

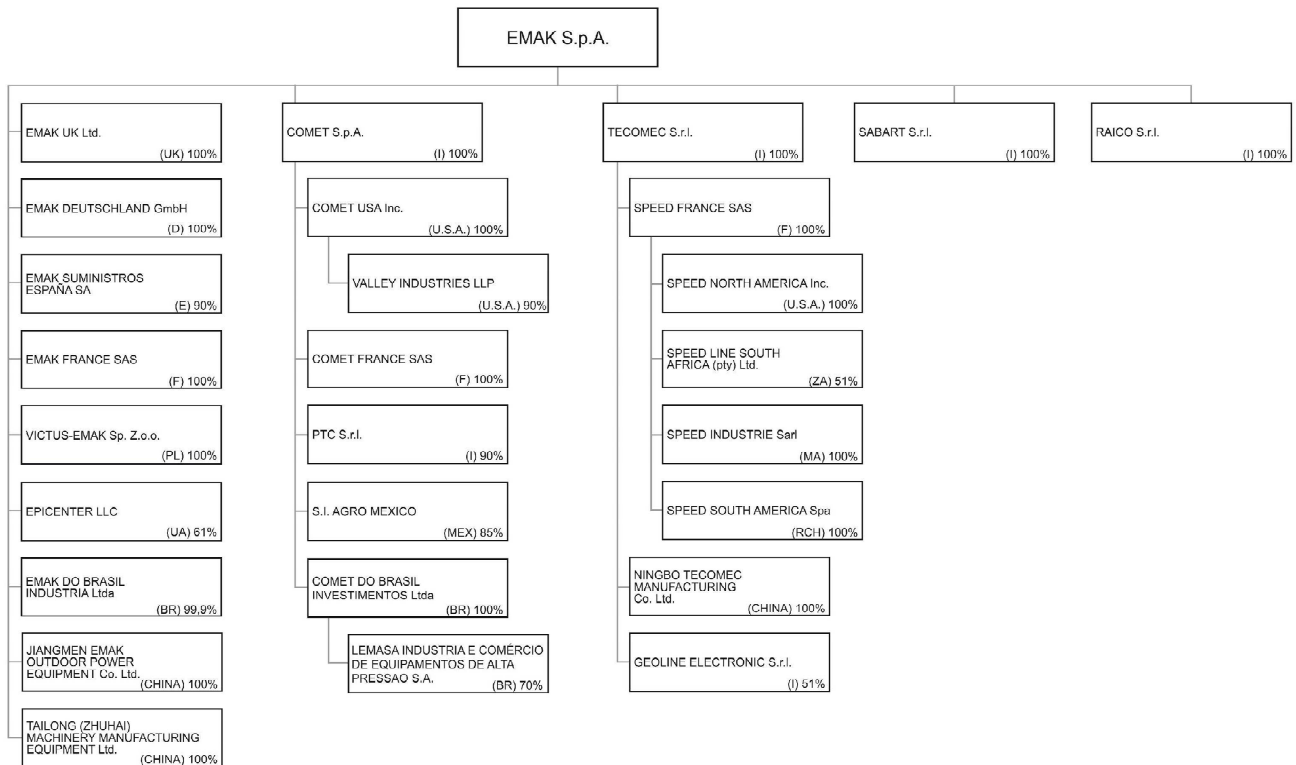
# HALF YEAR REPORT AT 30 JUNE 2016

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## Group chart of Emak Group as at 30 June 2016



Valley Industries LLP is consolidated at 100% as a results of the "Put and Call Option Agreement" that governs the purchase of the 10% remaining.

Lemasa is consolidated at 100% as a results of the "Put and Call Option Agreement" that governs the purchase of the 30% remaining.

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

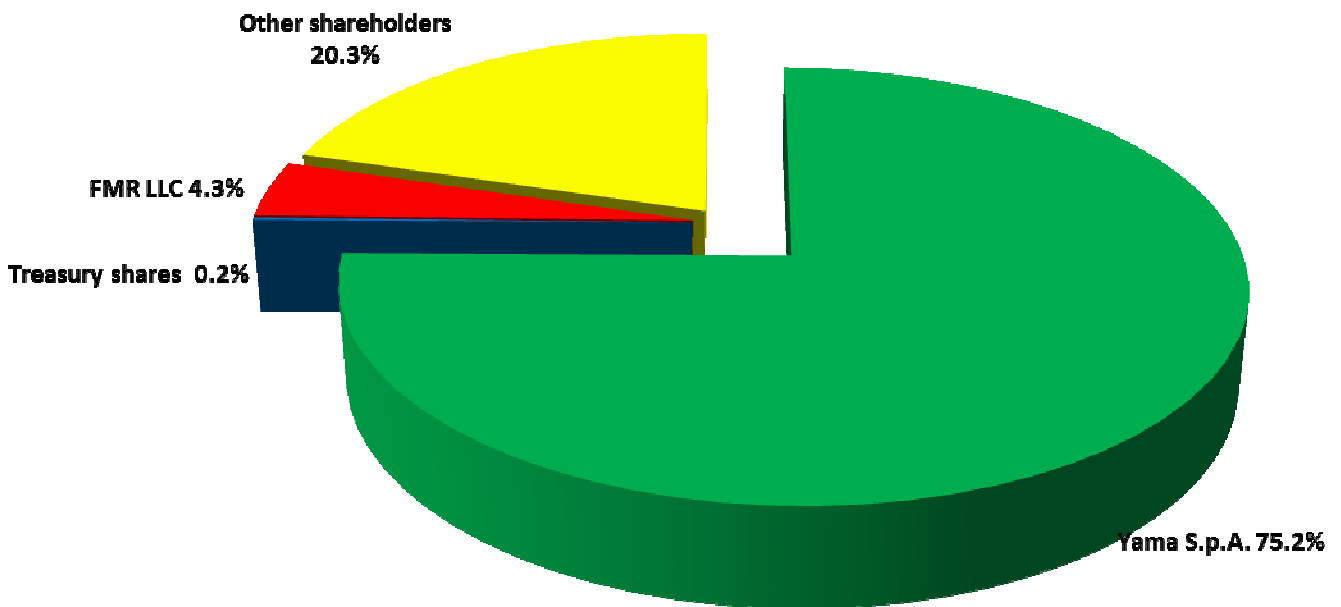
Comet do Brasil Investimentos Ltda is owned for 99% by Comet S.p.A .and 1% by P.T.C. S.r.l.

### Main shareholders of Emak S.p.A.

The share capital of Emak S.p.A. consists of 163.934.835 shares with a par value of 0.26 euros per share.

The Company has been listed on the Milan Stock Exchange since June 25, 1998. Since September 2001 the stock has been included in the Segment of Equities with High Requirements (STAR).

Below is summarized the composition of the shareholders of Company as at June 30 2016.



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

The Ordinary General Meeting of the Shareholders of the Parent Company, Emak S.p.A. on 22 April 2016 appointed the Board of Directors and the Board of Statutory Auditors for the financial years 2016-2018 and conferred also the engagement for the independent audit for the financial years 2016-2024.

### **Board of Directors**

Chairman and Chief Executive Officer

Fausto Bellamico

Deputy Chairman

Aimone Burani

Executive Director

Stefano Slanzi

Independent Director

Massimo Livatino

Alessandra Lanza

Elena Iotti

Directors

Francesca Baldi

Ariello Bartoli

Luigi Bartoli

Paola Becchi

Giuliano Ferrari

Vilmo Spaggiari

Guerrino Zambelli

Marzia Salsapariglia

### **Audit Committee and Remuneration Committee**

Chairman

Massimo Livatino

Components

Alessandra Lanza

Elena Iotti

### **Board of Statutory Auditors**

Chairman

Paolo Caselli

Acting auditors

Gianluca Bartoli

Francesca Benassi

Alternate auditor

Maria Cristina Mescoli

Federico Cattini

### **Independent Auditor**

Deloitte & Touche S.p.A.

### **Financial Reporting Officer**

Aimone Burani

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

Chairman

Sara Mandelli

Acting member

Roberto Bertuzzi

## Emak Group profile

The Emak Group develops, manufactures and distributes a wide range of products in three business areas complementary to each other: Outdoor Power Equipment (OPE); Pumps and High Pressure Water Jetting (PWJ); Components and Accessories (C&A).

- I. **Outdoor Power Equipment**, includes the development, manufacture and marketing of products for gardening, forestry and small agricultural equipments, such as brush cutters, lawnmowers, garden tractors, chainsaws, tillers and motor cultivators. The Group distributes its products under its main brands Oleo-Mac, Efco, Bertolini and Nibbi Staub (the latter only to the French market). The Group's product range is intended for professional and high demanding private users. The Group operates mainly in the specialized dealer channel, distributing its products through its commercial subsidiaries and, where it hasn't a direct presence, through a network of 135 distributors; it is estimated to serve around the world over 22,000 speciality dealers.

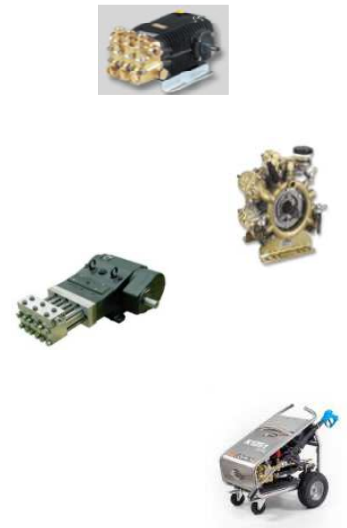
The reference market of the Group (considered to be the specialized dealer channel, excluding large-scale distribution) has an estimated value of 7-8 billion of Euros. In mature markets such as North America and Western Europe, demand is mainly for replacement: the main driver is represented by economic and gardening trends. Weather conditions are a factor affecting the level of demand for some product families such as brush cutters, lawnmowers and garden tractors in the spring-summer and chainsaws in the autumn-winter. In emerging markets, such as the Far East, Eastern Europe and South America, demand is mainly for "first purchase": the main driver in these areas is economic growth, the evolution of agricultural mechanization and relative support policies. Another factor that influences the demand is the price of commodities: the trend in oil prices can affect the demand for alternative energy sources, such as wood for heating and consequently the demand for chain saws; the trend in the price of agricultural commodities influences investments in agricultural equipment.



- II. **Pumps and High Pressure Water Jetting**, this category brings together the development, manufacture and marketing of diaphragm pumps intended for agriculture (spraying and weeding), piston pumps for the industrial sector, of professional pressure washers and hydrodynamic units and machines for urban cleaning. The Group distributes its products under Comet, HPP, PTC, Master Fluid and Lemasa brands. Group customers are the followings: manufacturers of machines for spraying and weeding with regard to agriculture pumps; builders of hydrodynamic units and pressure washers in relation to industrial pumps; specialized dealers and contractors respectively for pressure washers and hydrodynamic units.

The market has a value globally estimated between 2.5 and 3.4 billion Euros. The pumps for agriculture market consists mainly of Italian operators. The demand is strongly linked to economic cycles, population growth and the resulting increase in demand for agricultural production; in developing countries demand is linked to the evolution of the mechanization of agriculture and relative support policies. The market for high pressure water jetting is constantly evolving, given the different fields of application of pumps and systems. There are several drivers of market demand, depending on the type of product:

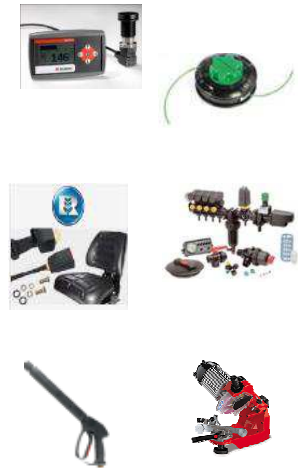
- Industrial pumps*: demand is related to market performance of hydrodynamic units and pressure washers.
- Professional pressure washers*: economic trends; increase in hygiene standards (especially in developing countries).
- Hydrodynamic units*: demand is linked to the performance of sectors / fields of application such as: hydro demolition; hydro cleaning and ship repair; refineries; mines and quarries; oil industry; hydro cleaning



underwater; iron and steel; foundries; chemical processes; energy production; paper mills; transport; municipalities; food; automotive and motor Industry

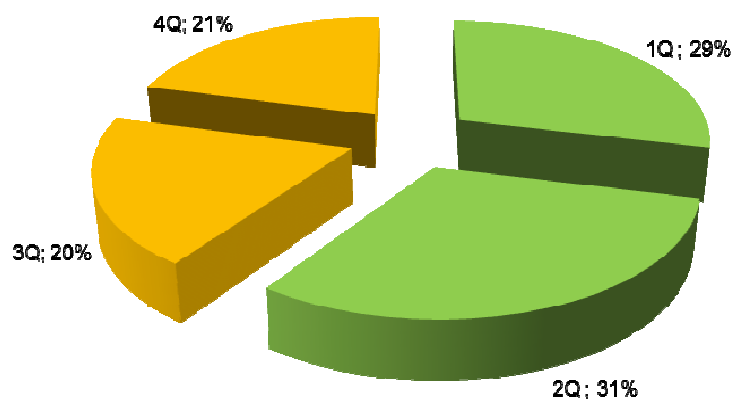
d) Urban cleaning: the economic policies of local governments.

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



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

The following graphic shows the breakdown of sales by quarter of last financial year.



## Production organization

The production model is flexible, focused on high value-added phases of engineering, industrialization and assembly. The production facilities are oriented towards lean manufacturing, with the involvement of the supply chain on the basis of the extended factory model. With particular reference to the Outdoor Power Equipment segment, the engine of hand-held products (such as trimmers and chainsaws) is integrated in the machine and is entirely engineered and designed by the Group. For lawnmowers, lawn tractors, tillers and cultivators, the engine is acquired from primary manufacturers.

Production volumes can be easily modified according to fluctuations in demand through flexible management so that seasonal peaks in demand can be satisfied through overtime or additional shifts, with no need for additional investments.

Each plant has specific characteristics that vary according to the products manufactured. The group manufactures its products in 17 different facilities that have a combined surface area of around 160,000 m<sup>2</sup>.

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



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## **Strategy**

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

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

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

## **Main risks and uncertainties**

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

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

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

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

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

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

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

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

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

The Group is exposed to risks associated with health and safety at work and the environment, which could involve the occurrence work-related accidents and illness, environmental pollution phenomena or the failed compliance of specific legal regulations. The risks associated with such phenomena may lead to penal or administrative sanctions against the Group. The Group manages these types of risks through a system of

procedures aimed at guaranteeing the implementation and the execution of control activities that ensure compliance with the reference legislation.

### **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.

### **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.

### **Customers**

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

### **Raw material and components**

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

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

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

### **International expansion**

International expansion strategies have increased the Group's presence in emerging economies characterized also by greater socio-political volatility and instability compared to mature economies. Investments made in a number of countries, therefore, could be influenced by substantial changes in the local socio-political context, which could generate changes in the economic conditions that were present at the time of making the investment. The Group's performances are therefore more heavily influenced by this type of risk than in the past. The Group coordinates all the M&A activity profiles for the purpose of mitigating the risks. In addition, the Group has set up constant monitoring in order to be able to intercept possible socio-political or economic changes in such countries to minimize any consequent impact.

### **Financial risks**

In the ordinary performance of its operating activities, the Emak Group is exposed to various financial nature risks. For detailed analysis, reference should be made to the appropriate section of the Explanatory Notes to Annual Financial Statements 2015 which the disclosures as per IFRS no. 7 are set out in.

### **Risk management process**

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

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

All companies of the Emak Group are today insured against major risks considered as strategic, such as: product liability and product recall, general civil liability and property all risks. Other insurance coverage has been taken out at the local level in order to respond to regulatory requirements or specific regulations.

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

## Intermediate Directors Report at 30 June 2016

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

### Income statement (€/000)

Y 2015		2 Q 2016	2 Q 2015	I H 2016	I H 2015
381,579	Net sales	115,679	117,929	229,950	227,772
37,495	EBITDA ADJ (*)	14,683	13,591	30,426	28,676
35,814	EBITDA (*)	14,484	13,178	30,227	27,431
23,286	EBIT	10,990	10,097	23,732	21,486
8,992	Net profit	8,470	4,692	15,792	11,541

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

Y 2015		2 Q 2016	2 Q 2015	I H 2016	I H 2015
10,291	Investment in property, plant and equipment	3,106	2,220	6,016	4,599
1,926	Investment in intangible assets	525	643	1,000	1,022
21,520	Free cash flow from operations (*)	11,964	7,773	22,287	17,486

### Balance sheet (€/000)

31.12.2015		30.06.2016	30.06.2015
267,871	Net capital employed	284,553	294,629
(99,383)	Net debt	(106,011)	(122,601)
168,488	Total equity	178,542	172,028

### Other statistics

Y 2015		2 Q 2016	2 Q 2015	I H 2016	I H 2015
9.4%	EBITDA / Net sales (%)	12.5%	11.2%	13.1%	12.0%
6.1%	EBIT / Net sales (%)	9.5%	8.6%	10.3%	9.4%
2.4%	Net profit / Net sales (%)	7.3%	4.0%	6.9%	5.1%
8.7%	EBIT / Net capital employed (%)			8.3%	7.3%
0.59	Net Debt / Equity			0.59	0.71
1,693	Number of employees at period end			1,691	1,683

### Share information and prices

31.12.2015		30.06.2016	30.06.2015
0.054	Earnings per share (€)	0.096	0.070
1.02	Equity per share (€) (*)	1.08	1.04
0.77	Official price (€)	0.70	0.89
0.98	Maximum share price in period (€)	0.82	0.95
0.76	Minimum share price in period (€)	0.61	0.82
126	Stockmarket capitalization (€ / million)	115	146
163,537,602	Average number of outstanding shares	163,537,602	163,537,602
163,934,835	Number of shares comprising share capital	163,934,835	163,934,835
0.132	Cash flow per share: net profit + amortization/depreciation (€) (*)	0.136	0.107
0.025	Dividend per share (€)	-	-

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

## 2. Economic and financial results of Emak Group

### Summary of economic results

Consolidated income statement summary figures for the first half-year of 2016 are shown below:

FY 2015	%	€/000	1H 2016	%	1H 2015	%	Change %
381,579	100	Net sales	229,950	100	227,772	100	1.0
37,495	9.8	Ebitda Adj (*)	30,426	13.2	28,676	12.6	6.1
35,814	9.4	Ebitda (*)	30,227	13.1	27,431	12.0	10.2
23,286	6.1	Ebit	23,732	10.3	21,486	9.4	10.5
15,092	4.0	Profit before taxes	23,020	10.0	19,341	8.5	19.0
8,992	2.4	Net profit	15,792	6.9	11,541	5.1	36.8

(\*) EBITDA and EBITDA adjusted: see section "definition of alternative performance indicators"

### Analysis of the sales

In the first semester 2016 Emak Group achieved a consolidated turnover of € 229,950 thousand, compared to € 227,772 thousand of last year, an increase of 1%. The improvement is due to organic growth for 1.7%, change in scope of consolidation for 0.7% and negative currency effect for 1.4%.

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

€/000	OUTDOOR POWER EQUIPMENT			PUMPS AND HIGH PRESSURE WATER JETTING			COMPONENTS AND ACCESSORIES			TOTAL		
	1H 2016	1H 2015	Var. %	1H 2016	1H 2015	Var. %	1H 2016	1H 2015	Var. %	1H 2016	1H 2015	Var. %
Europe	89,809	90,499	(0.8)	26,157	25,797	1.4	43,349	42,257	2.6	159,315	158,553	0.5
Americas	5,168	7,092	(27.1)	25,653	24,602	4.3	14,749	13,762	7.2	45,570	45,456	0.3
Asia, Africa and Oceania	12,894	12,156	6.1	5,824	5,745	1.4	6,347	5,862	8.3	25,065	23,763	5.5
<b>Total</b>	<b>107,871</b>	<b>109,747</b>	<b>(1.7)</b>	<b>57,634</b>	<b>56,144</b>	<b>2.7</b>	<b>64,445</b>	<b>61,881</b>	<b>4.1</b>	<b>229,950</b>	<b>227,772</b>	<b>1.0</b>

### Outdoor Power Equipment

Sales on the European market were slightly down compared to the same period mainly due to the slowdown in the second quarter in the countries of Central Europe consequently to the late start of the season for gardening products, as a result of unfavorable weather conditions. Sales in the Americas were generally stable compared to those booked, net of one-off operation, in the first half of last year. Sales in Asia, Africa and Oceania remain higher than in the same period last year thanks to a good performance in the Middle East, despite a slight decline in the second quarter in some of the Far East markets.

### Pumps and High Pressure Water Jetting

Sales on the European market were higher than last year, mainly thanks to the recovery marked on the Italian market and in some countries of Eastern Europe during the second quarter. The American sales growth was driven by positive results obtained by the Mexican market and the sales contribution in the first quarter of Lemasa amounting to € 1,684 thousand, not included in the same period in 2015., which more than offset the delay recorded in the second quarter on the North American market. In Asia, Africa and Oceania, the increase in sales is attributable to a general recovery in the second quarter.

### Components and Accessories

The growth of the European market sales was due to the good performances of the markets of Western Europe and the partial recovery recorded in the second quarter on the Italian market, which offset the decline in some countries of Eastern Europe. In the Americas it has been confirmed the positive trend seen in the

first quarter, with good results in the US market and in line with last year in Latin American markets. The increase in sales in Asia, Africa and Oceania continued in the second quarter driven by the markets of the Far East, mainly Japan, and the Middle East, particularly Turkey.

The turnover in second quarter 2016 amounted to € 115,679 thousand against € 117,929 thousand for the same period of last year, decreased by 1.9%.

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

€/000	OUTDOOR POWER EQUIPMENT			PUMPS AND HIGH PRESSURE WATER JETTING			COMPONENTS AND ACCESSORIES			TOTAL		
	2Q 2016	2Q 2015	Var. %	2Q 2016	2Q 2015	Var. %	2Q 2016	2Q 2015	Var. %	2Q 2016	2Q 2015	Var. %
Europe	45,374	47,238	(3.9)	13,338	12,962	2.9	22,697	20,690	9.7	81,409	80,890	0.6
Americas	2,153	3,208	(32.9)	13,132	13,769	(4.6)	6,977	7,154	(2.5)	22,262	24,131	(7.7)
Asia, Africa and Oceania	6,320	6,954	(9.1)	3,245	3,023	7.3	2,443	2,931	(16.6)	12,008	12,908	(7.0)
<b>Total</b>	<b>53,847</b>	<b>57,400</b>	<b>(6.2)</b>	<b>29,715</b>	<b>29,754</b>	<b>(0.1)</b>	<b>32,117</b>	<b>30,775</b>	<b>4.4</b>	<b>115,679</b>	<b>117,929</b>	<b>(1.9)</b>

## EBITDA

In the first half of 2016, EBITDA amounted to € 30,227 thousand against € 27,431 thousand in the same period last, an increase of 10.2%.

EBITDA as a percentage of revenues is 13.1%, against 12% in same period of last year.

The result of the first half of 2016 benefited from a positive sales mix among the various areas of activity and of product, favored the sale of most professional products of the range.

The increase in personnel costs is partly due to the full consolidation of Lemasa (joined the Group in the beginning of April 2015), to a greater incidence of temporary staff employed in some of the Group's plants to meet higher production volumes and to the lower recourse to social welfare compared to the previous year. The average number of employees in the workforce, including temporary workers, increased amounting to 1,863 against the 1,850 in the same period of the previous year.

The continuous activities to improve logistical efficiencies combined to the reduction of general costs led to the decrease in operating costs compared to the same period last year. The figure for the first half of 2016 includes expenses of € 199 thousand for M&A and restructuring transactions. In the year-earlier period, the figure included charges of € 1,245 thousand for litigation, M&A and reorganization.

Excluding these effects, EBITDA would amount to € 30,426 thousand (13.2% of turnover) compared to € 28,676 thousand (12.6% of turnover) in the same period of 2015.

EBITDA for the second quarter 2016 amounts to € 14,484 thousand, compared to € 13,178 thousand for the corresponding quarter of the previous year.

## EBIT

EBIT for the first half 2016 is € 23,732 thousand, compared to € 21,486 thousand for the same period of last year.

EBIT as a percentage of sales stands at 10.3% compared to 9.4% of 30 June 2015.

Non-annualized EBIT as a percentage of net invested capital is 8.3%, compared to 7.3% of the same period of the previous year.

Depreciation and amortization are € 6,495 thousand, compared to € 5,945 thousand in the same period of the previous year.

EBIT for the second quarter 2016 is € 10,990 thousand, compared to € 10,097 thousand for the same quarter of last year.

### Net profit

Net profit for the first half 2016 is € 15,792 thousand, compared to € 11,541 thousand for the same period last year.

The trend in financial management was principally affected by the accounting of charges for € 921 thousand related to the discounting of the payable to the transferor of Lemasa participation and by the inclusion of major amounts paid for the price adjustment related to the acquisition of S.I.Agro Mexico for an amount of € 360 thousand.

Currency management in the second quarter 2016 was positive for € 2,368 thousand, compared to a negative balance of € 357 thousand for the same period last year.

Currency management in the first half of 2016 was positive by € 2,005 thousand, while it was negative for € 61 thousand for the same previous period, consequently the strengthening of the Brazilian currency against the Euro which resulted in a positive assessment of currency positions of the Brazilian companies at period end exchange rates.

Taxes for the period amounted to € 7,228 thousand compared to € 7,800 thousand for the same period last year, respectively, corresponding to a tax rate of 31.4% and 40.3%. For the comparison, please refer to the notes n. 14 of the half year financial statements.

Net profit for the second quarter 2016 is € 8,470 thousand, compared to € 4,692 thousand for the same quarter of last year.

### Balance sheet and financial position analysis

31.12.2015	€/000	30.06.2016	30.06.2015
113,363	Net non-current assets	115,219	115,796
154,508	Net working capital	169,334	178,833
<b>267,871</b>	<b>Total net capital employed</b>	<b>284,553</b>	<b>294,629</b>
166,992	Equity attributable to the Group	177,037	170,391
1,496	Equity attributable to non controlling interests	1,505	1,637
(99,383)	Net debt	(106,011)	(122,601)

### Net non-current assets

During first half 2016 Emak Group invested € 7,016 thousand in property, plant and equipment and intangible assets, as follows:

- € 2,317 thousand for product innovation (mainly specific product equipment);
- € 2,254 thousand for adjustment of production capacity and for process innovation;
- € 981 thousand for upgrading the computer network system;
- € 720 thousand for acquisition of an industrial building;
- € 349 thousand for modernization of industrial buildings;
- € 395 thousand for other investments in operating activities.



Investments broken down by geographical area are as follows:

- € 5,314 thousand in Italy;
- € 701 thousand in Europe;
- € 419 thousand in the Americas;
- € 582 thousand in the Rest of the World.

### Net working capital

Net working capital moved from € 154,508 thousand at December 31, 2015 to € 169,334 thousand, an increase of € 14,826 thousand.

€/000	1H 2016	1H 2015
<b>Net working capital at 01 January</b>	<b>154,508</b>	<b>148,575</b>
Increase/(decrease) in inventories	(5,408)	448
Increase/(decrease) in trade receivables	20,870	30,996
(Increase)/decrease in trade payables	5,464	(217)
Change in scope of consolidation	140	3,487
Other changes	(6,240)	(4,456)
<b>Net working capital at 30 June</b>	<b>169,334</b>	<b>178,833</b>

The increase in net working capital is related to the seasonality of the Group's sales, which produces on average 60% of annual turnover in the first half. The increase in trade receivables compared to 31 December 2015 is due to the cyclical nature of sales. The improvement in index for trade receivables contributed to the decrease in net working capital compared to the same period last year.

### Equity

Consolidated equity at 30 June 2016 is € 178,542 thousand against € 168,488 thousand at December 31, 2015. Earnings per share at 30 June 2016 amounted to € 0.096 compared to € 0.070 in the previous year. Earnings per share at 31 December 2015 amounted to € 0.054.

## Net financial position

Net negative financial position was € 106,011 thousand at 30 June 2016, an increase of € 6,628 thousand compared to the € 99,383 thousand at 31 December 2015.

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

€/000	1H 2016	1H 2015
<b>Opening NFP</b>	<b>(99,383)</b>	<b>(79,043)</b>
Ebitda	30,227	27,431
Financial income and expenses	(2,717)	(2,084)
Exchange gains and losses	2,005	(61)
Income taxes	(7,228)	(7,800)
<b>Cash flow from operations, excl. changes in operating assets and liabilities</b>	<b>22,287</b>	<b>17,486</b>
Changes in operating assets and liabilities	(12,950)	(25,173)
<b>Cash flow from operations</b>	<b>9,337</b>	<b>(7,687)</b>
<b>Change from investments and disinvestments</b>	<b>(9,715)</b>	<b>(7,628)</b>
<b>Other equity changes</b>	<b>(5,738)</b>	<b>386</b>
<b>Change in consolidation area</b>	<b>(512)</b>	<b>(28,629)</b>
<b>Closing NFP</b>	<b>(106,011)</b>	<b>(122,601)</b>

Overall, the operating cash flow was positive by € 9,337 thousand, compared with the negative value of € 7,687 thousand for the same period last year. The improvement in EBITDA together with a more efficient net working capital management contributed to cash generation in the period.

Cash flow from operations, net of taxes, amounted to € 22,287 thousand in the first six months of 2016, against € 17,486 thousand for the same period of last year. The increase in working capital compared to the beginning of the year, although lower than the change in the first half of 2015, resulted in an absorption of resources for € 12,950 thousand.

The net financial position is made up as follows:

( €/000 )	30.06.2016	31.12.2015	30.06.2015
Cash and banks	37,598	42,518	16,416
Securities and derivative financial instruments	283	88	70
Other financial assets	536	452	826
Financial liabilities	(61,751)	(55,936)	(53,849)
Derivative financial instruments	(487)	(501)	(615)
<b>Short-term net debt</b>	<b>(23,821)</b>	<b>(13,379)</b>	<b>(37,152)</b>
Other financial assets	9,467	7,836	9,493
Financial liabilities	(91,657)	(93,840)	(94,942)
<b>Long-term net debt</b>	<b>(82,190)</b>	<b>(86,004)</b>	<b>(85,449)</b>
Cash and banks	37,598	42,518	16,416
Securities and derivative financial instruments	283	88	70
Other financial assets	10,003	8,288	10,319
Financial liabilities	(153,408)	(149,776)	(148,791)
Derivative financial instruments	(487)	(501)	(615)
<b>Total net debt</b>	<b>(106,011)</b>	<b>(99,383)</b>	<b>(122,601)</b>

Long-term financial payables include the non-current portion of loan principal repayments and debt for equity investments in the amount of € 16,543 thousand.

Short-term financial payables mainly consist of:

- account payables and account advances;
- loan repayments falling due by 30.06.2017;
- amounts due to other providers of finance falling due by 30.06.2017;
- debt for equity investments in the amount of € 1,697 thousand.

Financial liabilities for the purchase of the remaining shares of the minority investments and for the adjustment of acquisition transactions with deferred payment subject to contractual restrictions, in the amount of € 18,240 thousand related to the following companies:

- Valley LLP for € 1,447 thousand;
- P.T.C S.r.l for € 197 thousand;
- Lemasa for € 16,346 thousand;
- Acquatecnica S.r.l. for € 250 thousand.

### **3. Dealings with related parties**

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

From the above relationships, of usual and recurring type fall in industrial activity in the ordinary exercise derives the major part of the activities developed in the period from Emak Group with related parties. The operations concerned are all regulated under the current market conditions, according to the framework resolutions, approved periodically by the Board of Directors of the company involved. These transactions, governed by the procedures of protection under Art. 4, Reg. Consob. 17221/2010 refers in the notes to paragraph no. 33.

\* \* \* \* \*

The determination of the remuneration of Directors and Auditors and Managers with strategic responsibility in the parent company, occurs as part of the governance framework illustrated to the Shareholders and to the public through the report as per art. 123-ter of Leg. Dec. 58/98, available on the site [www.emak.it](http://www.emak.it). The remuneration of Directors and Auditors and Managers with strategic responsibility in the parent company is also regulated by suitable protection procedures that provide for the Parent Company to perform control and harmonization activities.

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

At December 31, 2015, the Company held 397,233 treasury shares in portfolio for an equivalent value of € 2,029 thousand.

On April 22, 2016, the Shareholders' Meeting renewed the authorization to purchase and dispose of treasury shares for the purposes laid down by it. During 2016 there were no purchases or sales of own shares, leaving the balances at beginning of year unchanged.

### **5. Disputes**

There were no disputes in progress that might lead to liabilities in the financial statements other than those already described in notes 28 and 30 of the consolidated half year statements, to which reference is made.

## **6. Business outlook, principle risks and elements of uncertainty**

The first half was positive overall. Despite the gardening season has started with a month of delay, with a consequent impact on sales of the Outdoor Power Equipment line, the Group improved its financial results. The second half shows good prospects, with a good order backlog also supported by the introduction of new products on the market.

Demand of the business areas in which the Group continues to be subject to the instability that characterizes the global scenario. Nevertheless it is believed that the Group will achieve the expected goals of revenue growth, profitability and net financial position improvement.

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

The significant events that occurred during the period and positions or transactions arising from atypical and unusual transactions, significant and non recurring are set out in notes 5 and 6 of half year financial statements.

## **8. Subsequent events and other informations**

### Purchase of 30% of Cifarelli S.p.A.

On August 1, the parent company Emak S.p.A. has signed the agreement for the purchase the 30% of Cifarelli S.p.A., based in Voghera (PV), company active in the production and marketing of professional machines for agriculture and maintenance of green and plants, such as atomizers, shakers for olives and blowers. Cifarelli closed the year 2015 with sales of € 12.4 million, an adjusted EBITDA of around 20% of sales turnover and net cash of approximately € 3 million.

The closing of the deal is expected within the year, after completion of the contractual formalities.

The price agreed for the acquisition of the 30% amounts to € 3.750 million.

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

With the confirmation of Cifarelli family to run the company, the transaction sees as fundamental aspect for future value creation for the benefit of both parties, the implementation of a plan of commercial, production and new products development synergies that Emak and Cifarelli have identified and intend to develop with a joint work plan starting from the closing date.

### The new R&D center

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

### Significant operations: derogation from disclosure obligations

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

## 9. Reconciliation between shareholders' equity and net profit of the parent company Emak and consolidated equity and the results

In accordance with the Consob Communication dated July 28 2006, the following table provides a reconciliation between net income for first half 2016 and shareholders' equity at 30 June 2016 of the Group (Group share), with the corresponding values of the parent company Emak S.p.A.

€/000	Equity at 30.06.2016	Result for the year ending 30.06.2016	Equity at 30.06.2015	Result for the year ending 30.06.2015
<b>Equity and result of Emak S.p.A.</b>	<b>153,565</b>	<b>6,912</b>	<b>148,354</b>	<b>6,501</b>
Equity and result of consolidated subsidiaries	186,388	13,877	195,219	11,575
<b>Total aggregated</b>	<b>339,953</b>	<b>20,789</b>	<b>343,573</b>	<b>18,076</b>
Effect of the elimination of the accounting value of shareholdings	(160,250)	-	(170,251)	-
Elimination of dividends	-	(5,178)	-	(6,541)
Elimination of other intergroup items and profits	(1,161)	181	(1,294)	6
<b>Total consolidated amount</b>	<b>178,542</b>	<b>15,792</b>	<b>172,028</b>	<b>11,541</b>
<b>Minority interest</b>	<b>(1,505)</b>	<b>(121)</b>	<b>(1,637)</b>	<b>(130)</b>
<b>Equity and result attributable to the Group</b>	<b>177,037</b>	<b>15,671</b>	<b>170,391</b>	<b>11,411</b>

Bagnolo in Piano (RE), August 5, 2016

On behalf of the Board of Directors

The Chairman

Fausto Bellamico

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## DEFINITIONS OF ALTERNATIVE PERFORMANCE INDICATORS

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

EBITDA adjusted: is obtained by deducting at EBITDA the impact of charges for litigation, expenses related to M&A transaction, and revenue for government grants and restructuring charges.

EBITDA: calculated by adding the items "Net profit" plus "Amortization, depreciation and impairment losses".

FREE CASH FLOW FROM OPERATIONS: calculated by adding the items "Net profit" plus "Amortization, depreciation and impairment losses".

PER SHARE: is obtained dividing the item "Group equity" by number of outstanding shares at period end.

CASH FLOW PER SHARE: is obtained dividing the sum of the items "Group Net Profit" + "Amortization/depreciation" by the average number of outstanding shares in the period.

NET WORKING CAPITAL: include items "Trade receivables", "Inventories", current non financial "other receivables" net of "Trade payables" and current non financial "other payables".

NET NON-CURRENT ASSETS: include non-financial "Non current assets" net of non-financial "Non-current liabilities"

## **Emak Group – Consolidated financial statements\_at 30 June 2016**

## Consolidated Financial Statements

### Consolidated Income Statement

Thousand of Euro

Year 2015	CONSOLIDATED INCOME STATEMENT	Notes	1H 2016	of which with related parties	1H 2015	of which with related parties
<b>381,579</b>	<b>Revenues from sales</b>	<b>8</b>	<b>229,950</b>	<b>1,233</b>	<b>227,772</b>	<b>1,777</b>
2,451	Other operating incomes	8	1,146		883	
8,004	Change in inventories		(5,229)		(865)	
(211,493)	Raw materials, consumables and goods	9	(117,092)	(1,913)	(122,014)	(1,747)
(70,460)	Personnel expenses	10	(39,164)		(37,202)	
(74,267)	Other operating costs and provisions	11	(39,384)	(1,138)	(41,143)	(1,190)
(12,528)	Amortization, depreciation and impairment losses	12	(6,495)		(5,945)	
<b>23,286</b>	<b>Operating profit</b>		<b>23,732</b>		<b>21,486</b>	
1,255	Financial income	13	657	6	493	
(5,799)	Financial expenses	13	(3,374)		(2,577)	
(3,650)	Exchange gains and losses	13	2,005		(61)	
<b>15,092</b>	<b>Profit before tax</b>		<b>23,020</b>		<b>19,341</b>	
(6,100)	Income taxes	14	(7,228)		(7,800)	
<b>8,992</b>	<b>Net profit (A)</b>		<b>15,792</b>		<b>11,541</b>	
(146)	(Profit)/loss attributable to non controlling interests		(121)		(130)	
<b>8,846</b>	<b>Net profit attributable to the group</b>		<b>15,671</b>		<b>11,411</b>	
<b>0.054</b>	<b>Basic earnings per share</b>	<b>15</b>	<b>0.096</b>		<b>0.070</b>	
<b>0.054</b>	<b>Diluted earnings per share</b>	<b>15</b>	<b>0.096</b>		<b>0.070</b>	

Year 2015	STATEMENT OF COMPREHENSIVE INCOME	Notes	1H 2016	1H 2015
<b>8,992</b>	<b>Net profit (A)</b>		<b>15,792</b>	<b>11,541</b>
2,583	Profits/(losses) deriving from the conversion of foreign company accounts		(1,589)	3,440
(81)	Profits/(losses) deriving from the transfer of treasury shares in portfolio (*)		-	-
25	Income taxes on OCI (*)		-	-
<b>2,527</b>	<b>Total other components to be included in the comprehensive income statement (B)</b>		<b>(1,589)</b>	<b>3,440</b>
<b>11,519</b>	<b>Total comprehensive income for the period (A)+(B)</b>		<b>14,203</b>	<b>14,981</b>
66	Comprehensive net profit attributable to non controlling interests		(97)	(57)
11,585	Comprehensive net profit attributable to the Group		14,106	14,924

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



## Statement of financial position

Thousand of Euro

31.12.2015	ASSETS	Notes	30.06.2016	of which with related parties	30.06.2015	of which with related parties
	<b>Non-current assets</b>					
60,236	Property, plant and equipment	16	60,751		58,801	
8,118	Intangible assets	17	8,250		6,290	
53,132	Goodwill	18	56,143	14,826	59,601	15,005
230	Equity investments		230		230	
9,053	Deferred tax assets	26	7,142		7,126	
7,836	Other financial assets	19	9,467	334	9,493	408
69	Other assets	21	65		277	
<b>138,674</b>	<b>Total non-current assets</b>		<b>142,048</b>	<b>15,160</b>	<b>141,818</b>	<b>15,413</b>
	<b>Current assets</b>					
138,359	Inventories	22	133,235		130,786	
97,006	Trade and other receivables	21	119,286	1,405	130,277	1,259
5,324	Current tax receivables	26	3,538		4,268	
452	Other financial assets	19	536	487	826	822
88	Derivative financial instruments	20	283		70	
42,518	Cash and cash equivalents		37,598		16,416	
<b>283,747</b>	<b>Total current assets</b>		<b>294,476</b>	<b>1,892</b>	<b>282,643</b>	<b>2,081</b>
<b>422,421</b>	<b>TOTAL ASSETS</b>		<b>436,524</b>	<b>17,052</b>	<b>424,461</b>	<b>17,494</b>

31.12.2015	SHAREHOLDERS' EQUITY AND LIABILITIES	Notes	30.06.2016	of which with related parties	30.06.2015	of which with related parties
	<b>Shareholders' Equity</b>					
166,992	Shareholders' Equity of the Group	23	177,037		170,391	
1,496	Non controlling interests		1,505		1,637	
<b>168,488</b>	<b>Total shareholders' equity</b>		<b>178,542</b>		<b>172,028</b>	
	<b>Non-current liabilities</b>					
93,840	Loans and borrowings	25	91,657		94,942	
6,049	Deferred tax liabilities	26	5,944		5,015	
8,932	Employee benefits	27	9,005		8,934	
1,659	Provisions for risks and charges	28	1,627		1,693	
835	Other non-current liabilities	29	786		887	
<b>111,315</b>	<b>Total non-current liabilities</b>		<b>109,019</b>		<b>111,471</b>	
	<b>Current liabilities</b>					
80,848	Trade and other payables	24	79,066	4,340	79,652	3,849
3,682	Current tax liabilities	26	5,958		5,203	
55,936	Loans and borrowings	25	61,751		53,849	
501	Derivative financial instruments	20	487		615	
1,651	Provisions for risks and charges	28	1,701		1,643	
<b>142,618</b>	<b>Total current liabilities</b>		<b>148,963</b>	<b>4,340</b>	<b>140,962</b>	<b>3,849</b>
<b>422,421</b>	<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>		<b>436,524</b>	<b>4,340</b>	<b>424,461</b>	<b>3,849</b>

### Statement of changes in consolidated equity for the Emak Group at 30.06.2015

Euro/000	Share capital	Share premium	OTHER RESERVES					RETAINED EARNINGS		TOTAL GROUP	EQUITY ATTRIBUTABLE TO MINORITY INTERESTS	TOTAL
			Legal reserve	Revaluation reserve	Cumulative translation adjustment	Reserve IAS 19	Other reserves	Retained earnings	Net profit of the period			
Balance at 31.12.2014	40,594	42,454	2,060	1,138	4,087	(776)	27,733	30,654	10,467	158,411	1,688	160,099
Change in treasury shares												
Profit reclassification			301					6,078	(10,467)	(4,088)	(17)	(4,105)
Other changes							1,230	(86)		1,144	(91)	1,053
Net profit for the period					3,513				11,411	14,924	57	14,981
Balance at 30.06.2015	40,594	42,454	2,361	1,138	7,600	(776)	28,963	36,646	11,411	170,391	1,637	172,028

The share capital is shown net of treasury shares of a value of € 2,029 thousand

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

Thousand of Euro	SHARE CAPITAL	SHARE PREMIUM	OTHER RESERVES					RETAINED EARNINGS		TOTAL GROUP	EQUITY ATTRIBUTABLE TO MINORITY INTERESTS	TOTAL
			Legal reserve	Revaluation reserve	Cumulative translation adjustment	Reserve IAS 19	Other reserves	Retained earnings	Net profit of the period			
Balance at 31.12.2014	40,594	42,454	2,060	1,138	4,087	(776)	27,733	30,654	10,467	158,411	1,688	160,099
Profit reclassification			301					6,078	(10,467)	(4,088)	(17)	(4,105)
Other changes							3,167	(2,083)		1,084	(109)	975
Net profit for the period					2,795	(56)			8,846	11,585	(66)	11,519
Balance at 31.12.2015	40,594	42,454	2,361	1,138	6,882	(832)	30,900	34,649	8,846	166,992	1,496	168,488
Profit reclassification			348					4,410	(8,846)	(4,088)	(88)	(4,176)
Other changes								27		27		27
Net profit for the period					(1,565)				15,671	14,106	97	14,203
Balance at 30.06.2016	40,594	42,454	2,709	1,138	5,317	(832)	30,900	39,086	15,671	177,037	1,505	178,542

The share capital is shown net of treasury shares of a value of € 2,029 thousand

## Consolidated Cash Flow Statement

31.12.2015 (€/000)	Notes	30.06.2016	30.06.2015
<b>Cash flow from operations</b>			
<b>8,992</b>		<b>15,792</b>	<b>11,541</b>
<b>Net profit for the period</b>			
12,528	12	6,495	5,945
Amortization, depreciation and impairment losses			
(61)		(30)	(7)
Capital (gains)/losses on disposal of property, plant and equipment			
(224)		(18,522)	(30,721)
Decreases/(increases) in trade and other receivables			
(8,021)		5,408	(448)
Decreases/(increases) in inventories			
5,372		140	6,404
(Decreases)/increases in trade and other payables			
(179)		36	(178)
Change in provision for employee benefits			
(251)	28	18	(225)
Decreases/increases in provisions for liabilities			
(205)		(208)	(73)
Decreases/increases in derivative financial instruments			
<b>17,951</b>		<b>9,129</b>	<b>(7,762)</b>
<b>Net cash generated by operations</b>			
<b>Cash flow from investment activities</b>			
(8,903)		(9,746)	(7,634)
Increases in property, plant and equipment and intangible assets			
(8,123)		(1,714)	(10,154)
(Increases) and decreases in financial assets			
61		30	7
Proceeds from disposal of property, plant and equipment			
(14,181)		(248)	(14,181)
Change in scope of consolidation Valley LLP			
<b>(31,146)</b>		<b>(11,678)</b>	<b>(31,962)</b>
<b>Net cash absorbed by investment activities</b>			
<b>Cash flow from financial activities</b>			
919		27	1,051
Change in equity			
42,040		(2,973)	35,334
Change in short and long-term loans and borrowings			
(199)		(13)	(81)
Change in finance leases			
(4,105)		(4,176)	(4,105)
Dividends paid			
2,583		(1,589)	3,440
Change in translation reserve			
<b>41,238</b>		<b>(8,724)</b>	<b>35,639</b>
<b>Net cash absorbed by financial activities</b>			
<b>28,043</b>		<b>(11,273)</b>	<b>(4,085)</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>			
<b>6,971</b>		<b>35,014</b>	<b>6,971</b>
<b>OPENING CASH AND CASH EQUIVALENTS</b>			
<b>35,014</b>		<b>23,741</b>	<b>2,886</b>
<b>CLOSING CASH AND CASH EQUIVALENTS</b>			
<b>ADDITIONAL INFORMATION ON THE CASH FLOW STATEMENT</b>			
31.12.2015 (€/000)		30.06.2016	30.06.2015
<b>RECONCILIATION OF CASH AND CASH EQUIVALENTS</b>			
<b>6,971</b>		<b>35,014</b>	<b>6,971</b>
<b>Opening cash and cash equivalents, detailed as follows:</b>			
13,238		42,518	13,238
Cash and cash equivalents			
(6,267)		(7,504)	(6,267)
Overdrafts			
<b>35,014</b>		<b>23,741</b>	<b>2,886</b>
<b>Closing cash and cash equivalents, detailed as follows:</b>			
42,518		37,597	16,416
Cash and cash equivalents			
(7,504)		(13,856)	(13,530)
Overdrafts			
<b>Other information:</b>			
108		(30)	199
Change in related party receivables and service transactions			
294		(198)	122
Change in related party payables and service transactions			
(821)		-	(1,230)
Change in related party financial assets			
-		-	-
Change in related party financial liabilities			

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## **Explanatory notes to the consolidated financial statements of Emak Group at 30.06.2016**

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## 1. General Information

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

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

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

The half year report at 30 June 2016 is subject to a limited audit by Deloitte & Touche S.p.A. This audit is significantly less extensive than that of a complete audit carried out according to established auditing standards.

## 2. Summary of principal accounting policies

The principal accounting policies used for preparing the abbreviated consolidated financial statements for the half-year are in line, except as specified below, with those applied for the annual consolidated financial statements at 31 December 2015 and are briefly discussed below.

### 2.1 General methods of preparation

The abbreviated consolidated half-year report of the Emak Group at 30 June 2016 has been drawn-up in compliance with the IFRS's issued by the International Accounting Standards Board and adopted by the European Union and has been prepared in accordance with the IAS 34 accounting standard (Interim Financial Reporting), with art. 154-ter (financial reports) of the Consolidated Finance Act and with Consob regulations and resolutions in force. The same accounting principles used in preparing the consolidated financial statements at 31 December 2015 were applied. "IFRS" also includes all valid International Accounting Standards ("IAS") still in force, as well as all interpretations of the International Financial Reporting Standards Interpretations Committee (IFRS IC, formerly "IFRIC"), previously known as the Standing Interpretations Committee ("SIC"). For this purpose, the financial statements of consolidated subsidiaries were reclassified and adjusted.

There are also the explanatory notes according to the disclosures required by IAS 34 with the supplementary information considered useful for a clearer understanding of the abbreviated interim financial statements. The interim financial statements at June 30, 2016 should be read in conjunction with the annual financial statements at 31 December 2015.

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

As partial exception to the provisions of IAS 34, these interim financial statements provide detailed as opposed to summary schedules in order to provide a better and clearer view of the economic-financial and financial dynamics during the period. The financial statements used at June 30, 2016 are consistent with those in place for the annual financial statements at December 31, 2015.

The consolidated half-year report includes the balance sheet, the consolidated income statement, the statement of consolidated comprehensive income, the statement of changes in consolidated equity, the statement of cash flows and notes to the accounts, in accordance with the requirements provided for by IFRS.

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

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

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

## 2.2 Methods of consolidation

### *Subsidiaries*

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

The acquisition of subsidiaries is accounted for using the purchase method, 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, as increased for any directly attributable acquisition costs, and ignoring any non controlling interests.

The excess of the cost of acquisition, over the Group's share, of the fair value of the net assets acquired is recognized as goodwill.

If the cost of acquisition is lower, the difference is directly expensed to income.

The financial statements of subsidiaries are included in the consolidated accounts starting from the date of taking control until such control ceases to exist. Non controlling interests and the amount of profit or loss for the period attributable to non controlling interests are shown separately in the consolidated balance sheet and income statement.

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

It also specified that:

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

### *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, 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

Compared to December 31, 2015 became the scope of consolidation the Acquatecnica S.r.l., a company acquired on 28 January 2016 and subsequently merged company P.T.C. S.r.l. The economic and financial data are included in these financial statements since January 1, 2016.

Compared to 30 June 2015 there were no changes scope of consolidation, except for those previously described; it should be noted that the half-year financial statements at June 30, 2015 included the economic data of Lemasa company refer solely to the second quarter of 2015 as it consolidated from April 1, 2015.

More details of the transactions are described in section 2 of the Half Year Report.

The scope of consolidation at June 30 2016 includes the following companies:

Name	Head office	Share capitale	Currency	% consolidated	Held by	% of participation
Emak S.p.A.	Bagnolo in Piano - RE (I)	42,623,057	€			
Emak Suministros Espana SA	Getafe - Madrid (E)	270,459	€	90.000	Emak S.p.A.	90.000
Emak U.K. Ltd	Lichfield (UK)	342,090	GBP	100.000	Emak S.p.A.	100.000
Emak Deutschland GmbH	Fellbach - Oeffingen (D)	553,218	€	100.000	Emak S.p.A.	100.000
Emak France SAS	Rixheim (F)	2,000,000	€	100.000	Emak S.p.A.	100.000
Jiangmen Emak Outdoor Power Equipment Co.Ltd (4)	Jiangmen (RPC)	25,532,493	RMB	100.000	Emak S.p.A.	100.000
Victus-Emak Sp. Z o.o.	Poznan (PL)	10,168,000	PLN	100.000	Emak S.p.A.	100.000
Tai Long (Zhuhai) Machinery Manufacturing Ltd	Zhuhai (RPC)	16,353,001	RMB	100.000	Emak S.p.A.	100.000
Epicenter LLC	Kiev (UA)	19,026,200	UAH	61.000	Emak S.p.A.	61.000
Raico S.r.l.	Reggio Emilia (I)	20,000	€	100.000	Emak S.p.A.	100.000
Sabart S.r.l.	Reggio Emilia (I)	1,900,000	€	100.000	Emak S.p.A.	100.000
Tecomec S.r.l.	Reggio Emilia (I)	1,580,000	€	100.000	Emak S.p.A.	100.000
Speed France SAS	Amax (F)	300,000	€	100.000	Tecomec S.r.l.	100.000
Speed North America Inc.	Wooster - Ohio (USA)	10	USD	100.000	Speed France SAS	100.000
Speed Line South Africa Ltd	Pietemartizbury (ZA)	100	ZAR	51.000	Speed France SAS	51.000
Ningbo Tecomec Manufacturing Co. Ltd	Ningbo City (RPC)	8,029,494	RMB	100.000	Tecomec S.r.l.	100.000
Comet S.p.A.	Reggio Emilia (I)	2,600,000	€	100.000	Emak S.p.A.	100.000
Comet France SAS	Wolfisheim (F)	320,000	€	100.000	Comet S.p.A.	100.000
Comet Usa Inc	Burnsville - Minnesota (USA)	231,090	USD	100.000	Comet S.p.A.	100.000
PTC S.r.l. (3)	Genova (I)	55,556	€	100.000	Comet S.p.A.	90.000
Valley Industries LLP (1)	Paynesville - Minnesota (USA)	0	USD	100.000	Comet Usa Inc	90.000
Emak do Brasil Industria LTDA	Curitiba (BR)	8,518,200	BRL	99.980	Emak S.p.A.	99.980
S.I. Agro Mexico	Guadalajara (MEX)	1,000,000	MXM	85.000	Comet S.p.A.	85.000
Geoline Electronic S.r.l.	Poggio Rusco - MN (I)	100,000	€	51.000	Tecomec S.r.l.	51.000
Speed Industrie Sarl	Mohammedia (MA)	1,445,000	MAD	100.000	Speed France SAS	100.000
Speed South America S.p.A.	Providencia (RCH)	87,825,360	CLP	100.000	Speed France SAS	100.000
Comet do Brasil Investimentos LTDA	Indaiatuba (BR)	19,000,000	BRL	99.000	Comet S.p.A.	100.000
				1.000	PTC S.r.l.	
Lemasa industria e comércio de equipamentos de alta pressao S.A. (2)	Indaiatuba (BR)	14,040,000	BRL	100.000	Comet do Brasil LTD	70.000

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

(2) The share in Lemasa is consolidated at 100% as a result of the "Put and Call Option Agreement" which regulates the acquisition of the 30% remaining.

(3) The share in P.T.C. S.r.l. consolidated at 100% as a result of the "Put and Call Option Agreement" which regulates the acquisition of the 10% remaining.

(4) Under the contract signed in December 2004 and subsequent amendments, the shareholding of 49% in Jiangmen Emak Outdoor Power Equipment Co. Ltd., previously owned by Simest S.p.A., has been acquired by Emak S.p.A. on July 2014.

### 2.3 Segmental reporting criteria

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

An operating segment is a component of a company:

- a) that carries on business activities generating costs and revenues;

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

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

On the basis of the new criteria for the definition of the operating segments introduced by IFRS 8, the Group identified, following the “management approach” a single segment of activity, which includes all business areas related to the Group.

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

### Consolidation of financial statements of foreign companies

The financial statements of all group companies whose functional currency differs to the presentation currency of the consolidated financial statements are translated as follows:

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

The main exchange rates used to translate in Euro these financial statements are as follows:

31.12.2015	Amount of foreign for 1 Euro	Average 1H 2016	30.06.2016	Average 1H 2015	30.06.2015
0.73	GB Pounds (UK)	0.78	0.83	0.73	0.71
7.06	Renminbi (Cina)	7.30	7.38	6.94	6.94
4.26	Zloty (Poland)	4.37	4.44	4.14	4.19
1.09	Dollar (Usa)	1.12	1.11	1.12	1.12
16.95	Zar (South Africa)	17.20	16.45	13.30	13.64
26.16	Uah (Ukraine)	28.42	27.56	23.87	23.54
4.31	Real (Brazil)	4.13	3.59	3.31	3.47
10.79	Dirham (Morocco)	10.87	10.87	10.81	10.85
18.91	Mexican Pesos (Mexico)	20.17	20.63	16.89	17.53
772.71	Chilean Pesos (Chile)	769.13	735.50	693.34	714.92

## 2.5 Description of accounting policies applied to individual items

Details of the accounting policies applied to individual items within the financial statements can be found in sections 2.5 to 2.26 of the explanatory notes to the consolidated financial statements at 31 December 2015.



## 2.6. Accounting standards

### Accounting standards, amendments and IFRS interpretations adopted from January 1, 2016

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

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

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

**Amendments to IAS 16 Property, plant and equipment and IAS 41 Agriculture – “Bearer Plants”** (issued on June 30, 2014) providing for bearer plants, i.e. fruit trees that bear produce annually (such as vines, hazelnut plants) to be accounted for under IAS 16 (rather than IAS 41).

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

**Amendments to IAS 1 – “Disclosure Initiative”** (issued on December 18, 2014): the goal of the amendments is to provide some clarifications on disclosures and other elements that may be perceived as hindrance to a clear and intelligible presentation of financial statements. The adoption of these amendments had no impact on the financial statements of the Group.

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

The adoption of the amendments referred to above had no impact on the Group's financial statements.

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

The European Union has not yet completed its endorsement process for the standards and amendments below reported at the date of this Interim financial report.

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

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

This standard is applicable as of January 1, 2018, though early adoption is allowed.

Final version of **IFRS 9 – Financial instruments** (issued on July 24, 2014). The standard includes the results of the *Classification, valuation, impairment and hedge accounting phases* relating to the IASB project pending the replacement of IAS 39:

- it introduces new criteria to classify and measure financial assets and liabilities.
- With reference to the impairment model, the new standard requires the losses on receivables to be estimated based on the expected losses model (instead of the incurred losses model of IAS 39) using information that can be evidenced, available free of charge or without unreasonable effort and including historic, current and forecast data.
- A new hedge accounting model is introduced (additional types of transactions can be designated for hedge accounting, different accounting method for forward contracts and options when they are included in a hedge accounting transaction, changes to effectiveness test).
- The new standard, which supersedes the previous versions of IFRS 9, must be applied to reporting periods beginning on January 1, 2018 and thereafter.

On January 13, 2016, the IASB issued **IFRS 16 – Leases** which is to replace IAS 17 – *Leases*, as well as IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases—Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

The new standard provides a new definition of lease and introduces a criterion based on the control (right of use) of an asset to differentiate between lease and service agreements according to: asset identification, right to replacement of the asset, right to obtain all economic benefits arising out of use of the asset and right to control the use of the asset underlying the agreement.

The standard introduces a single lessee accounting model for recognising and measuring lease agreements, which provides for the underlying asset – including assets underlying operating leases – to be recognised in the statement of financial position as assets and lease financial liabilities. Lessees may elect to not recognise agreements for low-value assets or with a term of up to 12 months within the scope of this standard. No significant changes are introduced for lessor accounting.

The standard applies for reporting periods beginning on or after January 1, 2019. Early application is only allowed for early adopters of IFRS 15 - *Revenue from Contracts with Customers*.

On September 11, 2014 the IASB issued amendments to **IFRS 10** and **IAS 28 “Sales or Contribution of Assets between an Investor and its Associate or Joint Venture”**. The purpose of these amendments was to resolve the conflict between IAS 28 and IFRS 10 concerning the measurement of profit or loss arising from transfers or assignments of a non-monetary asset to a joint venture or associate in return for its shares. The IASB has suspended the application of these amendments for the time being.

On December 18, 2014, the IASB published document “**Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10, IFRS 12 and IAS 28)**” (issued on December 18, 2014) introduces certain changes to address issues arisen after the application of the consolidation exception granted to investment entities. The amendments apply at the latest as of the reporting period starting on January 1, 2016 or at a later date. Early adoption is allowed. Directors do not expect any significant effect on the financial statements of the Group when these amendments are adopted.

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

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

On June 20, 2016 the IASB published the document “**Classification and measurement of share-based payment transactions (Amendments to IFRS 2)**” that contains some clarifications in relation to the accounting of the effects coming from vesting conditions in the presence of cash-settled share-based payments, the classification of share-based payments with net settlement characteristics and the recognition

of changes to the terms and conditions of a share-based payment which modify its classification from cash-settled to equity-settled. The amendments apply as of January 1, 2018, though early adoption is allowed.

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

### 3. Capital and financial risk management

Details can be found in the explanatory notes to the consolidated financial statements at 31 December 2015.

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

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

### 5. Significant non-recurring events and transactions

#### 5.1 Acquisition of Acquatecnica S.r.l.

On January 28, 2016, the subsidiary P.T.C. Srl signed the act of purchasing a stake of 100% of the share capital of Acquatecnica Srl, based in Cremosano (CR), a company active in the production of applications for the "Water Jetting", for an amount of € 500 thousand, of which € 250 thousand paid at closing and the remainder to be paid the 280 day following the closing. This price balance can vary in relation to the realization of potential contingencies, as determined in the preliminary agreement of purchase shares, signed on 25 November 2015.

In order to accelerate as much as possible the process of integration of the two companies, on 19 January 2016, the respective boards of directors have approved the merger by incorporation of Acquatecnica Srl in P.T.C. Srl, subjecting the construction to completion of the acquisition of 100% of Acquatecnica Srl by P.T.C. Srl, which took place on January 28, 2016, simultaneously the shareholders of the two companies approved the merger by incorporation of Acquatecnica Srl in P.T.C. Srl.

On March 4, 2016 was signed the merger act, which provides for the effect for accounting and fiscal effects of the transaction from January 1, 2016 and those civil law from April 1, 2016.

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

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

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

€/000	Book values	Fair Value adjustments	Fair value of acquired assets
<b>Non-current assets</b>			
Other non-current financial receivables	2	-	2
<b>Current assets</b>			
Inventories	284	-	284
Trade and other receivables	57	-	57
Cash and cash equivalents	4	-	4
<b>Non-current liabilities</b>			
Post-employment benefits	(36)	-	(36)
<b>Current liabilities</b>			
Trade and other liabilities	(189)	-	(189)
Current tax liabilities	(12)	-	(12)
Financial liabilities	(16)	-	(16)
<b>Total net assets acquired</b>	<b>94</b>	<b>-</b>	<b>94</b>
<b>% interest held</b>			<b>100%</b>
<b>Net equity acquired</b>			<b>94</b>
<b>Goodwill</b>			<b>408</b>
<b>Purchase price paid</b>			<b>252</b>
<b>Deferred price</b>			<b>250</b>
Cash and cash equivalents			4
<b>Net cash outflow</b>			<b>248</b>

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

## 5.2 Price adjustment of S.I.Agro Mexico

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

In the consolidated financial statements at June 30, 2016, in accordance with IFRS 3, this amount was recorded under financial expenses.

## 6. Balances or transactions arising from atypical and unusual operations

No atypical or unusual transactions took place in the first half of 2016.

## 7. Net financial position

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

Net financial position	30/06/2016	31/12/2015	30/06/2015
A. Cash and banks	37,598	42,518	16,415
B. Other cash	-	-	-
C. Assets for trading	-	-	-
<b>D. Liquidity (A+B+C)</b>	<b>37,598</b>	<b>42,518</b>	<b>16,415</b>
<b>E. Current financial receivables</b>	<b>819</b>	<b>540</b>	<b>897</b>
F. Current bank loans	(20,617)	(17,073)	(23,068)
G. Current portion of current loans	(38,977)	(37,876)	(29,832)
H. Other financial debts	(2,644)	(1,488)	(1,564)
<b>I. Current financial debts (F+G+H)</b>	<b>(62,238)</b>	<b>(56,437)</b>	<b>(54,464)</b>
<b>J. Net current financial debts (I+E+D)</b>	<b>(23,821)</b>	<b>(13,379)</b>	<b>(37,152)</b>
K. Non current bank loans	(74,105)	(78,696)	(78,212)
L. Bonds issued	-	-	-
M. Other non current financial debts	(17,552)	(15,144)	(16,730)
<b>N. Non current financial debts (K+L+M)</b>	<b>(91,657)</b>	<b>(93,840)</b>	<b>(94,942)</b>
<b>O. Net financial debts (J+N)</b>	<b>(115,478)</b>	<b>(107,219)</b>	<b>(132,094)</b>
P. Non current financial receivables	9,467	7,836	9,493
<b>Q. Net financial position(O+P)</b>	<b>(106,011)</b>	<b>(99,383)</b>	<b>(122,601)</b>

Financial debts at 30 June 2016 include € 18,240 thousand, of which € 16,543 thousand as non – current debt, for the acquisition of equity investments. To guarantee current and future liabilities for the acquisition of equity interests, € 8,939 thousand have been deposited in Escrow Account, registered in the accounts under the heading “Other medium-long-term financial assets”.

At 30 June 2016 net financial debts include amounts receivable from related parties for the amount of € 821 thousand, of which € 486 thousand are short-term, attributable to the receivable from Yama S.p.A. for the guarantees included in the contract in favor of Emak S.p.A. as part of the so-called “Greenfield Operation” through which Emak S.p.A. acquired in 2011 the Company Comet S.p.A., Tecomec S.r.l., Sabart S.r.l. and Raico S.r.l.

## 8. Revenues from sales and other operating income

Details of revenues from sales are as follows:

€/000	1 H 2016	1 H 2015
Net sales revenues (net of discounts and rebates)	227,990	227,042
Revenues from recharged transport costs	2,596	2,583
Returns	(636)	(1,853)
<b>Total</b>	<b>229,950</b>	<b>227,772</b>

Other operating income is analyzed as follows:

€/000	1 H 2016	1 H 2015
Capital gains on property, plant and equipment	86	26
Government grants	66	103
Advertising reimbursement	280	190
Insurance refunds	38	67
Recovery of other funds	214	198
Other operative income	462	299
<b>Total</b>	<b>1,146</b>	<b>883</b>

## 9. Cost of raw materials, consumables and goods

The cost of raw materials, consumables and goods is analyzed as follows:

€/000	1 H 2016	1 H 2015
Raw materials, semi-finished products and goods	114,409	119,331
Other purchases	2,683	2,683
<b>Total</b>	<b>117,092</b>	<b>122,014</b>

## 10. Personnel expenses

Details of these costs are as follows:

€/000	1H 2016	1H 2015
Wage and salaries	26,274	24,862
Social security charges	7,689	7,399
Employee termination indemnities	1,145	1,078
Other costs	685	1,068
Directors' emoluments	880	797
Temporary staff	2,491	1,998
<b>Total</b>	<b>39,164</b>	<b>37,202</b>

## 11. Other operating costs and provisions

Details of these costs are as follows:

€/000	1H 2016	1H 2015
Subcontract work	6,765	7,117
Maintenance	2,024	1,916
Transportation	9,256	10,199
Advertising and promotion	2,059	1,861
Commissions	3,209	3,207
Travel	1,533	1,386
Consulting fees	1,896	2,506
Other services	7,092	6,917
<b>Services</b>	<b>33,834</b>	<b>35,109</b>
<b>Rents, rentals and the enjoyment of third party assets</b>	<b>3,811</b>	<b>3,720</b>
<b>Increases in provisions (note 28)</b>	<b>128</b>	<b>78</b>
<b>Other costs</b>	<b>1,611</b>	<b>2,236</b>
<b>Total</b>	<b>39,384</b>	<b>41,143</b>

## 12. Amortization and depreciation

Details of these amounts are as follows:

€/000	1H 2016	1H 2015
Amortization of intangible assets (note 17)	1,240	978
Depreciation of property, plant and equipment (note 16)	5,255	4,967
<b>Total</b>	<b>6,495</b>	<b>5,945</b>

The item "Depreciation of property, plant and equipment" includes, for the amount of € 387 thousand, the effect of the reduction of the remaining useful life of certain buildings because of the imminent construction of the "The new R&D center." For further information please see the section "Subsequent Events" in the Interim Management Report.

## 13. Finance income and expenses, Exchange gain and losses

"Financial income" is analyzed as follows:

€/000	1H 2016	1H 2015
Income from adjustment to fair value of derived instruments for hedging interest rate risk	91	93
Interest on bank and postal current accounts	77	60
Interest on other financial assets	365	200
Other financial income	124	140
<b>Financial income</b>	<b>657</b>	<b>493</b>

"Other financial income" refers to interest accrued on the escrow account with the escrow account agreement as part of the acquisition agreement of company Lemasa, in which has been referred to in the preceding paragraphs.

"Financial expenses" are analyzed as follows:

€/000	1H 2016	1H 2015
Interest on medium-term bank loans and borrowings	1,332	1,447
Interest on short-term bank loans and borrowings	196	239
Costs from adjustment to fair value and fixing of derived instruments for hedging interest rate risk	327	125
Financial charges from valuing employee termination indemnities	77	101
Financial expenses from discounting debts	956	528
Other financial costs	486	137
<b>Financial expenses</b>	<b>3,374</b>	<b>2,577</b>

Financial expenses from discounting debts refer to charges due to the discounting on liabilities for the acquisition of equity investments.

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

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

€/000	1H 2016	1H 2015
Profit / (Loss) on exchange differences on trade transactions	(347)	(971)
Profit / (Loss) on exchange differences on financial transactions	2,352	910
<b>Exchange gains and losses</b>	<b>2,005</b>	<b>(61)</b>

The item "Profit / (Loss) on exchange difference on financial transactions" include the recording of valuation profits for an amount of around € 1,593 thousand deriving from the adjustment to the exchange rate at the end of the period of the loan granted in Euros by Comet S.p.A. to Comet do Brasil for the principal amount of € 9,840 thousand, finalized to the acquisition of company Lemasa.

#### 14. Income taxes

The estimated charge for current tax and changes in deferred tax assets and liabilities in the first half of 2016 is € 7,228 thousand (€ 7,800 thousand in the corresponding prior year period) equal to a taxation of 31.4%, decreased compared to the 40.3% for the same period in the previous financial year.

The effective tax rate of the first half was affected by a positive impact on the parent company, amounting to € 505 thousand, due to the recognition of facility "ACE" (Allowance for Corporate Equity, art. 1, Decree 201/2011, converted in L. 214/2011), not recorded in the first half of the previous year. In addition, the tax rate for the same period last year was negatively affected by the recognition of expenses from tax disputes for € 838 thousand (with a 4.4% effect on the tax rate for 2015), and the non-inclusion, for the purposes prudential, the deferred tax assets on tax losses carried forward in the amount of approximately € 450 thousand (with a 2.3% effect on the tax rate for 2015).

#### 15. Earnings per share

"Basic" earnings per share are calculated by dividing the net profit for the period attributable to the Parent company's shareholders by the weighted average number of ordinary shares outstanding during the period,



excluding the average number of ordinary shares purchased or held by the Parent company as treasury shares. The Parent company has only ordinary shares outstanding.

	1H 2016	1H 2015
Net profit attributable to ordinary shareholders in the parent company (€/1.000)	15,671	11,411
Weighted average number of ordinary shares outstanding	163,537,602	163,537,602
<b>Basic earnings per share (€)</b>	<b>0.096</b>	<b>0.070</b>

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

## 16. Property, plant and equipment

Changes in property, plant and equipment are shown below:

€/000	31.12.2015	Change in scope of consolidation	Increase	Decrease	Reclassification	Exchange difference	Other changes	30.06.2016
Land and buildings	45,269		969			(449)		45,789
Accumulated depreciation	(15,926)		(990)			99		(16,817)
<b>Land and buildings</b>	<b>29,343</b>	-	<b>(21)</b>	-	-	<b>(350)</b>	-	<b>28,972</b>
Plant and machinery	79,495	115	1,612	(102)	2,040	(87)		83,073
Accumulated depreciation	(62,011)	(115)	(2,257)	62	(76)	88		(64,309)
<b>Plant and machinery</b>	<b>17,484</b>	-	<b>(645)</b>	<b>(40)</b>	<b>1,964</b>	<b>1</b>	-	<b>18,764</b>
Other assets	93,657	518	2,308	(236)	(1,196)	(69)	518	95,500
Accumulated depreciation	(82,564)	(518)	(2,008)	192	76	299		(84,523)
<b>Other assets</b>	<b>11,093</b>	-	<b>300</b>	<b>(44)</b>	<b>(1,120)</b>	<b>230</b>	<b>518</b>	<b>10,977</b>
<b>Advances and fixed assets in progress</b>	<b>2,316</b>		<b>1,127</b>	<b>(22)</b>	<b>(844)</b>	<b>(21)</b>	<b>(518)</b>	<b>2,038</b>
<b>Cost</b>	<b>220,737</b>	<b>633</b>	<b>6,016</b>	<b>(360)</b>	-	<b>(626)</b>	-	<b>226,400</b>
<b>Accumulated depreciation (note 12)</b>	<b>(160,501)</b>	<b>(633)</b>	<b>(5,255)</b>	<b>254</b>	-	<b>486</b>	-	<b>(165,649)</b>
<b>Net book value</b>	<b>60,236</b>	-	<b>761</b>	<b>(106)</b>	-	<b>(140)</b>	-	<b>60,751</b>

## 17. Intangible assets

Intangible assets report the following changes:

€/000	31.12.2015	Change cons. area	Increase	Depreciation	Reclassification	Exchange difference	30.06.2016
Development costs	896	-	2	(232)	-	-	666
Patents and intellectual property rights	2,237	-	746	(593)	28	(1)	2,417
Concessions, licences and trademarks	763	-	9	(36)	-	120	856
Other intangible assets	3,671	-	67	(379)	39	253	3,651
<b>Advances and fixed assets in progress</b>	<b>551</b>	-	<b>176</b>	-	<b>(67)</b>	-	<b>660</b>
<b>Net book value (note 12)</b>	<b>8,118</b>	-	<b>1,000</b>	<b>(1,240)</b>	-	<b>372</b>	<b>8,250</b>

## 18. Goodwill

The goodwill of € 56,143 thousand reported at June 30, 2016 is detailed below:

€/000	31.12.2015	Change in scope of consolidation	Exchange difference	30.06.2016
Goodwill from the acquisition of Victus-Emak Sp. z o.o.	874	-	(34)	840
Goodwill from the acquisition of the company branch Victus IT	4,834	-	(188)	4,646
Goodwill of Bertolini S.p.A.	2,074	-	-	2,074
Goodwill from the acquisition of Tailong Machinery Ltd.	2,964	-	(126)	2,838
Goodwill from the acquisition of Tecomec Group	2,807	-	-	2,807
Goodwill from the acquisition of Comet Group	2,279	-	-	2,279
Goodwill from the acquisition of Speed France	2,854	-	-	2,854
Goodwill of HPP S.r.l.	1,974	-	-	1,974
Goodwill from transfer of the business PTC	360	-	-	360
Goodwill from the acquisition of Master Fluid	523	-	-	523
Goodwill from the acquisition of Valley LLP	11,941	-	(231)	11,710
Goodwill from the acquisition of Geoline Eletctronic S.r.l.	2,088	-	-	2,088
Goodwill from the acquisition of S.I.Agro Mexico	634	-	-	634
Goodwill from the acquisition of Lemasa Ltda	16,926	-	3,182	20,108
Goodwill from the acquisition of Acquatecnica S.r.l.	-	408	-	408
<b>Total</b>	<b>53,132</b>	<b>408</b>	<b>2,603</b>	<b>56,143</b>

- Goodwill on the purchase of Victus-Emak Sp. Z.o.o. for € 840 thousand relates to the difference between the acquisition price for 100% of the company regulated by Polish law, Victus-Emak Sp. Z.o.o., and its equity at the date of acquisition, while an amount of € 4,646 thousand relates to the acquisition of the company branch of Victus International Trading SA. Both acquisitions were finalized in 2005.
- Goodwill of € 2,074 thousand refers to the positive difference arising from the acquisition from the parent company Yama S.p.A. and further to the absorption of the company Bertolini S.p.A into Emak S.p.A. in 2008.
- The amount of € 2,838 thousand refers to the greater value emerging from the acquisition, from the Yama Group, of 100% of the company regulated by Chinese law, Tailong (Zhuhai) Machinery Manufacturing Equipment Ltd., made in 2008.
- Goodwill relating to the acquisition of the Tecomec Group, the Comet Group and of the Speed France Group on the part of Tecomec S.r.l respectively for € 2,807 thousand, € 2,279 thousand and € 2,854 thousand arise from the Greenfield Operation (for details on the operation, reference should be made to note 20 in the Explanatory Notes to the annual financial report 2011);
- The amount of € 1,974 thousand relates to the positive difference emerged following the acquisition and subsequent merger by incorporation of the company HPP in Comet S.p.A.
- The amount of € 360 thousand relates to the goodwill of a business unit contributed by non controlling interests in PTC S.r.l., a Comet Group company.
- The amount of € 523 thousand refers to the positive difference emerged following the acquisition by P.T.C. Srl, a company controlled by the subsidiary Comet S.p.A., of 80.5% of Master Fluid S.r.l company.
- The amount of € 11,710 thousand relates to the positive difference arising on the acquisition of Valley LLP, a company belonging to Comet Group.
- The amount of € 2,088 thousand relates to the positive difference emerged following the acquisition by Tecomec Group of 51% of Geoline Electronic S.r.l.

- The amount of € 634 thousand relates to the positive difference emerged following the acquisition of S.I. Agro Mexico, company in which Comet Group increased its shareholding from 30% to 85% of share capital during the year 2014.
- The amount of € 20,108 thousand relates to the positive difference emerged following the acquisition by Comec Group of Lemasa Ltda.
- The amount of € 408 thousand refers to the positive difference arising from the acquisition and subsequent merger by incorporation of company Acquatecnica S.r.l. in P.T.C. S.r.l. during the first months of 2016.

Since there were no particular elements arising during the half-year which may imply the non-recoverability of the recorded values, no impairment tests were carried out at 30 June 2016.

## 19. Other financial assets

"Other non current financial assets", amounted to € 9,467 thousand mainly it refers to:

- € 8,939 thousand as the amount paid by Comet do Brasil LTDA, through an escrow account contract, part of the acquisition of the shareholdings of the company Lemasa LTDA to guarantee the deferred portion of the purchase price. This escrow account earns interest. The escrow account value at 31 December 2015 amounted to € 6,891 thousand: the change is mainly due to the appreciation of the real currency;
- € 335 thousand for medium and long-term portion of receivable due to the parent company Yama S.p.A. as a reinstatement assets recognized by the Group for expenses incurred by some companies and related to the period in which Yama S.p.A. exercised control over them. The credit for that right to reinstatement was recorded during the year 2015 for a total amount of € 1,230 thousand.

"Other current financial assets", amounting to € 536 thousand, includes € 486 thousand as short-term portion of the receivable owed by Yama S.p.A. as shown in the previous paragraph.

## 20. 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 on loans.

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

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

Accounting for the instruments presented below is at fair value. According with the relevant accounting standards such effects have been accounted in the income statement in the current year. The current value of these contracts as at 30 June 2016 is represented as follows:

€/000	30.06.2016	31.12.2015
Positive <i>fair value</i> assesment exchange rate hedge	261	57
Positive <i>fair value</i> assesment exchange options contracts	22	31
Positive <i>fair value</i> assesment IRS and interest rate options	-	-
<b>Total derivative financial instrument</b>	<b>283</b>	<b>88</b>
Negative <i>fair value</i> assesment exchange rate hedge	20	141
Negative fair value assesment IRS and interest rate options	467	360
<b>Total derivative financial instrument liabilities</b>	<b>487</b>	<b>501</b>

At 30 June 2016 appear outstanding purchases of foreign currencies with forward contracts for

	Company		Nominal value (€/000)	Exchange rate	Due to (*)
<b>Forward contrats for foreign currencies purchases</b>					
Cnh/Euro	Emak S.p.A.	Cnh	16,000	7.47	20/09/2016
Euro/Gbp	Emak UK Ltd.	€	2,000	0.76	31/03/2017
Eur/Pln	Victus-Emak S.p. Z.o.o.	€	2,350	4.36	12/09/2016
Usd/Euro	Emak France Sas	Usd	200	1.09	31/12/2016
Usd/Euro	Sabart S.r.l.	Usd	3,000	1.12	30/12/2016
Euro/Usd	Comet USA Inc	€	800	1.10	19/08/2016
<b>Options for foreign currencies purchases</b>					
Cnh/Euro	Emak Spa	Cnh	36,000	7.825	07/12/2016

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

Finally, on 30 June 2016 result also outstanding IRS contracts and options on interest rates with the aim of covering the risk of variability of interest rates on loans.

The Parent Emak S.p.A. and the subsidiaries Tecomec S.r.l., Comet S.p.A. and Comet USA Inc. have signed IRS contracts and options on interest rates for a total notional value of € 43,215 thousand; the expiration of the instruments is so detailed:

Bank	Company	Notional Euro (€/000)	Date of the operation	Due to
Banca Popolare dell'Emilia Romagna	Emak S.p.A.	333	20/01/2010	31/12/2016
Banca Popolare di Verona	Emak S.p.A.	1,366	28/03/2013	30/09/2017
UniCredit	Emak S.p.A.	1,750	22/05/2013	31/03/2018
Banca Popolare Comm. Industria	Emak S.p.A.	3,500	30/06/2015	31/12/2019
Carisbo	Emak S.p.A.	2,222	24/09/2015	12/06/2020
Mediobanca	Emak S.p.A.	5,000	24/09/2015	31/12/2020
Banca Monte dei Paschi di Siena	Emak S.p.A.	3,000	24/09/2015	31/12/2020
Banca Popolare Comm. Industria	Comet S.p.A.	2,000	10/10/2011	12/10/2016
Banca Popolare Comm. Industria	Comet S.p.A.	2,000	09/05/2012	28/04/2017
UniCredit	Comet S.p.A.	2,100	22/05/2013	29/03/2018
UniCredit	Comet S.p.A.	6,044	06/08/2015	20/03/2020
Banca Nazionale del Lavoro	Comet S.p.A.	2,844	06/08/2015	20/03/2020
Carisbo	Comet S.p.A.	2,222	24/09/2015	12/06/2020
UniCredit	Tecomec S.r.l.	682	11/04/2012	31/07/2017
Carisbo	Tecomec S.r.l.	2,222	24/09/2015	12/06/2020
MPS	Tecomec S.r.l.	2,000	24/09/2015	31/12/2020
Intesa San Paolo	Comet USA Inc	3,930	27/02/2013	19/02/2019
<b>Total</b>		<b>43,215</b>		

The average interest rate resulting from the instruments is equal to 0.56%.

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

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

## 21. Trade and other receivables

€/000	30.06.2016	31.12.2015
Trade receivables	117,318	95,853
Provision for doubtful accounts	(4,550)	(3,963)
<b>Net trade receivables</b>	<b>112,768</b>	<b>91,890</b>
Trade receivables from related parties (note 33)	912	882
Prepaid expenses and accrued income	1,635	971
Other receivables	3,971	3,263
<b>Total current portion</b>	<b>119,286</b>	<b>97,006</b>
Other non current receivables	65	69
<b>Total non current portion</b>	<b>65</b>	<b>69</b>

"Other loans", for its current portion, also includes an amount of € 493 thousand for receivables of certain Group companies towards the controlling company Yama S.p.A., emerging from the relationships that govern the tax consolidation to which the same participate, and referring to the instance of reimbursement submitted in 2012 by the consolidating company in order to obtain the tax benefit associated with the

deductibility, from taxable IRES, of IRAP related to personnel costs, employee and assimilated, under Article 2, paragraph 1-c of the Decree-law no. 201/2011.

All non-current receivables fall due within 5 years.

## 22. Inventories

Inventories are detailed as follows:

€/000	30.06.2016	31.12.2015
Raw, ancillary and consumable materials	36,819	39,096
Work in progress and semi-finished products	20,765	20,693
Finished products and goods	75,651	78,570
<b>Total</b>	<b>133,235</b>	<b>138,359</b>

Inventories at 30 June 2016 are stated net of provisions amounting to € 6,275 thousand (€ 5,806 thousand at 31 December 2015) intended to align the obsolete and slow moving items to their estimated realizable value.

## 23. Shareholders' equity

### Share capital

Share capital is fully paid up at 30 June 2016 and amounts to € 42,623 thousand and consists of 163,934,835 ordinary shares of par value € 0.26 each.

All shares are fully paid.

### Treasury shares

The adjustment of € 2,029 thousand to equity for the purchase of treasury shares represents the overall consideration paid on the market by Emak S.p.A. to buy the treasury shares held on 30 June 2016.

The nominal value of these treasury shares is € 104 thousand.

With regards to the sale and purchase of treasury shares carried out during the period, reference should be made to the appropriate section in the half year report.

### Dividends

On 22 April 2016 the Shareholders' Meeting resolved the distribution of dividends relating to the 2015 financial year for a total of € 4,088 thousand, these dividends have been fully paid in June 2016.

### Share premium reserve

At 30 June 2016 the share premium reserve is € 42,454 thousand, consists of the premiums on newly issued shares. The reserve is shown net of legal costs for the increase in capital, realized in 2011, of € 1,598 thousand and net of the relative tax effect of € 501 thousand.

### Legal reserve

At June 30, 2016 the legal reserve is of € 2,709 thousand (€ 2,361 thousand was at December 31, 2015).

### Revaluation reserve

At 30 June 2016, the revaluation reserve includes reserves deriving from the revaluation pursuant to former L. 72/83 for € 371 thousand and ex L. 413/91 for € 767 thousand. No changes occurred during the period.

### Reserve for conversion differences

At 30 June 2016 the reserve for conversion differences for a positive amount of € 5,317 thousand is entirely attributable to the differences generated from the translation of balances into the Group's reporting currency.

### Reserve IAS 19

At 30 June 2016 the IAS 19 reserve is equal a negative amount of € 832 thousand, for the actuarial valuation difference of post-employment benefits to employees

### Other reserves

At 30 June 2016 the other reserves includes:

- the extraordinary reserve, amounts to € 27,088 thousand, inclusive of all allocations of earnings in prior years;
- the reserves qualifying for tax relief refer to tax provisions for grants and donations for € 129 thousand;
- the reserves for merger surpluses for € 3,561 thousand;
- the reserves from capital grants deriving from the merger of Bertolini S.p.A. for € 122 thousand.

### 24. Trade and other payables

€/000	30.06.2016	31.12.2015
Trade payables	56,930	62,090
Payables due to related parties (note 33)	1,046	1,244
Payables due to staff and social security institution	12,335	9,763
Accrued expense and deferred income	456	615
Advances from customers	2,599	2,634
Other payables	5,700	4,502
<b>Total</b>	<b>79,066</b>	<b>80,848</b>

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

The item "Other payables" includes € 3,294 thousand 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, according to art. 116 and following of the Presidential Decree n. 917/1986.

### 25. Financial liabilities

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

€/000	30.06.2016	31.12.2015
Overdrafts	13,856	7,504
Bank loans	45,260	46,943
Liabilities for purchase of equity investments	1,697	600
Financial accrued expense and deferred income	479	503
Other loans	446	360
Finance leases	13	26
<b>Total current</b>	<b>61,751</b>	<b>55,936</b>

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

The item "Liabilities for purchase of equity investments" refers to:

- € 1,447 thousand at discounted residual debt to the transferor member of Valley Industries LLP following the agreement of "Put and Call Option Agreement" to purchase the 10% remaining of the company to be exercised in 2017;
- € 250 thousand to the deferred price for the purchase of the investment in the company Acquatecnica Srl, now merged into P.T.C. S.r.l.

Long-term loans and borrowings are repayable as follows:

€/000	30.06.2016	31.12.2015
Bank loans	74,105	78,696
Liabilities for purchase of equity investments	16,543	14,210
Other loans	1,009	934
<b>Total non current portion</b>	<b>91,657</b>	<b>93,840</b>

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

- € 4,989 thousand, corresponding to approximately 17,908 thousand Reais, related to the deferred price discounted to the purchase of 70% of the company Lemasa payable to the selling shareholder of Lemasa and maturing in 2018. This debt is the best estimate of future disbursement deferred price that can be modified based on the performance of certain economic and financial parameters provided in the purchase agreement;
- € 11,046 thousand, corresponding to approximately 39,654 thousand Reais, on the remaining actualized debt to the selling shareholder of company Lemasa following the "Put and Call Option Agreement" for purchase the 30% remaining of the company to be exercised by 2020. Even this debt is subject to changes based on certain economic and financial parameters provided in the contract of "Put and Call Option";
- € 311 thousand relating to the portion of interest earned on the amounts subject to an escrow account contract and of competence of the transferor's of Lemasa shareholding.
- € 197 thousand relating to the residual debt actualized to the selling shareholder of the company PTC S.r.l. following the agreement of "Put and Call Option Agreement" to purchase the remaining 10% of the company to be exercised in 2019.

The item "Other loans" includes € 786 thousand, refers to the granting at the parent company Emak S.p.A. of a subsidized loan on the part of Simest S.p.A. in accordance with Law 133/08, through which, the Italian companies, are assisted in their internationalization process through loans at preferential interest rates.

The loans that fall beyond 5 years amount to € 224 thousand.

Some medium-long term loans are subject to financial covenants, on the basis of the debt/EBITDA and debt/Equity ratios consolidated at year-end; no constraint of compliance with financial covenant applies to 30 June 2016.

## 26. Tax assets and liabilities

Deferred tax assets are detailed below:

€/000	30.06.2016	31.12.2015
Deffered tax on impairment of assets	455	475
Reversal of unrealized intercompany gains	2,138	2,197
Provision for inventory obsolescence	1,360	1,272
Losses in past financial periods	818	1,383
Provisions for bad debts	280	284
Deferred tax asset on on unrealized exchange differences	34	550
Other deferred tax assets	2,057	2,892
<b>Total</b>	<b>7,142</b>	<b>9,053</b>

The exploitation of past tax losses is of limited duration. The accrued tax losses attributable to Emak Usa Inc, for which are limited in duration until 2026, have been transferred into Comet USA Inc following the merger occurred in 2014 and will be used by the same company.



Deferred tax liabilities are detailed below:

€/000	30.06.2016	31.12.2015
Deferred tax on property IAS 17	1,210	1,222
Deferred tax on on fair value adjustments	2,209	1,928
Deferred tax on unrealized exchange differences	265	222
Deferred tax on valuation of provision for employee termination indemnities under IAS 19	3	3
Other deferred tax liabilities	2,257	2,674
<b>Total</b>	<b>5,944</b>	<b>6,049</b>

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

The “Current tax assets” amount, at 30 June 2016, to € 3,538 thousand, against € 5,324 thousand at 31 December 2015, refer to VAT credits, surplus payments on account of direct tax and other tax assets. The figure also includes an amount of € 326 thousand as a result of the payment made in June 2014, on a provisional basis and pending appeal against the assessment on annuity in 2008 by way of adjustment of prices of certain cross-border Intercompany transactions (for the details of which are provided in note 28 - Provisions for liabilities and charges), and an amount of € 1,047 thousand as tax assets -ex Law 201/2011 and ex Legal Decree 185/2009- requested for reimbursement by Emak S.p.A. and Comag S.r.l. in previous years.

“Current tax liabilities” amount to €5,958 thousand at 30 June 2016 compared with € 3,682 at 31 December 2015, and refer to payables for direct tax for the period, to VAT liabilities and withholding taxes.

## 27. Employee benefits

Liabilities refer mainly to amounts payable for employment termination indemnity falling due at the end of employees’ working life, equal to € 8,481 thousand. The valuation of the indemnity leaving fund (TFR) at the closing date, carried out according to the nominal debt method in force would be € 8,331 thousand.

The principal economic and financial assumptions used to calculate the fund are the same as those used at the close of the 2015 financial year.

## 28. Provisions for risks and charges

Movements in these provisions are detailed below:

€/000	31.12.2015	Increase	Decrease	Exchange differences	30.06.2016
Provisions for agents' termination indemnity	1,576	69	(112)		1,533
Other provisions	83			11	94
<b>Total non current portion</b>	<b>1,659</b>	<b>69</b>	<b>(112)</b>	<b>11</b>	<b>1,627</b>
Provisions for products warranties	435	2	(3)	(1)	433
Other provisions	1,216	57	(4)	(1)	1,268
<b>Total current portion</b>	<b>1,651</b>	<b>59</b>	<b>(7)</b>	<b>(2)</b>	<b>1,701</b>

The provision for agents’ termination indemnity is calculated on the basis of agency relationships in force at the close of the financial year. It refers to the probable indemnity accrued to agents at 30 June 2016.

Other non-current provisions are related to:

- € 25 thousand in legal costs to be incurred in respect of a tax dispute for IRES, IRAP and VAT relating to the 1999 to 2006 financial years. In the first half of 2016, the subject of this litigation assessment was finally canceled in respect of all levels of courts.
- € 69 thousand against possible liabilities impending on society Lemasa.

Item "Other provisions", for its current portion, refers to the best estimate of liabilities that are deemed probable the current state, detailed as follows:

- allocations for € 404 thousand (including legal defense costs € 33 thousand), relating to an assessment, carried out by the Tax Authorities of Bologna, section large contributors, against Emak S.p.A. during the year 2013, concerning the period 2008-2009-2010.  
On the basis of the minutes, the Agency has determined, by way of adjustment of prices of certain cross-border intra-group transactions, for all three years concerned by the audit, taxes and interest for a total of € 835 thousand (the amounts assessed penalties do not match art. 1, paragraph 2-ter of Legislative Decree 471/97).  
Given all investigations, closed a vain attempt to reconciliation, actions have been proposed; the related hearings discussion will take place in the coming months. Emak is convinced of the correctness of his actions and of the validity of their arguments, also on the basis of the assessments of their defenders. Therefore confirms the prudential provisions already set forth above, quantified in € 404 thousand, including associated costs of defense, corresponding to the maximum sacrifice acceptable, exclusively on the basis of economy and opportunities, in the conciliation and for all annuity involved;
- adjustment, stationed in previous years, to € 545 thousand, of the original value of the credit for capital grants Law 488/92;
- some objections concerning various disputes and future charges for about € 221 thousand;
- charges related to administrative penalties that may be charged to the Group for about € 81 thousand;
- reimbursement of deductibles on claims for product liability for € 17 thousand.

## 29. Other non-current liabilities

The amount reported on 30 June 2016 equal to € 786 thousand, compared to € 835 thousand at 31 December 2015, refers to the capital grant received by Comag S.r.l. under Law 488/92 which is being recognized over future years. The portion of the grant recognizable this year is classified under current liabilities as other payables and amounts to € 102 thousand.

## 30. Potential liabilities

On 30 June 2016 is pending tax litigation against Comet S.p.A., following a verification of the Revenue Agency which ended October 12, 2012, concerning the 2010 tax period. The contested findings concerning IRES and IRAP for about € 70 thousand, plus interest. Following the negative outcome of the company in the first instance, during the year 2015 were paid € 20 thousand by way of a provisional role entry, pending a decision on appeal.

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

### 31. Information on financial risks

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

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

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

The Group's exposure to financial risks, also considering the change in the scope of consolidation, has not undergone significant changes compared to 31 December 2015.

### 32. Commitments and guarantees given

#### Fixed asset purchases

The Group has no purchases commitments of fixed assets involving non-recurring financial disbursement in the short-term except as indicated in the half year financial report in paragraph 8 regarding the new R&D center.

#### Purchases of additional shares of equity

It should be noted that, with respect to shares held directly or indirectly by the Parent Company Emak S.p.A., are in place the following contractual agreements:

- In the contract of acquisition of the subsidiary Valley Industries LLP has been defined Put and Call option for the 10% remaining interest, in favor of the General Manager of the company to be exercised by 2017;
- The subsidiary Comet S.p.A. under the contract of acquisition of control of Mexican society S.I.Agro Mexico has defined a collateral agreement that provides for a call option in favor of Comet to purchase the remaining 15% of the capital exercise over the course of 2019;
- In the contract to acquire the subsidiary Lemasa LTDA, owned by Comet do Brasil with a share of 70%, there is an agreement of "Put and Call Option" that regulates the purchase of the remaining 30% to be exercised between April 1 2020 and April 1, 2021;
- The subsidiary Comet S.p.A. has in place an agreement providing for a put and call option to purchase the remaining 10% of PTC S.r.l. to be exercised in 2020.

### 33. Related party transactions

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

It is, in first place, exchange of goods and provision of services. Among the companies under the Yama direct control, some have provided during, the period 2016 to the Emak Group, components, materials and production, as well as the leasing of industrial surfaces. On the other hand, certain companies of Yama Group bought from Emak Group products for the completion of their respective range of commercial offer. The execution of these operations is responding to industrial and commercial purposes and logic.

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

The nature and extent of the commercial operations described above is represented in the following tables.

Related parties (€/000)	Net sales	Receivables	Financial revenues	Current financial assets	Non current financial assets
Agro D.o.o.	241	94	-	-	-
Cofima S.r.l.	-	1	-	-	-
Euro Reflex D.o.o.	389	480	-	-	-
Gamec S.p.A.	216	124	-	-	-
Mac Sardegna S.r.l.	386	199	-	-	-
Selettra S.r.l.	1	1	-	-	-
Yama S.p.A.	-	13	6	487	334
<b>Total</b>	<b>1,233</b>	<b>912</b>	<b>6</b>	<b>487</b>	<b>334</b>

Related parties (€/000)	Purchase of raw materials and finished products	Other costs	Commercial and other Payables
Agro D.o.o.	19	-	3
Cofima S.r.l.	510	221	579
Euro Reflex D.o.o.	1,153	1	325
Gamec S.p.A.	2	-	1
Mac Sardegna S.r.l.	-	3	3
Selettra S.r.l.	229	-	134
Yama Immobiliare S.r.l.	-	913	1
<b>Total</b>	<b>1,913</b>	<b>1,138</b>	<b>1,046</b>

The amount of outstanding balances with related parties relating to the fiscal consolidation are exposed to notes 21 and 24.

As regards relations with the parent company's corporate bodies, is summarized the following economic reports at 30 June 2016:

- Board of Directors for € 492 thousand (included in personnel costs);
- Statutory Auditors for € 34 thousand (included in Cost of services).

#### 34. Subsequent events

Please refer to what described in paragraph 8 of the Directors' Report.

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**Declaration on the half year report in accordance with Article 154-bis, paragraph 2 of Legislative Decree no. 58/1998 (Testo Unico della Finanza)**

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

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

of administrative and accounting procedures for the preparation of the individual financial statements and the consolidated financial statements for the financial period 1 January 2016 - 30 June 2016.

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

2. It is hereby declared, moreover, that:

2.1 The abbreviated half-year accounts:

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

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

The intermediate directors' report contains, as well, information regarding significant operations with related parties.

Date: 5 August 2016

President and Chief Executive Officer  
Fausto Bellamico

The Financial Reporting Officer  
Aimone Burani

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

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

### **Introduction**

We have reviewed the accompanying half-year condensed consolidated financial statements, which comprise the statement of financial position, income statement, statement of comprehensive income, statement of changes in shareholders' equity and cash flow statement, and related explanatory notes of Emak S.p.A. and subsidiaries (the "Emak Group") as of June 30, 2016. The Directors are responsible for the preparation of this interim financial information in accordance with the International Accounting Standard applicable to the interim financial reporting (IAS 34) as adopted by the European Union. Our responsibility is to express a conclusion on this interim financial information based on our review.

### **Scope of Review**

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

### **Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the accompanying half-year condensed consolidated financial statements of Emak Group as of June 30, 2016 are not prepared, in all material respects, in accordance with the International Accounting Standard applicable to the interim financial reporting (IAS 34) as adopted by the European Union.

**Other Matter**

The consolidated financial statements of Emak Group for the period ended as of December 31, 2015 and the half-year condensed consolidated financial statements for the period ended as of June 30, 2015 have been respectively audited and reviewed by other auditors that on March 25, 2016 and on August 7, 2015 expressed an unmodified opinion and an unmodified conclusion on those half-year condensed consolidated financial statements.

DELOITTE & TOUCHE S.p.A.

*Signed by*

Domenico Farioli

Partner

Parma, Italy

August 5, 2016

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