189)**	**21**	**1,791**

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 € 226 thousand, was recorded under the provisions in the item "Other operating expenses" in the income statement.

The other non-current provisions, amounting to € 296 thousand, mainly refer to a dispute related to an alleged infringement of industrial property rights. During the exercise, these provisions were used for € 125 thousand against the already incurred ancillary expenses and increased by € 250 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.

The item “Other provisions”, for the current portion, refers to the best possible estimate of probable liabilities relating to:
- provisions for future defense costs for € 125 thousand, of which € 75 thousand allocated during 2023, in the face of some tax disputes against two Group companies;
- provisions any future charges related to disputes with some employees for € 90 thousand;
- allocations of € 126 thousand for some disputes and litigation of a different nature.

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

35. Other non-current liabilities

The item **“Other non-current liabilities”** equal to € 1,653 thousand includes:
- € 912 thousand (€ 876 thousand at 31 December 2022) 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;
- € 382 thousand, against € 405 thousand at 31 December 2022, 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;
- other deferrals related to the correct accrual accounting of received grants amounting to approximately €360 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, 2023 for an amount equal to € 2,892 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 81%, there is a "*Put & Call Option*" agreement which regulates the purchase for the remaining 19% to be exercised 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 95.5%, there is a "Put and Call" agreement which regulates the purchase for the remaining 4.5% to be exercised from 1 January 2026;
- in the contract to acquire the subsidiary Poli S.r.l., controlled by Comet S.p.A. with a share of 80%, a "Put and Call" agreement is included for the purchase of the remaining 20% to be exercised between 2024 and 2026.

38.Guarantees

The Group has € 1,647 thousand in guarantees granted to third parties at December 31, 2023, 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, 2023 and amounts to € 42,623 thousand and it consists of 163,934,835 ordinary shares of par value € 0.26 each.

	31.12.2023	31.12.2022
Number of ordinary shares	163,934,835	163,934,835
Treasury shares	(1,097,233)	(1,097,233)
Total outstanding shares	**162,837,602**	**162,837,602**

At December 31, 2022, the Company held 1,097,233 treasury shares in portfolio for an equivalent value of € 2,835 thousand. During 2023 no treasury shares were purchased or sold. Therefore, at December 31, 2023 the Company held 1,097,233 treasury shares in portfolio for a value of € 2,835 thousand.

During the months of January and February 2024, there were no changes in the consistency of the treasury share portfolio.

During 2023 financial year, the dividends approved in the shareholders' meeting of 28 April 2023 relating to the 2022 financial year were paid for a total of € 10,584 thousand.

40. Related party transactions

The transactions entered into with related parties by the Group in the first half of 2023 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 Group components, materials of production, as well as the leasing of industrial surfaces.
In particular, significant amounts of rights of use, equal to € 13,014 thousand, liabilities deriving from leases, equal to € 13,686 thousand, amortization and depreciation, equal to € 1,859 thousand, and financial charges, equal to € 384 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 the 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., Lavorwash S.p.A.

and Poli S.r.l. to the tax consolidation regime under Articles. 117 et seq., Tax Code, intercurrent with Yama S.p.A., as consolidating company. The criteria and procedures for the settlement of such transactions are established and formalized in agreements of consolidation, based on the principle of equal treatment between participants. The amount of balances with related parties, relating to tax consolidation relationships, are shown in notes 24 and 29.

For some years there have been collaboration relationships for consultancy services of a technological nature linked to the development of new electrical products with the company Raw power S.r.l.. Following the purchase of the 24% connection share which took place in the first half of 2023, the transactions with this company they qualify as related party transactions.

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

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

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

€/000	Net sales	Trade receivables	Other receivables for tax consolidation	Total trade and other receivables	Current financial assets	Non current financial assets
Euro Reflex D.o.o.	905	329	-	329	-	-
Garmec S.r.l.	64	3	-	3	-	-
Selettra S.r.l.	-	-	-	-	-	-
Yama Immobiliare S.r.l.	-	-	-	-	-	-
Yama S.p.A.	-	-	1,800	1,800	37	74
Total (notes 24 and 27)	**969**	**332**	**1,800**	**2,132**	**37**	**74**

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.	1,629	37	327	-	327	-	-	-
Garmec S.r.l.	31	-	2	-	2	-	-	-
Selettra S.r.l.	94	3	16	-	16	-	-	-
Yama Immobiliare S.r.l.	-	-	3	-	3	384	1,819	11,867
Yama S.p.A.	-	-	-	1,055	1,055	-	-	-
Raw Power S.r.l.	-	142	31	-	31	-	-	-
Other related parties	-	461	172	-	172	-	-	-
Total (note 29)	**1,754**	**643**	**551**	**1,055**	**1,606**	**384**	**1,819**	**11,867**

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 (unchanged compared to 31 December 2022). These values derive from the so-called Greenfield operation through which the 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.

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The remunerations of the Directors and Auditors of the Parent Company for the financial year 2023, 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 2023 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.	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.	Totale
Ministry of Economic Development	Non-repayable grant	140	-	-	-	-	-	-	140
MEF	Tax credit under Law 160/2019	291	93	-	10	3	-	-	396
MEF	Tax credit "gas" and "energy" (Law 142/2022, Law 175/2022, Law 6/2023, Law 197/2022 and Law 56/2023)	261	97	31	190	100	16	3	697
MEF	Tax credit under Law 178/2020	88	436	-	217	64	-	4	808
Fondimpresa	Contribution for training plans	-	14	-	-	-	-	-	14
Fondirigenti	Contribution for training plans	-	13	-	12	17	-	-	41
MEF	Tax credit under Law 34/2020	-	13	-	-	-	-	-	13
MEF	Reductions in contributions for recruitment	-	-	3	11	33	14	9	70
MEF	Tax credit on incremental advertising investments	-	-	15	-	-	-	-	15
Institution for Small and Medium Enterprises Guarantees Consortium	Non-repayable grant	-	22	-	-	-	-	-	22
SACE - SIMEST	Non-repayable grant	-	-	-	-	-	6	-	6
Total		**780**	**688**	**49**	**439**	**217**	**36**	**15**	**2,224**

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, 2023, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows for the year then ended and notes to the consolidated financial statements including material accounting policy information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Emak Group as at December 31, 2023 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.

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Impairment test of goodwill	
Description of the key audit matter	The Emak Group includes in its consolidated financial statements as at December 31, 2023 goodwill for a total amount of Euro 72,554 thousand, distributed for Euro 39,744 thousand in Europe, Euro 19,064 thousand in Latin America and Euro 13,746 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 29, 2024, the Emak Group has not recorded any impairment losses. Management's assessment process to ascertain possible impairment losses is based on assumptions concerning, among other things, the forecast of the expected cash flows of the CGUs, as well as the determination of an appropriate discount rate (WACC) and long-term growth period (g-rate). The assumptions reflected in the long-term plans of the CGUs are influenced by future expectations and market conditions, which determine elements of physiological uncertainty in the estimate. Considering 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, 2023. 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 assessment process adopted by Management; note 21 reports the information on the impairment tests performend and on the relative sensitivity analysis, which illustrate the effects resulting from changes in key variables used to carry out the tests.

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Audit procedures performed	Firstly, we examined the methods used by the Management to determine the value in use of the CGUs, analyzing the criterias and assumptions used by Management for the preparation of impairment tests. 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 Management for the determination of the value in use of the CGUs, analyzing the methods and assumptions used by Management for the execution of the impairment tests; • reasonableness analysis of the main assumptions adopted by Emak Group for the determination of cash flow forecasts, also by analyzing data and obtaining information from Management; • analysis of the actual values for 2023 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 tests, 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 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, 2023 with the provisions of the Delegated Regulation.

In our opinion, the consolidated financial statements as at December 31, 2023 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.

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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, 2023, 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, 2023 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, 2023 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
Giovanni Borasio
Partner

Bologna, Italy
March 27, 2024

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 2023

Financial statements

Emak S.p.A. Income Statement

€	Notes	Year 2023	of which to related parties	Year 2022	of which to related parties
Revenues from sales	**8**	**117,804,558**	**21,200,873**	**147,544,975**	**34,042,972**
Other operating incomes	8	3,496,799	2,402,840	3,386,639	2,279,857
Change in inventories		(7,662,305)		(987,569)	
Raw materials, consumable and goods	9	(64,410,762)	(23,509,199)	(91,017,281)	(29,167,642)
Personnel expenses	10	(22,264,800)		(24,411,580)	
Other operating costs and provisions	11	(23,239,496)	(970,076)	(31,160,830)	(1,135,156)
Amortization, depreciation and impairment losses	12	(5,424,660)		(5,589,619)	
Operating result		**(1,700,666)**		**(2,235,265)**	
Financial income	13	16,133,952	14,296,530	16,870,443	15,568,506
Financial expenses	13	(5,358,477)		(1,253,952)	
Exchange gains and losses	13	104,525		813,870	
Profit befor taxes		**9,179,334**		**14,195,096**	
Income taxes	14	1,267,127		255,108	
Net profit		**10,446,461**		**14,450,204**	

Statement of other comprehensive income

€	Notes	Year 2023	Year 2022
Net profit (A)		**10,446,461**	**14,450,204**
Actuarial profits/(losses) deriving from defined benefit plans (*)	**31**	**(65,000)**	**322,000**
Income taxes on OCI (*)		**18,000**	**(90,000)**
Total other components to be included in the comprehensive income statement (B)		**(47,000)**	**232,000**
Total comprehensive income for the perdiod (A)+(B)		**10,399,461**	**14,681,904**

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

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

Statement of financial position

ASSETS

€	Notes	31.12.2023	of which to related parties	31.12.2022	of which to related parties
Non-current assets					
Property, plant and equipment	16	25,082,483		25,339,214	
Intangible assets	17	3,969,548		3,983,508	
Rights of use	18	154,791		168,605	
Equity investments	20	90,508,582		89,708,582	
Deferred tax assets	30	1,793,403		1,740,959	
Other financial assets	22	18,474,212	18,474,212	18,920,854	18,920,854
Other assets	23	2,549		2,549	
Total non-current assets		**139,985,568**		**139,864,271**	
Current assets					
Inventories	24	42,282,945		49,945,251	
Trade and other receivables	23	37,578,927	8,140,657	40,409,950	12,068,844
Current tax receivables	30	1,596,825		1,662,344	
Other financial assets	22	9,737,106	9,737,106	16,037,106	16,037,106
Derivative financial instruments	21	361,641		1,020,194	
Cash and cash equivalents	25	35,896,370		43,333,676	
Total current assets		**127,453,814**		**152,408,521**	
TOTAL ASSETS		**267,439,382**		**292,272,792**	

SHAREHOLDERS' EQUITY AND LIABILITIES

€	Notes	31.12.2023	of which to related parties	31.12.2022	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)		(2,835,019)	
Other reserves		44,298,640		40,479,880	
Retained earnings		26,747,134		30,750,877	
Total Shareholders' Equity	**26**	**152,346,965**		**152,531,948**	
Non-current liabilities					
Loans and borrowings due to banks and other lenders	28	53,581,904	74,212	74,265,554	111,318
Liabilities for leasing	29	94,097		97,959	
Deferred tax liabilities	30	268,594		365,464	
Employee benefits	31	1,982,130		2,002,568	
Provisions for risks and charges	32	436,104		410,621	
Other non-current liabilities	33	738,870		634,507	
Total non-current liailities		**57,101,699**		**77,776,673**	
Current liabilities					
Trade and other payables	27	34,914,456	10,802,531	32,745,582	7,443,374
Current tax liabilities	30	829,966		826,313	
Loans and borrowings due to banks and other lenders	28	21,444,633	43,708	27,595,807	43,708
Liabilities for leasing	29	64,200		72,898	
Derivative financial instruments	21	292,463		328,571	
Provisions for risks and charges	32	445,000		395,000	
Total current liabilities		**57,990,718**		**61,964,171**	
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**267,439,382**		**292,272,792**	

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
our power, your passion

Emak S.p.A. - Statement of changes in equity at December 31, 2022 and December 31, 2023

€/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	
Balance 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)**
Net profit for 2022						232			14,450	**14,682**
Balance at 31.12.2022	**42,623**	**41,513**	**(2,835)**	**4,247**	**4,353**	**(459)**	**32,339**	**16,301**	**14,450**	**152,532**
Change in treasury shares										**-**
Payments of dividends				722			3,144		(14,450)	**(10,584)**
Net profit for 2023						(47)			10,446	**10,399**
Balance at 31.12.2023	**42,623**	**41,513**	**(2,835)**	**4,969**	**4,353**	**(506)**	**35,483**	**16,301**	**10,446**	**152,347**

Cash Flow Statement Emak S.p.A.

€/000	Notes	2023	2022
Cash flow from operations			
Net profit for the period		**10,446**	**14,450**
Amortization, depreciation and impairment losses	12	5,425	5,590
Capital (gains)/losses on disposal of property, plant and equipment		(7)	(6)
Dividends income		(12,200)	(14,824)
Decreases/(increases) in trade and other receivables		2,844	6,331
Decreases/(increases) in inventories		7,662	988
(Decreases)/increases in trade and other payables		2,179	(22,846)
Change in employee benefits		(67)	(288)
(Decreases)/increases in provisions for risks and charges	32	75	28
Change in derivate financial instruments		623	(704)
Cash flow from operations		**16,980**	**(11,281)**
Cash flow from investing activities			
Dividends income		12,200	14,824
Change in property, plant and equipment and intangible assets		(5,140)	(3,408)
(Increases) and decreases in financial assets		5,947	(12,104)
Proceeds from disposal of property, plant and equipment		7	6
Cash flow from investing activities		**13,014**	**(682)**
Cash flow from financing activities			
Dividends paid	26	(10,584)	(12,266)
Change in short and long-term loans and borrowings		(26,833)	36,274
Liabilities for leasing refund		(13)	22
Other changes in equity		-	(806)
Cash flow from financing activities		**(37,430)**	**23,224**
NET INCREASE IN CASH AND CASH EQUIVALENTS		**(7,436)**	**11,261**
OPENING CASH AND CASH EQUIVALENTS		**43,327**	**32,066**
CLOSING CASH AND CASH EQUIVALENTS		**35,891**	**43,327**

ADDITIONAL INFORMATION ON THE CASH FLOW STATEMENT

€/000		2023	2022
RECONCILIATION OF CASH AND CASH EQUIVALENTS:			
Opening cash and cash equivalents, detailed as follows:	25	**43,327**	**32,066**
Cash and cash equivalents		43,334	32,072
Overdrafts		(7)	(6)
Closing cash and cash equivalents, detailed as follows:	25	**35,891**	**43,327**
Cash and cash equivalents		35,896	43,334
Overdrafts		(5)	(7)
Other information:			
Income taxes paid		-	(94)
Financial expenses paid		(3,890)	(1,172)
Interest IFRS 16		(6)	(3)
Interest on financings to subsidiary companies		2,097	744
Interest on financings from subsidiary companies		-	-
Interest receivable on bank account		657	46
Interest receivable on trade receivables		179	146
Effects of exchange rate changes		(189)	(117)
Change in related party financial assets		6,747	(12,121)
Change in related party financial loans and borrowings		(37)	(120)
Change in related party receivables and service transactions		3,928	857
Change in related party payables and service transactions		3,360	(2,970)
Change in current tax receivables		12	979
Change in current tax liabilities		(92)	(79)

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 EURONEXT 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 14, 2024 approved the Financial Statements for the year to December 31, 2023, 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 29, 2024.

Emak S.p.A., as the Parent Company, has also prepared the consolidated financial statements of the Emak Group at 31 December 2023, also approved by the Board of Directors of Emak S.p.A. in the meeting of 14 March 2024; 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.

(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.

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 carried out in years prior to the first-time adoption of IAS/IFRS and kept in the financial statements during the transition period having the Company identified the residual value of the respective assets recorded in the balance sheet at that date as the fair value of the assets and opted to use this value as a substitute for cost at the transition date (so-called "Deemed Cost"), 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.

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.
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 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) as required by IAS 36.
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 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 financial assets falling within the application of IFRS 9 are recognised at amortised cost or at fair value based on the identified the business model 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).

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

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

The investments in associated companies are valued based on the adjusted cost less any permanent impairment losses.

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.

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 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 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, exchange gains and losses

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, 2023

The following IFRS accounting standards, amendments and interpretations were first adopted by the Company starting January 1, 2023:

- On May 18, 2017, IASB published **IFRS 17 – Insurance contracts**, which is intended to replace international Financial Reporting Standards (**IFRS 4 – Insurance contracts**). The standard was applied starting from 1 January 2023. 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 adoption of this standard and the related amendment has not had any effects on the financial statements of the Company.

- 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 on the first registration date, such as leasing and decommissioning obligations, should be accounted for. The amendments have been applied since 1 January 2023.
  The adoption of this amendment has not had any effects on the financial statements of the Company.

- 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 amendments regarding IAS 1 require an entity to disclose material information on the accounting policies applied by the Company. The changes aim to improve disclosure of accounting policies applied by the Company in order to provide more useful information to investors and other primary users of financial statements and to help the company distinguish changes in accounting estimates from changes in accounting policies. The amendments have been applied since 1 January 2023. The adoption of this amendment has not had any effects on the financial statements of the Company.

- On May 23, 2023, the IASB published an amendment entitled **'Amendments to IAS 12 Income Taxes: International Tax Reform - Pillar Two Model Rules'**. The document introduces a temporary exception to the recognition and disclosure requirements for deferred tax assets and liabilities related to the Pillar Two Model Rules (whose regulation is in force in Italy as of December 31, 2023, but applicable from January 1, 2024) and provides specific disclosure requirements for entities affected by the related International Tax Reform.
  The document provides for the immediate application of the temporary exception, while the disclosure requirements will only be applicable to annual financial statements beginning on or after January 1, 2023 (or at a later date), but not to interim financial statements with a closing date prior to December 31, 2023. The adoption of this amendment has not had any effects on the financial statements of the Company.

ACCOUNTING STANDARD, AMENDMENTS AND INTERPRETATIONS ENDORSED BY THE EUROPEAN UNION, BUT NOT YET MANDATORY APPLICABLE AND NOT EARLY ADOPTED FROM THE COMPANY ON DECEMBER 31ST, 2023

The following accounting standards, amendments, and interpretations of IFRS have been endorsed by the European Union but are not yet mandatorily applicable and have not been adopted early by the Company as of December 31, 2023:

- 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**" and on 31 October 2022 published an amendment called ***"Amendments to IAS 1 Presentation of Financial Statements: Non-Current Liabilities with Covenants"***. These changes aim to clarify how to classify short- or long-term debts and other liabilities. Furthermore, the amendments also enhance the information that an entity must provide when its right to defer the settlement of a liability for at least twelve months is subject to compliance with certain parameters (i.e., covenants). The changes shall enter into force on 1 January 2024; advance application is still permitted.
  The Directors do not expect a significant effect on the financial statements of the Company 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 financial statements of the Company from the adoption of this amendment.

ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS INTERNATIONAL FINANCIAL REPORTING STANDARDS NOT YET APPROVED BY THE EUROPEAN UNION AT DECEMBER 31ST, 2023

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

- On May 25, 2023, the IASB published an amendment entitled **'Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures: Supplier Finance Arrangements'**. The document requires an entity to provide additional disclosures about reverse factoring arrangements that enable users of financial statements to evaluate how supplier finance arrangements may affect the entity's liabilities and cash flows and to understand the effect of those arrangements on the entity's exposure to liquidity risk. The amendments will apply from 1 January 2024, but earlier application is permitted. The Directors do not expect a significant effect on the financial statements of the Company from the adoption of this amendment.

- On August 15, 2023 the IASB published an amendment entitled ***"Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability".*** The document requires an entity to apply a consistent methodology to determine whether one currency can be converted into another and, when this is not possible, how to determine the exchange rate to use and the disclosure to provide in the notes to the financial statements. The amendments will apply from 1 January 2025, but earlier application is permitted. The Directors do not expect a significant effect on financial statements of the Company 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, 2023, 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, 2023 applicable to financial liabilities at a variable interest rate would result in a greater net cost, on an annual basis, of around € 287 thousand (€ 356 thousand at December 31, 2022). 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 2023 the overall amount of revenues directly exposed to exchange risk represented 12.8% of the turnover (11.3% in 2022), while the amount of costs exposed to exchange risk is equal to 28.5% of turnover (31.7% in 2023).

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, 2023, 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 € 388 thousand (€ 40 thousand at December 31, 2022).

Other risks on derivative financial instruments

The Company as of December 31, 2023 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, 2023, as a result of an instant hypothetical and unfavourable 10% change in the underlying values, would be approximately € 636 thousand (€ 845 thousand in 2022).

(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 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 2023 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, 2023, 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, 2023 "Trade receivables" equal to € 28,534 thousand (€ 29,285 thousand at December 31, 2022), include € 2,399 thousand (€ 5,549 thousand at December 31, 2022) 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		31.12.2023
Trade receivables due	0-90 days	14,124
	> 90 days	9,263
Trade Receivables due		**23,387**
Trade receivables overdue	0-90 days	2,748
	> 90 days	2,399
Trade Receivables Overdue		**5,147**
Total Trade Receivables		**28,534**

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	2023	2022
Trade receivables due from customers with SACE 1 rating	23,186	23,741
Trade receivables due from customers with SACE 2 e 3 rating	4,846	2,853
Trade receivables due from customers with non-insurable SACE	502	2,691
Total (Note 23)	**28,534**	**29,285**

For all countries insurable, 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, 2023 is € 8,705 thousand.

At December 31, 2023 the 10 most important customers (not including companies belonging to the Emak Group) account for 39.3% of total trade receivables, while the top customer represents 12.8% 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 € 53,039 thousand (€ 53,073 thousand at 31 December 2022), 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 contracts in force as of December 31, 2023, the derivative financial instruments entered into by the Company are classified as *Derived financial instruments not defined as hedging instruments*,' and the corresponding fair value changes are recognized in the income statement as of the closing date.

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.

It should be notice thant the assessment which 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 in February 2022, followed by the more recent conflict in the Middle East that erupted in the fall of 2023, 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.

5. Significant non-recurring events and transactions

<u>Acquisition of 24% of Raw power S.r.l.</u>

On 22 February 2023, the Company sanctioned the entry into the shareholding structure of the company 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 rationale of the operation is to allow the enhancement of the know-how of electric motors technology in order to increase competitiveness in the market of battery products, in continuous and rapid evolution.

Jiangmen Autech Equipment Co. Ltd

As of May 1, 2023, the Chinese subsidiary Jiangmen Autech Equipment Co. Ltd became operational following the completion of the spin-off procedure and transfer of the business branch of the Chinese subsidiary Jiangmen Emak Outdoor Power Equipment.

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 2023. 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 (to the item M) 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)	31/12/2023	31/12/2022
A. Cash	35,896	43,334
B. Cash equivalents	-	-
C. Other current financial assets	10,099	17,057
D. Liquidity funds (A+B+C)	**45,995**	**60,391**
E. Current financial debt	(621)	(627)
F. Current portion of non-current financial debt	(21,180)	(27,370)
G. Current financial indebtedness (E + F)	**(21,801)**	**(27,997)**
H. Net current financial indebtedness (G - D)	**24,194**	**32,394**
I. Non-current financial debt	(53,508)	(74,154)
J. Debt instruments	-	-
K. Non-current trade and other payables	(168)	(209)
L. Non-current financial indebtedness (I + J + K)	**(53,676)**	**(74,363)**
M. Total financial indebtedness (H + L) (ESMA)	**(29,482)**	**(41,969)**
N. Non current financial receivables	**18,474**	**18,921**
O. Net financial position (M-N)	**(11,008)**	**(23,048)**
Effect IFRS 16	**158**	**171**
Net financial position without effect IFRS 16	**(10,850)**	**(22,877)**

Net negative financial position decreased from € 23,048 thousand at 31 December 2022 to € 11,008 thousand at 31 December 2023. The change is mainly due to the reduction in net working capital, linked to the contraction in sales and production volumes, as well as the positive cash flow generated from operating activities.

At December 31, 2023 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 € 18,400 thousand, of which € 14,800 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 € 74 thousand;

- under current financial receivables, short-term loans granted by Emak S.p.A. to subsidiary company Comet S.p.A. for an amount of € 9,700 thousand 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 € 74 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.

At December 31, 2022 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 € 18,810 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.

8. Revenues from sales and other operating income

Sales revenues amount to € 117,805 thousand, compared with € 147,545 thousand in the prior year. They are stated net of €680 thousand in returns, compared with € 387 thousand in the prior year.
The slowdown in order intake recorded in the second half of 2022, attributable to changing market conditions, reduced customer spending capacity, high inventory levels within the distribution network, and unfavorable spring weather, negatively impacted sales in the first half of the year. Starting from the second half of the year, there was a gradual normalization of distribution conditions, and the initial positive effects from support activities to the network were observed. The revenue reduction affected the Europe and Americas area, in contrast, the Asia, Africa, and Oceania area experienced a different trend, thanks to the strong performance of the Turkish market. It should be notice that the sales of components and spare parts achieved results in line with the previous year, indicating the utilization of machinery in the field and the high level of service provided to the network by the Group's distributors.

The detail of the item is as follows:

€/000	FY 2023	FY 2022
Net sales revenues (net of discounts and rebates)	116,457	143,949
Revenues from recharged transport costs	2,028	3,983
Returns	(680)	(387)
Total	**117,805**	**147,545**

Other operating income is analysed as follows:

€/000	FY 2023	FY 2022
Grants related to income	912	941
Capital gains on property, plant and equipment	7	6
Insurance refunds	27	22
Other operating income	2,551	2,418
Total	**3,497**	**3,387**

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 € 158 thousand (€ 411 thousand at 31 December 2022);
- the tax credit for investments in capital goods provided for in accordance with law no. 160 of 2019, for a value of € 211 thousand (€ 33 thousand at 31 December 2022);
- the grant as per Law 488/92 for € 23 thousand (€ 25 thousand at 31 December 2022);
- the accrual for the non-repayable grant, equal to € 250 thousand (€ 341 thousand at 31 December 2022, 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 € 160 thousand and the Electricity tax credit pursuant to law no. 175 of 2022, for a value of € 101 thousand (respectively €23 thousand and €62 thousand as of December 31, 2022);
- the tax credit Art Bonus Law No. 106/2014 for € 9 thousand (no value at 31 December 2022).

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 2023	FY 2022
Raw materials	34,423	57,460
Finished products	28,264	31,635
Consumable materials	322	342
Other purchases	1,402	1,580
Total	**64,411**	**91,017**

The contraction in sales recorded starting from mid-2022 led to a revision of production and procurement plans, aimed at realigning inventory levels with market demand. The normalization in product availability and delivery times allowed for a purchasing plan consistent with the objective. As a result of these activities, the total purchase of raw materials and consumables significantly decreased compared to the previous year.

10. Personnel expenses

Details of these costs are as follows:

€/000	FY 2023	FY 2022
Wage and salaries	15,709	15,666
Social security charges	4,936	4,810
Employee termination indemnities	1,087	1,087
Other costs	221	349
Development costs capitalized	(467)	-
Directors' emoluments	497	474
Temporary staff	282	2,026
Total	**22,265**	**24,412**

The lower use of temporary staff due to the lower production volumes recorded in the current year at the Bagnolo in Piano (RE) and Pozzilli (IS) plants contributed to the decrease in labor costs. The contraction in market demand had a strong impact on the Company's production plans, generating a reduction in manpower requirements in some periods of the year. To deal with these changed conditions, the Company has resorted to social safety nets; the economic impact in terms of lower costs amounts to € 424 thousand (€ 213 thousand at 31 December 2022).

During the 2023 financial year, personnel costs for € 467 thousand were capitalized under intangible assets, referring to costs for the development of new products in the context of a new multi-year project subject to facilities by the Ministry of Enterprises and Made in Italy.

The breakdown of employees by grade is the following:

	Average number of employees in year		Number of employees at this date	
	2023	**2022**	**2023**	**2022**
Executives	12	12	12	11
Office staff	201	176	204	181
Factory workers	217	243	212	243
Total	**430**	**431**	**428**	**435**

11. Other operating costs and provisions

Details of these costs are as follows:

€/000	FY 2023	FY 2022
Subcontract work	1,881	3,150
Transportation	6,137	12,640
Advertising and promotion	916	849
Maintenance	4,052	3,631
Commissions	1,492	1,605
Consulting fees	2,377	2,382
Costs for warranties and after sales service	588	552
Insurance	363	388
Travel	306	149
Postals and telecommunications	278	288
Other services	2,728	3,278
Development costs capitalized	(163)	(27)
Services	**20,955**	**28,885**
Rents, rentals and the enjoyment of third party assets	**1,133**	**1,079**
Increases in provisions	**97**	**92**
Increases in provision for doubtful accounts (note 23)	178	204
Other taxes (not on income)	337	325
Other operating costs	539	576
Other costs	**1,054**	**1,105**
Total other operating costs	**23,239**	**31,161**

The decrease in subcontract work, compared to the previous year, is due to the different product mix sold during the year as well as the overall decline in purchases, while the significant decrease in transportation costs is a result of lower purchase and sales volumes, as well as the decline in transportation tariffs starting from the first quarter of 2023.
The increase in maintenance expenses is almost entirely attributable to the increase in software maintenance fees.
The reduction in the "**other services**" item is mainly attributed to the significant decrease in energy costs: the company incurred lower costs for motive power amounting to €447 thousand.

12. Amortization, depreciation and impairment losses

Details of these item are as follows:

€/000	FY 2023	FY 2022
Depreciation of property, plant and equipment (note 16)	3,191	3,500
Amortization of intangible assets (note 17)	2,150	2,007
Amortization of rights of use (note 18)	84	83
Total	**5,425**	**5,590**

13. Financial income and expenses, exchange gains and losses

Financial income" is analysed as follows:

€/000	FY 2023	FY 2022
Dividends from subsidiaries (note 38)	12,200	14,824
Interest on trade receivables	179	146
Interest on loans to subsidiaries and other financial income (note 38)	2,097	744
Interest on financial assets granted to subsidiaries (note 38)	-	1
Interest on bank and postal current accounts	657	46
Income from adjustment to fair value and fixing of derivates instruments for hedging interest rate risk	1,001	1,109
Financial income	**16,134**	**16,870**

The heading **"Dividends from subsidiaries"** refers to the dividends received from the subsidiaries Tecomec S.r.l., Sabart S.r.l. and Comet S.p.A (see note 38).
The heading "Interest on bank and postal current accounts" refers to the interest accrued on liquidity investment operations.

"Financial expenses" are analysed as follows:

€/000	FY 2023	FY 2022
Interest on medium long-term bank loans and borrowings	3,899	1,106
Financial charges from valuing employee termination ind. (note 31)	70	11
Financial charges from leases	6	3
Costs from adjustment to fair value and closure of derivates instruments for hedging interest rate risk	1,286	66
Other financial costs	97	68
Financial expenses	**5,358**	**1,254**

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

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 2023	FY 2022
Profit / (Loss) on exchange differences on trade transactions	143	673
Profit / (Loss) on exchange differences on trade transactions adjustments	143	404
Profit / (Loss) on exchange differences on financial transactions	(189)	36
Profit / (Loss) on exchange differences on valuation of hedging derivatives	8	(299)
Exchange gains and losses	**105**	**814**

14. Income taxes

This amount is made up as follows:

€/000	FY 2023	FY 2022
Current taxes	(789)	(472)
Taxes from prior years	(347)	(52)
Deferred tax assets (note 30)	(52)	202
Deferred tax liabilities (note 30)	(79)	67
Total	**(1,267)**	**(255)**

"Current income taxes", for the year 2023, amount to a positive net value of € 789 thousand and refers to the right to receive in retrocession from the tax consolidation, to which the company participates ex. 117 TUIR, of "ACE" of tax losses and other deductible items, against Emak's contribution of the same, usable by the Group to reduce its consolidated taxable income.

The value of the item "Taxes from prior years" consists of an overall net positive value of €347 thousand, of which €360 thousand relates to the benefit provided by the Patent Box regime for the tax year 2022, incorporated into the consolidated tax statement and taxes from previous year for a total value of €13 thousand.

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

€/000	FY 2023	% rate	FY 2022	% rate
Profit before taxes	**9,179**		**14,195**	
Theoretical tax charges	**2,561**	**27.9**	**3,960**	**27.9**
Effect of IRAP differences calculated on different tax base	(370)	(4.0)	(562)	(4.0)
Dividends	(2,782)	(30.3)	(3,380)	(23.8)
Non-deductible costs	55	0.6	44	0.3
Previous period taxes	(347)	(3.8)	(52)	(0.4)
ACE facilitation	(108)	(1.2)	(74)	(0.5)
Other differences	(276)	(3.0)	(191)	(1.3)
Effective tax charge	**(1,267)**	**(13.8)**	**(255)**	**(1.8)**

The item "Other differences" mainly includes the share of the benefit deriving from the increase in the fiscally recognized cost of new capital goods, acquired in the 2015-2019 period: these are the so-called "Super depreciation" (pursuant to art. 1 co. 91 - 94 and 97, Law 208/2015 and subsequent extension provisions) and "hyper depreciation" (art. 1, paragraphs 8-13, Law 232/2016 and subsequent provisions of extension) and the tax effect of other non-taxable income already described at the item "**Grants related to income**" and classified under the item **"Other operating income"**.

15. Earnings per share

"Basic" earnings per share are calculated by dividing the net profit for the period by the weighted average number of ordinary shares outstanding during the period, excluding the average number of treasury shares held.

16. Property, plant and equipment

Changes in property, plant and equipment are shown below:

€/000	31.12.2022	Increase (Amortizations)	Decreases	Other movements	31.12.2023
Lands and buildings	33,499	275	-	4	33,778
Accumulated depreciation	(14,951)	(819)	-	-	(15,770)
Lands and buildings	**18,548**	**(544)**	**-**	**4**	**18,008**
Plant and machinery	21,945	607	-	87	22,639
Accumulated depreciation	(18,561)	(929)	-	-	(19,490)
Plant and machinery	**3,384**	**(322)**	**-**	**87**	**3,149**
Other assets	67,537	1,192	(265)	170	68,634
Accumulated depreciation	(64,484)	(1,443)	265	-	(65,662)
Other assets	**3,053**	**(251)**	**-**	**170**	**2,972**
Advances and fixed assets in progress	**354**	**874**	**-**	**(275)**	**953**
Cost	**123,335**	**2,948**	**(265)**	**(14)**	**126,004**
Accumulated depreciation (note 12)	**(97,996)**	**(3,191)**	**265**	**-**	**(100,922)**
Net book value	**25,339**	**(243)**	**-**	**(14)**	**25,082**

€/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**

The increases relate to:

- land and buildings category, for a total of € 275 thousand, mainly referring to seismic improvement interventions on one of the buildings located at the Bagnolo in Piano (RE) headquarters;
- the plant and machinery category following the realization of new production lines and new test benches for a total of € 263 thousand and for € 344 thousand mainly referred to the installation of advanced consumption monitoring systems, the replacement of lighting fixtures, as part of the Company's relamping program, both at the headquarters in Bagnolo in Piano (RE) and at the production plant in Pozzilli (IS), as well as some improvements to the fire prevention systems in certain buildings at the Bagnolo in Piano (RE) headquarters;
- the **"Other fixed assets"** category mainly includes:
  - acquisitions of equipment and molds for the development of new products, for € 774 thousand;
  - acquisitions of electronic machines and office equipment for € 373 thousand;
  - acquisitions of testing and control instruments for € 43 thousand;
  - purchases of internal means of transport for € 2 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 "**Other assets**" category, for the scrapping of electronic machines and equipment and the purchase of office furniture, as well as a motor vehicle, 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.

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	31.12.2022	Increases (Amortizations)	Decreases	Other movements	31.12.2023
Development costs	6,427	630	-	-	7,057
Accumulated amortization	(4,347)	(877)	-	-	(5,224)
Development costs	**2,080**	**(247)**	**-**	**-**	**1,833**
Patents and intellectual property rights	10,802	1,382	-	111	12,295
Accumulated amortization	(9,943)	(751)	-	-	(10,694)
Patents	**859**	**631**	**-**	**111**	**1,601**
Concessions, licences and trademarks	233	7	-	-	240
Accumulated amortization	(153)	(13)	-	-	(166)
Concessions, licences and trademarks	**80**	**(6)**	**-**	**-**	**74**
Other intangible assets	3,712	33	-	-	3,745
Accumulated amortization	(2,858)	(509)	-	-	(3,367)
Other intangible assets	**854**	**(476)**	**-**	**-**	**378**
Advanced payments	**111**	**84**	**-**	**(111)**	**84**
Cost	**21,285**	**2,136**	**-**	**-**	**23,421**
Accumulated depreciation (note 12)	**(17,301)**	**(2,150)**	**-**	**-**	**(19,451)**
Net book value	**3,984**	**(14)**	**-**	**-**	**3,970**

€/000	31.12.2021	Increases (Amortizations)	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**

The increase in “Development costs” mainly refers to investments in a new development activity started as part of a multi-year project called "New generation of Handheld Outdoor Power Equipment designed in an environmentally friendly manner, Program No. F/310162/00/X56 - CUP: B49J23000650005"”, which will end in 2025, subject to facilitation by the Ministry of Enterprise and Made in Italy. Personnel costs incurred internally and capitalized under this item amounts to € 467 thousand.
The increase in this item also refers to consultancy related to electrification technologies for a total value of € 163 thousand (€ 27 thousand at 31 December 2022).

The aforementioned ministerial facilitation, pursuant to Article 2, paragraph 6 of the Ministerial Decree of December 31, 2021, and the Innovation Agreement of March 20, 2023, pertaining to one of the intervention areas attributable to the second Pillar 'Global Challenges and Industrial Competitiveness' of the 'Horizon Europe' Programme, relates to a maximum contribution to spending for the total amount of €1,953 thousand, in an amount equal to 50% of eligible research costs and 25% of eligible development costs.

From 2018 to 2021, the Company also benefited of a facilities provided for by art. 7 of the Ministerial Decree July 24, 2015, referring to an investment in a new development activity called "New generation of Handheld Outdoor Power Equipment for advanced production systems of spare parts F/150026/00/X40”, under the Fund for Sustainable Growth and the Revolving Fund for Supporting Businesses and Investments in Research, which recorded a contribution to the expenditure amounting to € 1,402 thousand (equal to 20% of the eligible costs) and a subsidized loan at a rate of 0.8%, approved by Cassa Depositi e Prestiti S.p.A., for the amount of € 4,206 thousand (equal to 60% of the eligible costs of the project) and lasting 11 years.

During the month of August 2023, the Company collected the last tranche of the non-repayable grant, equal to a total value of € 140 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 acquisition of a new software for the management of product lifecycle (PLM) for a total value of €646 thousand, to a new Group Cyber Security platform, amounting to €198 thousand, aimed at mitigating the risk of cyber attacks, and to other customization activities of the Company's management system, aimed at the development of new functionalities, for €161 thousand."
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 € 5,900 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	31.12.2022	Increases	Amortization	Decreases	31.12.2023
Rights of use other assets	169	69	(83)	-	155
Net book value (note 12)	**169**	**69**	**(83)**	**-**	**155**

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

19. Recoverability of the Company's net invested capital

During the year, the Company's Management verify the recoverability of net invested capital of Emak S.p.A. CGU, even though no goodwill or other intangible assets with indefinite life are allocated to it, considering the indicators of loss of value detected during the financial year 2023, traceable to the 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 unit 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 29, 2024, with the agreement of Risk Control and Sustainability Committee.
The discount rate used to discount the expected cash flows (*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 the Company in its 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 EURIRS rate with a maturity of 10 years with an average yield of the 6 months prior December 31, 2023 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 2023 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 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 10%; 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.

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 results of the test with respect to variations in the underlying assumptions effecting the estimation of the use value of the CGU, considering alternative scenarios: (i) a positive variation of the WACC of 5%, (ii) a negative variation of 50 bps of the long-term growth rate (g), (iii) a negative variation of 5% in cash flows for each year of the plan. Sensitivity analyses conducted on the test results indicate potential value losses considering alternatively a positive 5% variation of the WACC, a negative variation of 50 bps of the long-term growth rate (g) or a negative 5% variation of cash flows for each year of the plan. However, the Directors, considering the analyses performed on the recoverability of the individual assets of the CGU, mainly composed of trade receivables, inventory, and tangible fixed assets, primarily lands and buildings, do not perceive any issues regarding the recoverability of their respective carrying amounts.

20. Equity investments

Details of equity investments are as follows:

€/000	31.12.2022	Increases	Decreases	31.12.2023
Equity investments				
- in subsidiaries	89,706	-	-	89,706
- in associates	-	800	-	800
- in other companies	2	-	-	2
TOTAL	**89,708**	**800**	**-**	**90,508**

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. 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 29, 2024, 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 future cash flows derive from plans drafted taking into account the criticalities and macroeconomic risks characteristic of the context in which the subsidiaries operate.

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 long-term inflation of the various countries to which the evaluated investments belong, 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 Italy, 2.50% for Poland, 3% for Brazil and 6.7%. 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 2023, 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 EURIRS rate with a maturity of 10 years with an average yield of the 6 months prior December 31, 2023 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 2023 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 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 11.1% for Victus Sp Z.o.o. (Poland), 10% for Sabart S.r.l. (Italy), 35.4% for Epicenter Llc (Ukraine), 14.5% for Emak Do Brasil Ltda (Brazil).

The impairment tests carried out on these subsidiaries did not show any impairment losses.

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 results of the test with respect to variations in the underlying assumptions effecting the estimation of the use value of the investment, considering alternative scenarios: (i) a positive variation of the WACC of 5%, (ii) a negative variation of 50 bps of the long-term growth rate (g), (iii) a negative variation of 5% in cash flows for each year of the plan. These analyzes did not show any impairment losses.

The item “**Equity investments in associates**” equal to € 800 thousand and refers to the 24% of the Raw Power S.r.l. company, acquired in the current year (note 5).

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, 2023 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	50,000	7.86	10/07/2024

(*) 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 € 11 thousand and of a negative fair value of € 3 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 € 24,263 thousand.

Bank	Company	Notional Euro (€/000)	Date of the operation	Due to
UniCredit	Emak S.p.A.	650	31/07/2019	30/06/2024
Banca Nazionale del Lavoro	Emak S.p.A.	625	02/08/2019	31/12/2024
Banco BPM	Emak S.p.A.	1,050	02/08/2019	30/06/2024
MPS	Emak S.p.A.	2,250	16/06/2020	30/06/2025
UniCredit	Emak S.p.A.	5,000	06/08/2021	31/03/2025
Bper Banca	Emak S.p.A.	4,688	05/08/2022	30/06/2027
UniCredit	Emak S.p.A.	5,000	04/08/2023	31/07/2030
UniCredit	Emak S.p.A.	5,000	22/09/2023	31/07/2030
Total		**24,263**		

The recorded value of these contracts at December 31, 2023 shows a positive fair value of € 351 thousand and a negative fair value of € 289 thousand.

The average interest rate resulting from the instruments is equal to -0.44%.

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

22. Other financial assets

The **"Other non-current financial assets"** amounted to € 18,474 thousand, against € 18,921 thousand in the previous year and refer to loans quoted in Euros granted to subsidiaries, of which €14,800 thousand due to the subsidiary Comet S.p.A., € 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 € 74 thousand.

"Other current financial assets" amounting to € 9,737 thousand refer to the financial receivable of the subsidiary Comet S.p.A for € 9,700 thousand, regulated by an intercompany current account agreement and 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	31.12.2023	31.12.2022
Trade receivables	28,534	29,285
Provision for doubtful accounts	(1,093)	(2,675)
Net trade receivables	**27,441**	**26,610**
Receivables from related parties (note 38)	8,141	12,069
Prepaid expenses and accrued income	962	948
Other receivables	1,035	783
Total current portion	**37,579**	**40,410**
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 2023 amounted to € 789 thousand (€ 484 thousand at 31 December 2022).

Trade receivables have an average maturity of 115 days and there are no trade receivables due after one year.

Net trade receivables are higher compared to the previous year as the turnover in the last quarter has increased compared to the same period of the previous year.

The item includes amounts in foreign currency, US dollars for 6,076 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	16,439	6,182	5,913	**28,534**
Related parties receivables	1,237	4,959	1,945	**8,141**

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

€/000	FY 2023	FY 2022
Opening balance	**2,675**	**2,514**
Provisions (note 11)	178	204
Usage	(1,760)	(43)
Closing balance	**1,093**	**2,675**

The value of the allowance for doubtful accounts refers to € 447 thousand for receivables expired for over 90 days (18.63% of the total gross value of trade receivables overdue for more than 3 months) and for € 646 thousand to receivables expired from 0 to 90 days (23.51% of the total gross value of trade receivables expired within 3 months).
The usage refers to positions already set aside and definitively written off during 2023.

24. Inventories

Inventories are detailed as follows:

€/000	31.12.2023	31.12.2022
Raw, ancillary and consumable materials	24,701	31,583
Work in progress and semi-finished products	5,807	6,353
Finished products and goods	11,775	12,009
Total	**42,283**	**49,945**

Inventories are stated net of a provision of € 3,190 thousand at December 31, 2023 (€2,976 thousand at December 31, 2022) 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 2023	FY 2022
Opening balance	**2,976**	**2,731**
Provisions	943	491
Usage	(729)	(246)
Closing balance	**3,190**	**2,976**

The inventories provision is an 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, 2023 act as security against its liabilities.

25. Cash and cash equivalents

Cash and cash equivalents are detailed as follows:

€/000	31.12.2023	31.12.2022
Bank and post office deposits	35,887	43,325
Cash	9	9
Total	**35,896**	**43,334**

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

€/000	31.12.2023	31.12.2022
Cash and cash equivalents	35,896	43,334
Overdrafts (note 28)	(5)	(7)
Total	**35,891**	**43,327**

26. Equity

Share capital
Share capital is fully paid up at 31 December 2023 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
Total value of treasury shares held at 31 December 2023 amounts to € 2,835 and has not undergone any changes compared to the previous year.

Dividends
On 28 April 2023 the Shareholders' Meeting of Emak S.p.A. resolved to allocate the profit for the year 2022 for € 722 thousand to the legal reserve for € 3,144 thousand to the extraordinary reserve and for a total of € 10,584 thousand as a dividend to shareholders (0.065 Euros per share).
With the approval of these financial statements, we propose the distribution of a total dividend of Euro 0.045 per share, equal to a total of Euro 7,328 thousand.

Share premium reserve
At 31 December 2023, 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, 2023 of € 4,969 thousand (€ 4,247 thousand at December 31 2022).

Revaluation reserve
At 31 December 2023 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 € 31,670 thousand at December 31 2023, inclusive of all allocations of earnings in prior years.
At 31 December 2023 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:

Nature/Description (€/000)	Amount	Possible use	Available portion	Summary of uses in past three years: Coverage of losses	Summary of uses in past three years: 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	4,969	B	-	-	-
Extraordinary reserve	31,670	A-B-C	31,670	-	-
Untaxed reserve (#)	129	A-B-C	129	-	-
Profits brought forward in FTA	(238)		(238)	-	-
Valutation reserve	(506)		(506)	-	-
Retained earnings	16,540	A-B-C	16,540	-	8,179
Total	**99,278**		**94,309**	-	**8,179**
Undistributable portion (*)			**(4,866)**	-	-
Distributable balance			**89,443**	-	-
Net profit for the period (**)	**10,446**		**9,924**	-	-
Total equity	**152,347**				

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 (€ 1,833 thousand), in addition to the share of necessary future allocation to the legal reserve (€ 3,033 thousand, net of the allocation of 2023 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 € 522 thousand.

27. Trade and other payables

Details of these amounts are as follows:

€/000	31.12.2023	31.12.2022
Trade payables	20,166	21,707
Payables due to related parties (note 38)	10,803	7,443
Payables due to staff and social security institutions	3,317	3,189
Other payables	628	407
Total	**34,914**	**32,746**

The heading **"Other payables"** mainly includes amounts payable to Directors for € 42 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 73 days.

The heading includes amounts in foreign currencies as follows:
- US dollars for 2,203 thousand;
- Japanese yen for 3,730 thousand;
- Chinese renminbi yuan for 94,509 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	12,611	2,463	5,092	**20,166**
Related parties payables	262	946	9,595	**10,803**

28. Loans and borrowings

Loans and borrowings at December 31, 2023 do not include any secured payables.

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

€/000	31.12.2023	31.12.2022
Overdrafts (note 25)	5	7
Bank loans	21,180	27,370
Financial accrued expenses	216	145
Financial debts from related parties (note 38)	44	44
Other current loans	-	30
Total current portion	**21,445**	**27,596**

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	10,906	10,274	**21,180**
Financial debts from related parties (note 38)	37	7	**44**
Total	**10,943**	**10,281**	**21,224**

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	31.12.2022	Increases	Decreases	Other movements	31.12.2023
Bank loans	74,155	3,819	(24,466)	-	53,508
Financial debts from related parties (note 38)	111	-	(37)	-	74
Total non current portion	**74,266**	**3,819**	**(24,503)**	**-**	**53,582**

The item "**Bank loans**" includes € 3,328 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 € 74 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	14,298	14,918	9,206	6,039	**44,461**	**9,047**
Financial debts from related parties	37	37	-	-	**74**	**-**
Total	**14,335**	**14,955**	**9,206**	**6,039**	**44,535**	**9,047**

The interest rates refer to 3-6 months Euribor plus an average spread of 1.27 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, 2023 the Company complied with all the benchmarks set by contract.

29. Liabilities deriving from leases

The item "**Liabilities deriving from leases**" which totals € 158 thousand, of which € 94 thousand as noncurrent portion and € 64 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	50	35	9	-	**94**	-
Total	**50**	**35**	**9**	**-**	**94**	**-**

30. Tax assets and liabilities

Deferred tax assets are detailed below:

€/000	31.12.2022	Increases	Decreases	31.12.2023
Deferred tax on provision for inventory write-downs	724	42	-	766
Deferred tax on provisions for bad debts	142	40	-	182
Other deferred tax assets	875	98	(128)	845
Total (note 14)	**1,741**	**180**	**(128)**	**1,793**

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 2023.

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 € 75 thousand relating to exchange rate differences for the year 2023;
- deferred tax effect resulting from the misalignment between the civil and fiscal value of the value of the assets subject to amortization for € 102 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 € 82 thousand, relating to negative income components subject to deferred taxation.

Deferred tax liabilities are detailed below:

€/000	31.12.2022	Increases	Decreases	Other movements	31.12.2023
Deferred tax on property IAS 17	93	-	(6)	-	87
Other deferred tax liabilities	272	140	(213)	(18)	181
Total (note 14)	**365**	**140**	**(219)**	**(18)**	**268**

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 2023, 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.

The **current tax receivables** amount at December 31, 2023 to € 1,597 thousand, against € 1,662 thousand at December 31, 2022, 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 € 73 thousand;
- "Ecobonus" deduction credit due for energy saving measures for € 59 thousand;
- Investment tax credit ex. Law 160/2019 and pursuant to Law 178/2020 for € 628 thousand;
- R&D tax credit L. 190/14 and L 160/2019 for € 233 thousand;
- IRAP (regional company tax) tax credit for € 92 thousand;
- other minor tax receivables, for a total of € 168 thousand.

Current tax liabilities amount to € 830 thousand at December 31, 2023 (€ 826 thousand at 31 December 2022) and mainly refer to withholding taxes to be paid on salaries of employees.

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 € 1,982 thousand. The amount of termination indemnity calculated according to the nominal debt method in force at the closing date would be € 2,054 thousand.

Movements of the liability recorded in the balance sheet:

€/000	2023	2022
Opening balance	**2,003**	**2,522**
Actuarial (gains)/losses	65	(322)
Interest cost on obligation (note 13)	70	11
Disbursements	(156)	(208)
Closing balance	**1,982**	**2,003**

The principal economic and financial assumptions used are as follows:

	FY 2023	FY 2022
Annual inflation rate	2.00%	2.30%
Discount rate	3.08%	3.63%
Dismissal rate	3.00%	3.00%

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

Payments in 2024 are expected to be in line with 2023.

32. Provisions for risk and charges

Movements in this balance are analysed below:

€/000	31.12.2022	Increases	Decreases	31.12.2023
Provisions for agents' termination indemnity	386	47	(22)	411
Other provisions	25	-	-	25
Total non current portion	**411**	**47**	**(22)**	**436**
Provisions for products warranties	320	50	-	370
Other provisions	75	-	-	75
Total current portion	**395**	**50**	**-**	**445**

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 € 739 thousand (€ 635 thousand at December 31, 2022) 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 € 382 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 € 37 thousand (note 17) and, finally, for € 320 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 for each grant to € 23 thousand, € 73 thousand and € 221 thousand.

34. Contingent liabilities

At the date of December 31, 2023 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 2023 for the amount of € 1,249 thousand.

36. Guarantees

Guarantees granted to *third parties*
They amount to € 1,520 thousand and are made up as follows:

- € 520 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;
- € 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 € 113,817 thousand, and refer to the balance of credit line available or used as at December 31, 2023, broken down as follows:

€/000	Amount guaranteed
Emak U.K. Ltd.	1,248
Jiangmen Emak Outdoor Power Equipment Co. Ltd.	62
Victus Emak SP. Z.O.O.	1,109
Tecomec S.r.l.	26,062
Agres Sistemas Eletronico SA	3,077
Comet S.p.A	58,789
Comet S.p.A. (operation Lavorwash)	10,800
Valley Industries LLP	12,670
Total	**113,817**

37. Ordinary shares, treasury shares and dividends

Share capital is fully paid up at December 31, 2023 and amounts to € 42,623 thousand and it consists of 163,934,835 ordinary shares of par value € 0.26 each.

	31.12.2023	31.12.2022
Number of ordinary shares	163,934,835	163,934,835
Treasury shares	(1,097,233)	(1,097,233)
Total outstanding shares	**162,837,602**	**162,837,602**

During 2023 financial year, the dividends approved in the shareholders' meeting of 28 April 2023 relating to the 2022 financial year were paid for a total of € 10,584 thousand.

At December 31, 2022 the Company held in portfolio 1,097,233 treasury shares for a value of € 2,835 thousand.

During 2023 no treasury shares were purchased or sold.

Therefore, as at 31 December 2023 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 2024 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, 2023.

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.

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Related parties ordinary transactions in 2023 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 2023 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 2023 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.	1,885	9,700	14,800
Sabart S.r.l.	175	-	3,600
Tecomec S.r.l.	37	-	-
Total (note 13 and note 22)	**2,097**	**9,700**	**18,400**

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	74
Total (note 28)	**-**	**44**	**74**

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	2,780	27	-	**2,807**	**697**
Emak UK Ltd.	785	-	-	**785**	**527**
Emak France SAS	9,432	-	-	**9,432**	**1,800**
Jiangmen Emak Outdoor Power Equipment Co. Ltd.	272	30	-	**302**	**130**
Victus Emak Sp. z.o.o.	5,250	36	-	**5,286**	**1,605**
Tailong (Zhuhai) Machinery Manufacturing Equipment Ltd.	2	-	-	**2**	**1**
Epicenter Llc.	1,258	-	-	**1,258**	**-**
Emak Do Brasil Industria Ltda	121	1	-	**122**	**1,814**
Comet S.p.A.	25	605	7,400	**8,030**	**304**
PTC S.r.l.	5	142	-	**147**	**56**
Sabart S.r.l.	337	238	670	**1,245**	**248**
Tecomec S.r.l.	23	918	4,130	**5,071**	**451**
Lavorwash S.p.A.	2	406	-	**408**	**178**
Total (C)	**20,292**	**2,403**	**12,200**	**34,895**	**7,811**

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	-	46	**46**	14
Emak UK Ltd.	-	16	**16**	4
Emak France SAS	7	240	**247**	30
Jiangmen Emak Outdoor Power Equipment Co. Ltd.	19,480	10	**19,490**	8,969
Comet USA	-	10	**10**	-
Victus Emak Sp. z.o.o.	71	174	**245**	24
Tailong (Zhuhai) Machinery Manufacturing Equipment Ltd.	537	-	**537**	355
Epicenter Llc.	-	5	**5**	448
Emak Do Brasil Industria Ltda	1	51	**52**	-
Comet S.p.A.	353	-	**353**	122
Sabart S.r.l.	3	-	**3**	2
Tecomec S.r.l.	38	3	**41**	12
Ningbo Tecomec	826	-	**826**	258
Speed France SAS	508	3	**511**	104
Speed North America INC	-	58	**58**	13
Total (D)	**21,824**	**616**	**22,440**	**10,355**

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Usual dealings with related parties external to the Emak Group occurring during 2023 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 2023 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 2023 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.	906	-	330
Garmec S.r.l.	3	-	-
Total (E)	**909**	**-**	**330**
Total C+E (note 23)	**21,201**	**2,403**	**8,141**

Purchase of goods and services:

Releted parties (€/000)	Purchases of raw materials and finished products	Other costs	Total costs	Trade payables
Euro Reflex D.o.o.	1,592	36	**1,628**	**321**
Selettra S.r.l.	93	3	**96**	**17**
Raw Power S.r.l.	-	142	**142**	**31**
Total (F)	**1,685**	**181**	**1,866**	**369**
Other related parties (G)	**-**	**173**	**173**	**79**
Totals D+F+G (note 27)	**23,509**	**970**	**24,479**	**10,803**

Relationships of financial nature and related income:

Releted parties (€/000)	Financial income	Current financial assets	Non current financial assets
Yama S.p.A.	-	37	74
Total (note 22)	**-**	**37**	**74**

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Other transactions with related parties of a usual nature

Other significant dealings on the part of Emak with related parties are those concerning the remuneration of company officers, established in compliance with general meeting resolutions which have established, for the three-year period of office, maximum global remunerations and, with regards to the managing Directors, bonus schemes. The resolutions of the Board of Directors regarding the remuneration are taken with the opinion of the Committee and, if all the conditions are met, they make use of the procedural simplification provisions provided for by art. 13, paragraphs 1 and 3, lett. b), of CONSOB resolution no. 17221/2010.
More detailed information regarding the remuneration policy, the procedures used for its adoption and implementation, as well as a description of each of the headings making up remuneration, are disclosed in the report drawn up by the Company pursuant to art. 123-ter 58/98, which is submitted for approval to the Shareholders' Meeting and which is available on the website.

Costs incurred during the financial period for the remuneration of Emak S.p.A.'s directors and auditors are as follows:

(€/000)	FY 2023	FY 2022
Emoluments of directors and statutory auditors	497	476
Benefits in kind	22	26
Wage and salaries	351	401
Employee termination indemnities	25	29
Total	**895**	**932**

The total debt for remuneration of Directors and Auditors of the Parent Company at December 31, 2023 amounted to € 103 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 2023 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	140
MEF	Tax credit under Law 160/2019	291
MEF	Tax credit under Law 178/2020	88
MEF	Tax credit under Law 175/2022	101
MEF	Tax credit under Law 142/2022	160
Total		**780**

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 AUDUTING

Appendix 1

Changes in equity investments

	31.12.2022				Changes				31.12.2023			
	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												
Raw Power S.r.l.	1 share	-	-	-	800				1 share	800	24	24
Total investments in associates		**-**								**800**		
Italy												
Equity in other companies	2 shares	2	-	-					2 shares	2	-	-
Total other companies		**2**								**2**		
Total		**89,708**			**800**	**-**		**-**		**90,508**		

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	4,020	3,618	57
Emak Deutschland Gmbh	Fellbach-Oeffingen	-	100	553	-	-	(2)
Emak UK Ltd	Burntwood	691	100	381	622	622	(287)
Emak France SAS	Rixheim	2,049	100	2,000	8,600	8,600	1,081
Jiangmen Emak Outdoor Power Equipment Co. Ltd.	Jiangmen	2,476	100	3,183	17,321	17,321	(194)
Tailong (Zhuhai) Machinery Manufacturing Equipment Ltd.	Zhuhai	2,550	100	2,038	3,234	3,234	(589)
Victus Emak Sp. z.o.o.	Poznan	3,605	100	2,230	9,047	9,047	303
Epicenter LLC.	Kiev	1,690	100	547	3,703	3,703	916
Emak do Brasil Industria Ltda	Ribeirao Preto	-	99.9	3,696	(44)	(44)	139
Tecomec S.r.l.	Reggio Emilia	27,830	100	1,580	34,129	34,129	6,974
Comet S.p.A.	Reggio Emilia	27,232	100	2,600	45,405	45,405	5,448
Sabart S.r.l.	Reggio Emilia	21,011	100	1,900	9,213	9,213	2,016
Total investments in subsidiaries		**89,706**					
Raw Power S.r.l.	Reggio Emilia	800	24	57	408	98	4
Total investments in associates		**800**					

(*) Amounts resulting from the reporting package of subsidiaries prepared in accordance with IAS / IFRS for the purpose of preparation of the consolidated financial statements.
(**) The data relating to share capital, shareholders' equity and profit refer to the financial statements closed on 31/12/2022.

Appendix 3

Highlights from the latest financial statements of the parent company Yama S.p.A.

(€/000) **FINANCIAL POSITION**	**31.12.2022**	**31.12.2021**
Assets		
A) Amounts receivable from shareholders for outstanding payments	-	-
B) Fixed assets	68,255	68,479
C) Current assets	14,678	9,530
D) Prepayment and accrued income	14	9
Total assets	**82,947**	**78,018**
Liabilities		
A) Equity:		
Share capital	14,619	14,619
Reserves	46,548	45,573
Net profit	7,846	5,192
B) Provisions for risks and charges	503	263
C) Employment benefits	9	6
D) Amounts payable	13,410	12,363
E) Accruals and deferred income	12	2
Total liabilities	**82,947**	**78,018**

INCOME STATEMENT	**31.12.2022**	**31.12.2021**
A) Revenues from sales	44	39
B) Production costs	(1,603)	(955)
C) Financial income and expenses	9,441	6,094
D) Adjustments to the value of financial assets	(190)	(103)
E) Extraordinary income and expenses	-	-
Profit before taxes	**7,692**	**5,075**
Income taxes	154	117
Net profit	**7,846**	**5,192**

Appendix 4

Schedule of fees relating to the 2023 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.	175
Audit	Deloitte & Touche S.p.A.	Italian controlled companies	202
Audit	Deloitte & Touche S.p.A. Network	Foreign controlled companies	59
Other services	Deloitte & Touche S.p.A.	Italian controlled companies	35
Certification services	Deloitte & Touche S.p.A.	Emak S.p.A.	45
			516

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 31,2023.

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: 14 March 2024

The Chief Executive Officer for finance and control:
Cristian Becchi

The Manager in charge of preparing the accounting statements:
Roberto Bertuzzi

Deloitte.

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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, 2023, the income statement, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended and notes to the financial statements including a material accounting policy information.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at December 31, 2023 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree no. 38/05.

Basis for Opinion

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

Key Audit Matters

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

Deloitte.

Impairment test of net invested capital and investments in subsidiaries	
Description of the key audit matter	The Company records it in its financial statements as at December 31, 2023 a net invested capital equal to Euro 163,197 thousand, determined as the sum of the Shareholders' equity (Euro 152,347 thousand) and the net financial position (negative for Euro 10,850 thousand). The Company verified the recoverability of the net invested capital related to the operating activities of the CGU Emak S.p.A. (Euro 71,322 thousand), against the impairment indicators recorded for the year 2023, related to the achievement of a negative operating result, and the amount (Euro 26,306 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 29, 2024, 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 business plans are influenced by future expectations and market conditions, which determine elements of physiological uncertainty in the estimate. Considering 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 Emak and its 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 a key audit matter of the Company's financial statements as at December 31, 2023. 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 assessment process by adopted Management, notes 19 and 20 report the information on the impairment tests performed and on the relative sensitivity analysis, which illustrate the effects deriving from changes in key variables used to carry out the tests.

Deloitte.

Audit procedures performed	Firstly, we examined the methods used by Management to determine the value in use of the CGU Emak and of the subsidiaries subject to verification, analyzing the criterias and assumptions used by Management for the preparation of impairment tests. 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 Management for the recognition of possible impairment indicators and for the determination of the values in use, analyzing the methods and assumptions used by Management for the execution of the impairment tests; • 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 2023 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 tests, by identifying and observing external sources usually used in professional practice; • verification of the mathematical accuracy of the model used to determine the values in use; • verification of the sensitivity analysis prepared by 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.

Deloitte.

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, 2023 with the provisions of the Delegated Regulation.

In our opinion, the financial statements as at December 31, 2023 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, 2023, including their consistency with the related financial statements and their compliance with the law.

Deloitte.

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, 2023 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, 2023 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
Giovanni Borasio
Partner

Bologna, Italy
March 27, 2024

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

Emak S.p.A.
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