Annual report at 31 December 2014

These financial statements were approved by the Board of Directors on 13 March 2015.

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

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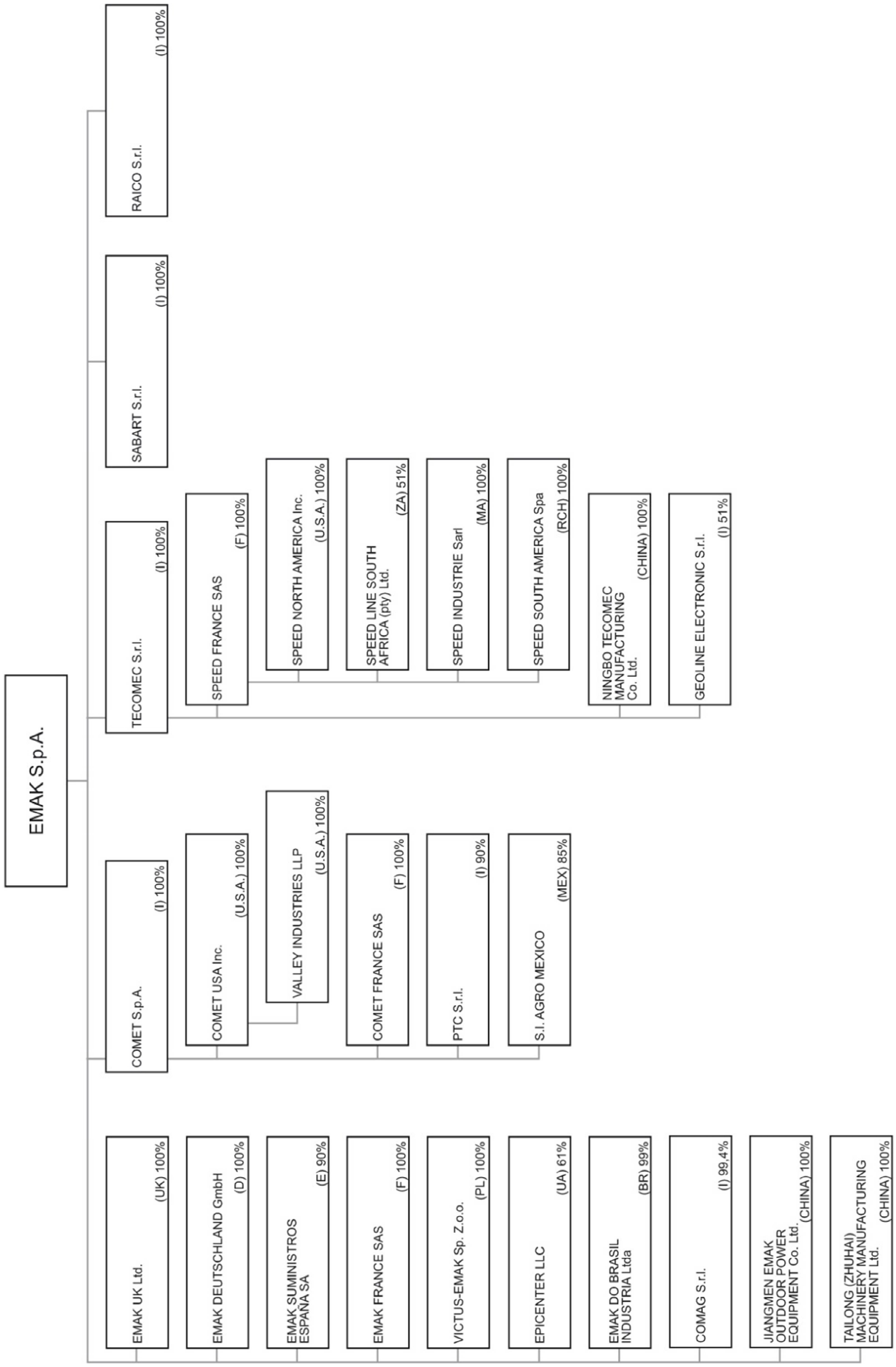
Emak®
our **power**, your **passion**

Organizational chart of Emak Group as at 31/12/2014

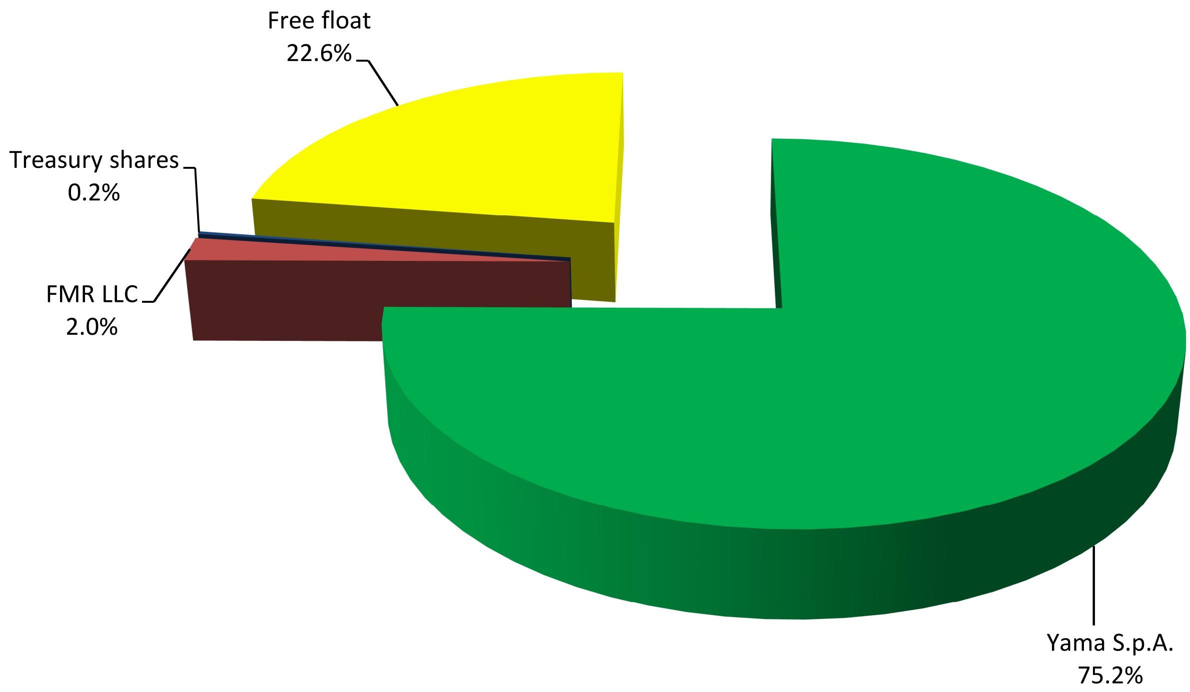


The participation in Valley Industries LLP is equal to 100% as a result of the "Put and Call Option Agreement" that governs the acquisition of the remaining 10% ownership of the company's General Manager.

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).

The table below summarizes the composition of the Company as at December 31, 2014.



Composition of corporate bodies

the Ordinary General Meeting of the Shareholders of the Parent Company, Emak S.p.A. on 23 April 2013 appointed the Board of Directors and the Board of Auditors for the financial years 2013-2015.

Board of Directors	
Chairman and Chief Executive Officer	Fausto Bellamico
Deputy Chairman	Aimone Burani
Executive Directors	Stefano Slanzi
	Ivano Accorsi
Independent Directors	Alessandra Lanza
	Massimo Livatino
	Francesca Baldi
	Ariello Bartoli
	Luigi Bartoli
Directors	Paola Becchi
	Giuliano Ferrari
	Vilmo Spaggiari
	Guerrino Zambelli
Audit Committee and Remuneration Committee	
Chairman	Ivano Accorsi
	Alessandra Lanza
	Massimo Livatino
Board of Statutory Auditors	
Chairman	Paolo Caselli
Acting auditors	Gianluca Bartoli
	Francesca Benassi
Alternate auditors	Maria Cristina Mescoli
	Eugenio Poletti
Independent Auditors	Fidital Revisione S.r.l.
Financial Reporting Officer	Aimone Burani
Supervisory Body as per Legislative Decree 231/01	
Chairman	Sara Mandelli
Acting members	Roberto Bertuzzi
	Guido Ghinazzi

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

II. **Pumps and High Pressure Water Jetting.** This category brings together the development, manufacture and marketing of diaphragm pumps intended for agriculture (spraying and weeding), piston pumps for the industrial sector, of professional pressure washers and hydrodynamic units and machines for urban cleaning. The Group distributes its products under the Comet, HPP, PTC and Master Fluid brands. Group customers are: manufacturers of machines for spraying and weeding with regard to agriculture pumps; builders of hydrodynamic units and pressure washers in relation to industrial pumps; specialized dealers and contractors respectively for pressure washers and hydrodynamic units.
The market has a value globally estimated at between 2.5 and 3.4 billion euros.
The 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:

a) *Industrial pumps*: demand is related to market performance of hydrodynamic units and pressure washers.

b) *Professional pressure washers*: economic trends; increase in hygiene standards (especially in developing countries).

c) *hydrodynamic units*: demand is linked to the performance of sectors / fields of application such as: hydro demolition; hydro cleaning and ship repair; refineries; mines and quarries; oil industry; hydro cleaning underwater; iron and steel; foundries; chemical processes; energy production; paper mills; transport; municipalities; food; automotive and motor Industry.

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

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

Production organization

The production model is flexible, focused on high value-added phases of engineering, industrialization and assembly. The group's 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 16 different facilities that have a combined surface area of around 160,000m2.

Company	Location	Output
Emak	Bagnolo in Piano (RE) – Italy	Chainsaws, brushcutters, power cutters, cultivators, cutter bar mowers, transporters
Comag	Pozzilli (IS) – Italy	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

Strategy

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

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

(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 Emak 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:

Weather conditions
Weather conditions may impact on the sales of certain product families. Generally, weather conditions characterized by drought may provoke a drop in the sales of gardening products, while harsh winters have a positive effect on the 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 there are no agreements involving minimum purchase quantities. As a result, the demand of such customers for fixed volumes of products cannot be guaranteed and it is impossible to rule out that a loss of important customers or the reduction of orders made by them could have negative effects on the Group's economic and financial results.

Raw material components
The Group's economic results are influenced by the trend in the price of raw materials and components. The main raw materials used are copper, steel, aluminium 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.

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

Risk management process
With the aim of reducing the financial impact of any harmful event, Emak has arranged to transfer residual risks to the insurance market, when insurable.
In this sense, Emak, as part of its risk management, has taken steps to customize insurance coverage in order to significantly reduce exposure, particularly with regard to possible damages arising from the manufacturing and marketing of products.
All companies of the Emak Group are today insured against major risks considered as strategic, such as: product liability and product recall, general civil liability and property all risks. Other insurance coverage has been taken out at the local level in order to respond to regulatory requirements or specific regulations.
The analysis and insurance transfer of the risks to which the Group is exposed is carried out in collaboration with an insurance broker who, through an international network, is also able to assess the adequacy of the management of the Group's insurance programs on a global scale.

2014 Board of Directors' report

1. Economic and Financial highlights of the Group

Income statement (€/000)

	2014	2013
Net sales	354,757	355,033
EBITDA (1)	31,456	34,196
EBIT	19,983	22,375
Net profit	10,185	10,533

Investment and free cash flow (€/000)

	2014	2013
Investment in property, plant and equipment	9,464	7,396
Investment in intangible assets	2,086	1,701
Free cash flow from operations (2)	21,658	22,354

Balance sheet (€/000)

	31.12.2014	31.12.2013
Net capital employed	239,142	227,175
Net debt	(79,043)	(76,381)
Total equity	160,099	150,794

Other statistics

	2014	2013
EBITDA / Net sales (%)	8.9%	9.6%
EBIT/ Net sales (%)	5.6%	6.3%
Net profit / Net sales (%)	2.9%	3.0%
EBIT / Net capital employed (%)	8.4%	9.8%
Debt / Equity	0.49	0.51
Number of employees at period end	1,574	1,576

Share information

	2014	2013
Profit attributable to the group per share (€)	0.064	0.063
Equity per share (€) (3)	0.969	0.911
Official price (€)	0.86	0.82
Maximum share price in period (€)	1.05	0.92
Minimum share price in period (€)	0.59	0.53
Stockmarket capitalization (€/million)	141	134
Average number of oustanding shares	163,537,602	163,537,602
Number of shares comprising share capital	163,934,835	163,934,835
Cash flow per share: net profit + amortization/depreciation (€) (4)	0.132	0.137
Dividend per share (€)	0.025	0.025

(1) "Ebit" plus "Amortization, depreciation and impairment losses"
(2) "Net Profit" plus "Amortization, depreciation and impairment losses"
(3) "Group equity" divided by "Number of shares outstanding at period end"
(4) "Group Net Profit + Amortization/depreciation" divided by "Average number of shares outstanding"

2. Research and development

Research and development is one of the main factors for the Goup's success as it is a source of competitive advantage in international markets and often determines the success of an enterprise. For this reason, where possible, the Group protects its products with international patents.
The activity is focused on product innovation, considered not only as the development of new technologies that improve the performances of the machines – in terms of lower consumption and gas emissions, more safety, comfort and fewer vibrations – and may further expand the fields of use of the components and accessories produced by the Group. With the aim of keeping in step with the times and as far as possible anticipating future solutions, the Group has for some years entered into partnerships with the academic world in order to develop new technologies that can be applied to its products.

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

Outdoor Power Equipment

Besides consolidating the sales of products launched in the second half of 2013 (including, most of all, a new line of mower with a steel body, a robot mower and a line of small tractors), 2014 saw the launch of a series of important products for the company. Of these, worth noting is a new 36 cc professional brushcutter, a multifunctional brushcutter, suitable for private customers and maintenance workers, on which it is possible to attach a series of applications for cutting grass, hedges and trees, and a new line of tractors for large-size gardens and parks with a cutting width of 96, 105 and 122cm. 2014 was a very important year also for the continuation of the development of new machines among which it is worth mentioning a new line of tillers for private use and two brand new professional pruning saws models of 25cc and 35cc.

Pumps and High Pressure Water Jetting

With regards to pumps for agriculture, two important membrane pump projects have been completed during the year.
In the high pressure water jetting area, a new hot water generator to combine with cold water pressure washers and a new electrically-operated static pressure washer have been designed; research into an innovative line of medium-power hot water pressure washers has also begun.
Various versions of pumps for industry that complete the catalogue of the Comet brand range have been developed and the research and development of a new line of products in the HPP brand range represents a significant updating of the Group's commercial offer.
An important boost to research and development came from the acquisition of software for the analyzing and numerical simulation of physical-mechanical phenomena relating to the functioning of products.

Components and Accessories

The development of a new line of wire and heads for brushcutters to be launched on the market from the second half of 2015 was completed during the year. Thanks to the diverse skills inside the Group, the design and construction of integrated and specific products for battery-operated machines (wire/head) was further developed. A number of these products are already available on the market and subject to exclusive contracts with major OEM's. In the period was completed the development of a new series of accessories for chainsaw maintenance (mainly electric sharpeners, chain breakers and rivet spinners). All of these products are covered by international patents.
The implementation of a range of electronic control products for devices on machines for spraying and weeding (computers with basic functions) continued with success during the year. This type of product, which represent only the first stage in the development of a wider series of articles for precision applications in agriculture, will be completed by other. More complex and sophisticated products (integrated computers with advanced functions, GPS, etc.) currently in the study and prototyping phase.
In addition, in the area of products for agriculture, the range of line for applications in garden centres, vineyards and the protection of plantations/cultivations has been extended, with the introduction of new nylon-based materials.
Finally, investments continued in research to complete the range of professional products in the sector of industrial cleaning.

3. Human resources

The breakdown of staff by country at 31 December 2014, with comparisons for last year, is shown in the table below:

Employees at	31.12.2014	31.12.2013
Italy	820	843
France	133	126
UK	12	12
Spain	19	19
Germany	23	24
Poland	40	41
China	354	372
Usa	85	88
Ukraine	37	37
South Africa	6	6
Brasil	9	8
Mexico	10	-
Morocco	26	-
Total	**1,574**	**1,576**

The total number of staff in the Emak Group at 31 December 2014 was 1.574, of which 266 were in the Comet group, 339 in the Tecomec group, 56 in Sabart S.r.l. and 44 in Raico S.r.l..
The staff appraisal model was extended to all companies in the Group in 2014.

A total of 4.940 hours of specialist and management training were organized during the year, with 132 people trained, as well as a further 3,052 hours of training on the production lines and on safety, with the involvement of 170 workers in the production and indirect structure workers.
Again with regards to training, Tecomec organized 2,638 hours of training (including 248 hours on work health and safety), involving two thirds of staff and with an average of over 40 hours of training per employee. In Comet 600 hours of specialist training were organized and a further 394 hours of training on safety for a total of 994 training hours. In Sabart and Raico 1,100 hours (of which around half relating to safety areas) were organized, involving 64 people. At Group level, a total of around 13,000 hours of training were organized in 2014.

In 2014, in the parent company Emak S.p.A., 59.528 hours under the job security agreement were worked. The job security agreement was extended for the whole of 2015.
In Comag Srl periods of flexibility in job performance were used in order to better follow demand trends and seasonality in production, besides temporary layoffs for a total of 11 days in the second half of the year.

In accordance with arts. 4, 5 and 24 of Law 223/91, in December 2014 Emak SpA entered into an Agreement with the OO.SS. and RSU companies for voluntary layoffs involving 25 employees. The costs sustained by the Company for this procedure totalled € 855 thousand.

With reference to agreements in the Group, Emak S.p.A.'s company agreement was renewed in 2014 (entered into on 25 June 2014 and expiring 31 December 2017). An agreement extension was entered into in Comet S.p.A. expiring 31/12/2014 and the supplementary agreement in Tecomec S.r.l. was renewed on 30 April 2014, expiring 31 December 2016. The key element of the agreement undersigned in Tecomec is the insertion of an integrative health plan for employees (the "welfare" model for employees already operating in Comet S.p.A and Emak S.p.A.).

4. Significant events in the financial year and positions or transactions as a result of atypical and unusual operations

4.1 Geoline Electronic S.r.l.

On 28 January 2014 the subsidiary Tecomec S.r.l. finalized the agreement for the acquisition of 51% of the company Geoline Electronic Srl, a company newly incorporated by Dinamica Generale S.p.A. concerned with the development and production of electronic control systems for applications in Agriculture.
The transaction is part of the Group's growth strategy, initiating a project of technical and commercial development of electronic products to be commercialized under the Geoline brand name.
The operation allowed Tecomec S.r.l. to complete its product range, increase the value of its offer, extend its customer base, exploit cross-selling opportunities through the distribution of products already available in the Dinamica Generale S.p.A. portfolio and, as a whole, strengthen its position on the market. As a result, Emak Group has acquired specific know-how in the electronics field to develop not only the Geoline business, but also other product families.

The transaction involves an investment for the Group of € 2,700 thousand, of which € 1,500 thousand have been paid; the deferred portion of the price, amounting to € 1,200 thousand, is divided into two instalments worth € 600 thousand each, respectively due January 10, 2015 and January 10, 2016.

4.2 Acquisition of Caj Tech sarl Au (now Speed Industrie Sarl)

With effect from January 1, 2014 Speed France SAS, the French subsidiary of Tecomec S.r.l., acquired 100% of the company Caj Tech Sarl Au, subsequently renamed Speed Industries Sarl.

The company, founded in 2012, is headquartered in Mohammedia (Morocco) and mainly carries out packaging for Speed France; the transaction will enable the company to supervise directly the costs of certain stages of the production process. The price of Caj Tech Sarl Au was determined contractually in 269,000 dirhams, or approximately € 24 thousand, paid in full on January 2, 2014.

The parent company, Speed France, subscribed and paid at the same time, by way of an increase of the share capital of the acquired company for 1,345 thousand dirhams, or approximately € 120 thousand.

4.3 Acquisition of control of S.I. Agro Mexico

On 9 January 2014 the subsidiary, Comet S.p.A., acquired control of the distribution company S.I. Agro Mexico, with registered office in Guadalajara in Mexico, taking its shareholding from 30% to 85%. The additional stake was acquired from the family of the founder and chief executive officer of the company who, after the operation, will remain involved as a minority shareholder and responsible for operating management.

S.I. Agro Mexico, a company incorporated in 2010 and of which Comet has been a shareholder since the beginning, carries on the activity of the commercialization on the local market of components, accessories and spare parts in the Agriculture segment, commercialized under the brands "Comet", "Valley", "Geoline" and "Mecline".

The turnover of the company to 31 December 2014 amounted to about € 2,853 thousand.

The operation forms part of Emak Group's growth strategy, allowing it to strengthen its overall presence in an important market with significant margins for development such as Mexico.

The consideration for the operation amounts to around € 1,000 thousand: € 694 thousand, the fixed part, has already been paid; € 300 thousand, the variable part, will be paid on the basis of results obtained in the 2014-2015 period. Based on the prospective data updated to today, payment of the variable part of the price is considered unlikely.

Side agreements relating to the acquisition provide for a call option in favor of Comet for the acquisition of the remaining 15% of share capital at the end of the 5th year after closing the deal, at a price linked to Ebitda performance.

4.4 Acquisition of Master Fluid S.r.l. and subsequent merger of Master Fluid S.r.l. into P.T.C. S.r.l.

On 5 June 2014, the subsidiary, PTC S.r.l., itself controlled by Comet S.p.A., completed the acquisition of 80.5% of the share capital of Master Fluid S.r.l. with registered office in Rubiera (RE).

Master Fluid operates in the projecting and manufacturing of special equipment for industry and environmental hygiene and fittings on industrial vehicles, in particular the production of high pressure cold and hot water washing equipment (water jetting), fitting street-washing vehicles and equipment for cleaning sewers and cleaning pipes.

The company closed 2013 with a turnover of approximately € 3.4 million.

The transaction, valued at approximately € 0.8 million, will enable PTC to expand its range of products to increase its coverage of foreign markets and to develop synergies from the point of view of costs.

On June 24, 2014, shareholders' meeting approved the merger of Master Fluid Srl into the parent P.T.C.

The merger operation, finalized on 30 June, 2014, provided for a share capital increase of PTC S.r.l. in order to meet the needs of the exchange ratio on the participation, to be allocated to the minority shareholder of Master Fluid (third party to the Group), which is now held by Comet SpA for 90%.
The effects of the incorporation with regards to third parties became effective from 1 September 2014. The accounting and tax effects, for the purpose of the separated financial statements of P.T.C. S.r.l., are effective as from 1 January 2014.

4.5 Contributions granted to certain Group companies for research, innovation and expansion of production

In the third quarter 2014 Comet S.p.A. received a contribution, as per Law 46/1982, by the Ministry of Economic Development relating to investments as part of a multiyear plan of product innovation, for an amount of € 750 thousand (90% of the total amount granted).

Moreover, in the first months of 2014, Comet S.p.A. received a contribution, disbursed by MIUR (the Ministry of Education, University and Research) as per Leg. Dec. 297/99, of € 99 thousand. This contribution has been recognized in the income statement. The obtaining of such contributions implied the incurrence of non-recurring consulting costs amounting to about € 143 thousand.

Following an investigation by the Ministry of Economic Development, in the third quarter 2014, Comag S.r.l. received, as per Law 488/92, 90% of the capital contribution granted for investments (overall amounting to € 9,538 thousand), made in the period 2004-2008. The portion collected amounts to € 1,670 thousand and was accounted for as a reduction of amounts receivable already registered by the company.

4.6 Merger of Emak USA into Comet USA

On October 1, 2014, Emak S.p.A., as part of the process of rationalizing its presence in the American market, sold to the controlled company Comet S.p.A. its entire stake in the share capital of Emak USA.
In October 2014, the shareholders of Comet USA and Emak USA approved the merger of Emak USA into Comet USA, effective from December 1, 2014.
The reorganization provides that, once the merger is completed, the business of Emak USA will become a division of Comet USA. The aim is to optimize logistics and maximize operating synergies, thereby freeing up important resources for business development.

4.7 Incorporation of Speed South America

In October 2014, the company, Speed France Sas, controlled by Tecomec Srl, completed the process of setting up a new company called Speed South America, based in Santiago (Chile), in which it holds the entire share capital.

The newly-incorporated company will sustain an investment of $ 2 million, for the setting up of a plant for the production of wire and heads for trimmers and nylon wire for agricultural use. The start of production activities is expected in the first quarter of 2015.

Thanks to this operation, Speed France, leader in the reference market, will have a direct presence in, and be more competitive on, the South American market, which represents one of the areas with the highest development potential for this type of products.

In the first months of 2015 the company, Speed France, fully subscribed and paid a capital increase of the subsidiary, Speed South America, for € 120 thousand and granted it a loan of € 350 thousand in order to provide the company with necessary financial resources.

The subsidiary at the closing date is not yet operative, and consequently its figures have not been consolidated, since they are not material.

4.8 Acquisition of 70% of the Brazilian company Lemasa LTDA

On November 3, 2014, the controlled company, Comet S.p.A., signed agreements for the acquisition of 70% of the share capital of the Brazilian company, Lemasa LTDA, for an amount of 75.6 million Reais (approximately € 24 million at the exchange rate at December 31, 2014). The founding family and current owner of the company will be involved both in the management of activities and as a minority shareholder. The closing of the transaction is expected by April 2015, once all the necessary formalities have been completed.

Lemasa, a Brazilian company founded in 1989 with its headquarters in Indaiatuba, is one of the leading manufacturers in South America of pumps and systems at high and very high pressure, a specific segment of the high pressure water jetting sector. The main areas of application of Lemasa's products are the agro-industry and bio-fuels, and the construction, oil & gas and ship-building industries. The company reported a turnover of 41.2 million Reais (approximately 13 million Euro) in 2014, and 40 million Reais in 2013.

The acquisition, which will be financed by bank debt, shall take place through the newly-formed Comet do Brasil Investimentos LTDA based in Indaiatuba (Brazil), whose share capital will be owned as to 99% by Comet S.p.A. and 1% by Ptc Srl.. The price will be paid in three installments: 42.3 million Reais at the closing of the deal; 10.6 million Reais at the end of the audit on the 2014 financial statements; 22.7 million Reais after the approval of the 2017 financial statement.
The amounts relating to the last two installments will remain deposited in an escrow account as security for all contractual commitments, for any contingency which might arise and for price adjustments according to economic-financial parameters provided for by the contract.

The agreement also provides for a "Put and Call Agreement" for the remaining 30% of the share capital that can be exercised on the 6th year following the closing at a price modulated on the basis of the average profitability achieved by Lemasa in the three previous years.

Lemasa's business and technology are highly complementary Comet's, one of the worldwide leaders in the field of pumps for agriculture and high pressure water jetting. In recent years Comet has expanded its product range (also through the acquisition of HPP, PTC and Master Fluid) towards the high pressure sector by directing its offer to the more professional end of the market. With this acquisition, Comet will strengthen its competitive position by exploiting industrial and distribution synergies resulting from the transaction.

It must be underlined that, as of today, the Emak Group, and Comet in particular, does not have any kind of relationship with Lemasa. Therefore, at consolidated level, the results of this company will result in net increases in the Group's results.

5. Economic and financial results of Emak Group

Summary of economic results

€/000	FY 2014	%	FY 2013	%	Change %
Net sales	354,757	100	355,033	100	(0.1)
Ebitda	31,456	8.9	34,196	9.6	(8.0)
Ebit	19,983	5.6	22,375	6.3	(10.7)
Profit before taxes	17,163	4.8	17,427	4.9	(1.5)
Net profit	10,185	2.9	10,533	3.0	(3.3)

In a context of high uncertainty, the Emak Group achieved a consolidated turnover of € 354,757 thousand, compared to € 355,033 thousand in the previous year, a decrease of 0.1% (0.8% at constant scope of consolidation).

Starting from the interim report at September 30, 2104, the Group has adopted a new breakdown of revenues by business area, more consistent with the internal reporting used by management to evaluate performance and manage the Group. The amounts relating to the comparative periods have been suitably reclassified.

The purpose is to represent the individual activities of the Group in terms of uniform distribution channels, and of customer and market dynamics.

The following table shows an analysis of sales reported for 2014, 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			COMPONENTS AND ACCESSORIES			TOTAL		
	FY2014	FY2013	Var. %	FY2014	FY2013	Var. %	FY2014	FY2013	Var. %	FY2014	FY2013	Var. %
Europe	150,962	152,269	-0.9%	39,798	37,276	6.8%	68,011	64,298	5.8%	258,771	253,843	1.9%
Americas	10,162	14,152	-28.2%	30,835	27,768	11.0%	20,976	21,220	-1.1%	61,973	63,140	-1.8%
Asia, Africa and Oceania	12,857	14,943	-14.0%	11,295	9,272	21.8%	9,861	13,835	-28.7%	34,013	38,050	-10.6%
Total	**173,981**	**181,364**	**-4.1%**	**81,928**	**74,316**	**10.2%**	**98,848**	**99,353**	**-0.5%**	**354,757**	**355,033**	**-0.1%**

Overall, sales of the "**Outdoor Power Equipmen**t" business area were up in Italy, Western Europe and in general where the Group has a direct presence through its commercial subsidiaries. The year was affected by geopolitical tensions in Ukraine and the consequent difficulties in the Russian market, particularly acute in the last quarter. The turnover was also affected by import restrictions in the Venezuelan market and the drop in demand in the Turkish market during the first months of the year.

Sales in the "**Pumps and high pressure water jetting**" business registered a significant growth, thanks to the good results obtained in the Western European markets, which more than offset the decline in Eastern Europe. The increase in sales in the Americas was mainly due to the enlargement of the scope of consolidation and the growth in North America. The good results achieved in Asia, Africa and Oceania was achieved thanks to the increase in sales in the Far East and the Middle East.
The Group's performance benefited from the contribution arising from the enlargement of the scope of consolidation for a total amount of about € 3,200 thousand.

Group sales of the "**Components and Accessories**" business area were broadly in line with the previous year, with organic growth offsetting the effect of the sale of the non-strategic business unit discontinued in November 2013, with sales of about 3,700 thousand (mostly concentrated in the Asian markets).
Sales growth was particularly positive in the Italian market and in other major countries of Western Europe. The growth in sales of accessories for washing on the North American market offset the fall in sales in some South American markets of products for the agricultural sector.

EBITDA

Ebitda for the year amounts to € 31,456 thousand, against € 34,196 thousand in the previous financial year, a decrease of 8%.

The result was negatively affected by higher structure costs due to the widening of the scope of consolidation, only partially offset by efficiencies achieved on direct materials and by revenue mix with higher margins.
The average number of employees in the workforce, including temporary workers, is 1,767 against 1,706 in the previous year. The increase is partly related to higher production volumes in some plants of the Group and partly to the enlargement of the scope of consolidation.

It should be noted that during the year some non-recurring items had a negative impact for a total amount of about € 1,674 thousand.
Specifically, these items include:

- charges arising from the layoff procedures and retirement incentives operated by certain Group companies for a total of approximately € 1,116 thousand;
- the costs deriving from the widening of the scope of consolidation, involving M&A costs for € 356 thousand and the economic effect of the reversal of intercompany margins for € 400 thousand
- provisions for future liabilities and charges for approximately € 429 thousand;
- the receipt of contributions for the amount of € 706 thousand, net of costs incurred in obtaining them, disbursed, as previously described, further to the investments made by the Group in industrial research and pre-competitive development;
- other non-recurring charges for about € 79 thousand.

Adjusting for these effects, Ebitda for 2014 would be € 33,130 thousand, a decrease of 3.1% compared to last year.

EBITDA as a percentage of revenues is 8.9% (9.3% excluding non-recurring items) against 9.6% in 2013.

EBIT

EBIT for the year amounts to € 19,983 thousand, against € 22,375 thousand in 2013.

Amortization and depreciation provisions amount to € 11,473 thousand (including € 79 thousand relating to the impairment of the investment in Epicenter) against € 11,821 thousand in the previous year

Ebit represents 5.6% of revenues in 2014 (6.1% excluding non-recurring items) compared to 6.3% in 2013.

The ratio of operating profit to invested capital is 8.4% (9.1% excluding non-recurring items) compared to 9.8% for 2013.

Net profit

The net profit for the financial year is € 10.185 thousand against € 10,533 thousand for the previous financial year.
Financial management benefitted mainly from lower expenses relating to the decrease in the average net negative financial position.
There were net exchange gains for € 357 thousand in 2014, while in the previous year there was a net loss of € 1,393 thousand.
The *tax rate* for the year was 40.7%, a slight increase compared to 39.6% the previous year, mainly due to the different distribution of taxable income between the countries in which the Group operates.
Earnings per share attributable to the Group at December 31 2014 are € 0.064 against € 0.063 the previous year.

Highlights from the consolidated balance sheet

€/000	31.12.2014	31.12.2014
Net non-current assets	90.567	84.963
Net working capital	148.575	142.212
Total net capital employed	**239.142**	**227.175**
Equity attributable to the Group	158.411	149.041
Equity attributable to the minority interests	1.688	1.753
Net debt	(79.043)	(76.381)

Net non-current assets

Net non-current assets at December 31, 2014 amount to € 90,567 thousand compared to € 84,963 thousand at December 31, 2013.

During 2014 Emak Group invested € 11,550 thousand in property, plant and equipment and intangible assets, as follows:
- € 5,232 thousand for product innovation;
- € 2,665 thousand for adjustment of production capacity and for process innovation;
- € 1,566 thousand for upgrading the computer network system;
- € 970 thousand for modernization of industrial buildings;
- € 1,117 thousand for other investments in operating activities.

Investments broken down by geographical area are as follows:
- € 6,596 thousand in Italy;
- € 1,702 thousand in Europe;
- € 792 thousand in the Americas
- € 2,460 thousand in the Rest of the World.

Net working capital

Net working capital moved from € 142,212 thousand at 31 December 2013 to € 148,575 thousand, an increase of € 6,363 thousand.

The following table reports the change in net working capital in 2014 compared with the previous year:

€/000	FY 2014	FY 2013
Net working capital at 01 January 2014	**142,212**	**155,922**
increase/(decrease) in inventories	7,654	(2,403)
increase/(decrease) in trade receivables	(4,906)	(4,656)
(increase)/decrease in trade payables	4,963	(2,409)
change in scope of consolidation (acquisition)	642	-
variation for disposal of line of business	-	30
other changes	(1,990)	(4,272)
Net working capital at 31 December 2014	**148,575**	**142,212**

The increase in net working capital was mainly due to an increase in closing inventories due to the slowdown in sales in the last quarter and the decrease in trade payables as a consequence of lower purchases in the latter part of the year.

Equity

Equity at 31 December 2014 is € 160,099 thousand against € 150,794 thousand at 31 December 2013.

Net financial position

(€/000)	31.12.2014	31.12.2013
Cash and banks	13,238	15,122
Securities and derivative financial instruments	241	101
Other financial assets	7	1,503
Financial liabilities	(40,823)	(41,197)
Derivative financial instruments	(859)	(848)
Short-term net debt	**(28,196)**	**(25,319)**
Other financial assets	158	178
Financial liabilities	(51,005)	(51,240)
Medium/Long-term net debt	**(50,847)**	**(51,062)**
Cash and banks	13,238	15,122
Securities and derivative financial instruments	241	101
Other financial assets	165	1,681
Financial liabilities	(91,828)	(92,437)
Derivative financial instruments	(859)	(848)
Total net debt	**(79,043)**	**(76,381)**

Net negative financial position is € 79,043 thousand at December 31, 2104 against € 76,381 thousand at December 31, 2013.

At December 31, 2014, the net negative financial position with related parties amounts to € 2,627 thousand, of which € 1,873 is medium-long term.

Net negative financial position at December 31, 2014, includes debts for the purchase of equity investments for an amount of € 2,675 thousand.

Long-term financial payables include not only the non-current portion of loan principal repayments but also the portion of finance leases falling due after more than 12 months.

Short-term debt mainly includes:
- Bank overdrafts;
- Mortgage repayments due by December 31 2015;
- Debts to other financial institutions due by 31 December 2015.

The schedule below shows the movements in the net financial position in the 2014 financial year:

€/000	2014	2013
Opening NFP	**(76,381)**	**(99,866)**
Cash flow from operating activities, excl. changes in operating assets and liabilities	21,658	22,354
Changes in operating assets and liabilities	(4,359)	13,552
Cash flow from operations	**17,299**	**35,906**
Change in tangible and intangible assets	**(13,686)**	**(8,112)**
Other equity changes	**(1,583)**	**(4,780)**
Change in scope of consolidation	**(4,692)**	**471**
Closing NFP	**(79,043)**	**(76,381)**

The net negative financial position at the end of the period increased compared to the previous year, mainly due to investments in tangible and intangible fixed assets during the year, the increase in net working capital at the end of the year and the change in the scope of consolidation. Worth noting is the collection of the previously described contributions for a total of € 2,376 thousand.

6. <u>Results of Group companies</u>

6.1 Emak S.p.A. – Parent Company

The Parent Company achieved net revenues of € 128,602 thousand against € 135,632 thousand in 2013, a decrease of 5.2%.
The decrease in sales is mainly due to lower sales in Russia (affected by geopolitical tensions), problems in the Venezuelan market and the decline in sales in Turkey. Good performances were recorded in the Western European market and in the Polish market, where Emak S.p.A. operates directly through its own commercial subsidiaries.

EBITDA for the year amounted to € 2,627 thousand, compared to € 5,816 thousand in the previous year and was affected by the decline in sales volumes and by non-recurring expenses incurred for the personnel restructuring plan of Emak S.p.A. which resulted in higher costs for temporary layoffs for about € 855 thousand. Without considering these non-recurring costs, EBITDA for the year would have been € 3,482 thousand.

The operating result for the year was a loss of € 1,860 thousand, compared to a profit of € 1,860 thousand in 2013. It was affected by the impairment of the investment in the Ukrainian company Epicenter LLC. for € 1,020 thousand.

Net profit stands at € 6,011 thousand, compared to € 2,718 thousand in 2013. The result benefited from dividends paid by subsidiaries and the decrease in financial costs.
Currency management clearly improved compared to the previous year, mainly due to the favorable Euro/US dollar exchange rate and the result obtained by derivatives hedging currency risk. The tax rate stands at 9.4%, down from the tax rate of the previous year which was affected by the effect of tax provisions for previous years.
The net negative financial position improved from € 37,340 thousand at December 31, 2013 to € 32,430 thousand, mainly due to the increase in cash flow from operations.

6.2 Subsidiaries

At 31 December 2014 the Emak Group was organized in a structure in which Emak S.p.A. stands at the top, holding direct and indirect controlling stakes in 26 companies.

The table below shows the key economic figures of the subsidiaries in compliance with the international IAS/IFRS accounting standards:

Company	Head office	31/12/2014 Net sales	31/12/2014 Net profit	31/12/2013 Net sales	31/12/2013 Net profit	
Parent company						
Emak S.p.A.	Bagnolo in Piano (Italy)	128,602	6,011	135,632	2,718	
Fully consolidated companies						
Emak France Sas	Rixheim (France)	32,399	650	30,671	505	
Jiangmen Emak Outdoor Power Equipment Co. Ltd	Jiangmen City (China)	27,955	218	33,793	1,217	
Victus Emak Sp. Z o.o.	Poznam (Poland)	12,854	436	11,994	473	
Comag Srl	Pozzilli, Isernia (Italy)	18,244	346	15,776	(151)	
Emak Deutschland GmbH	Fellbach-Oeffingen (Germany)	12,550	(269)	12,436	-92	
Emak Suministros Espana SA	Madrid (Spain)	6,078	243	5,687	276	
Emak U.K. LTD	Lichfield (UK)	4,694	150	3,650	27	
Emak USA Inc.	Burnsville-Minnesota (USA)	1,164	(237)	2,527	(295)	(1)
Tailong (Zhuhai) Machinery Equipment Ltd.	Zhuhai (China)	4,220	314	5,608	696	
Epicenter LLC	Kiev (Ukraine)	6,403	(440)	6,853	296	
Emak Do Brasil Industria LTDA	Curitiba (Brazil)	2,103	(1,341)	1520	(624)	
Gruppo Tecomec	Reggio Emilia (Italy)	72,043		73,360		(2)
Tecomec Srl	Reggio Emilia (Italy)	43,213	3,014	44,271	2,398	
Speed France Sas	Arnax (France)	19,621	1,473	19,426	1,518	
Speed North America Inc.	Wooster (Ohio - USA)	7,444	417	7,630	372	
Speed Line South Africa (Pty) Ltd.	Pietermaritzbury (South Africa)	1,037	92	1,121	139	
Ningbo Tecomec Manufacturing Co. Ltd.	Ningbo City (China)	9,856	182	10,645	109	
Geoline Electronic S.r.l.	Poggio Rusco, Mantova (Italy)	766	(289)			
Speed Industrie Sarl	Mohammedia (Marocco)	1,950	(11)			
Gruppo Comet	Reggio Emilia (Italy)	88,913		77,056		(2)
Comet Spa	Reggio Emilia (Italy)	55,688	3,475	53,774	2,630	
Comet France Sas	Wolfisheim (France)	4,842	391	5,047	271	
Comet USA	Burnsville Minnesota (USA)	5,946	(1,175)	5,458	(973)	(3)
Valley Industries LLP	Paynesville Minnesota (USA)	17,540	2,429	16,294	2,376	(3)
PTC Srl	Genova (Italy)	5,849	(84)	3,824	160	
S.I. Agro Mexico	Guadalajara (Mexico)	2,853	137			
Sabart Srl	Reggio Emilia (Italy)	23,248	2,227	22,277	2,017	
Raico Srl	Reggio Emilia (Italy)	11,973	165	11,406	160	

(1) Emak Usa Inc. was merged into Comet USA with effect from December 1, 2014
(2) The Tecomec Group and the Comet Group have not drawn up their own consolidated financial statements, since they are controlled by Emak S.p.A. which has drawn up consolidated financial statements in accordance with the law; the consolidated income statement figures shown in the table have been taken from the financial statements for the financial year for the respective companies at 31 December 2013 and at 31 December 2014; The "net revenues" heading in the table derives from the consolidation of the respective parameters;
(3) It should be noted that the net result of Comet Usa includes tax on income calculated on the result of its subsidiary Valley Industries LLP. This latter company is subject to a tax regime that provides for the direct taxation of partners' earnings.

With reference only to companies and sub-groups, the following aspects should be noted:

- the Comet Group reported increased sales in all product lines. The result of the year also benefited from the consolidation of the companies Master Fluid Srl (afterwords merged by incorporation in PTC Srl) and S.I. Agro Mexico.

- The Tecomec Group ended the year with sales slightly lower than 2013, which included revenues of about € 3.700 thousand relating to the business segment disposed at the end of year. Excluding this operation, all product lines, especially accessories for gardening, achieved good growth rates.

- Sabart recorded an increase in sales of all product lines, particularly those relating to gardening and forestry activities, thanks to the expansion of the product range and to targeted commercial actions.

- The growth of Raico sales compared to last year was due mainly to the good results obtained from commercial activities.

7. Related party transactions

Extraordinary operations with related parties which are carried out directly by the parent Company, or through subsidiary companies, are regulated by the internal procedure called "Procedures relating to transactions entered into with related parties", last updated on 31 January 2014 by the Board of Directors of EMAK and prepared in accordance with law and regulations. The procedure can be consulted on the internet at the address http://www.emak.it, in the section "Investor Relations > Documentazione Societaria > Corporate Governance". The procedure defines and identifies related parties on the basis of IAS 24 ("Related party disclosures"), applies to operators involved in the process, distinguishes operations on the basis of their dimension and regulates the process, the taking of decisions and the control of the implementation of operations carried out in situations of conflict of interest. Subsidiaries, when involved in significant activities, albeit as part of their respective areas of competence, are furnished with procedures that attribute and assign to the controlling company the activation and performance of the guarantee process.
Directors, Statutory Auditors, General Managers and Executives with strategic responsibilities from every enterprise in the Group systematically disclose their respective related parties, significant for the purpose of the correct organization and performance of operations carried out by enterprises in situations of conflict of interest. The monitoring of such relations occurs on the basis of harmonized procedures, applied systematically.

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Operations with related parties carried out by Emak in the period, of a usual nature and part of the ordinary course of business, mainly relate to two types of dealings with the holding company, Yama S.p.A. and with a number of companies controlled by the latter. These operations are characterized by all being carried out in the interest of the companies in the Emak Group.
They refer, first of all, to exchanges of goods and the performance of services, which form part of the ordinary course of industrial activities and are conducted at arm's length. The execution of such operations, corresponding to strictly industrial and commercial logic and aims, is regulated by specific and analytical procedures and by programmatic documents in the form of "framework resolutions" approved by the Board of Directors with the assistance and approval of the independent Directors meeting in the Internal Control Committee.
Other connections of a financial nature and of a usual character derive from the participation of the subsidiaries, Comet S.p.A., Tecomec S.r.l., Sabart S.r.l. and Raico S.r.l. in the fiscal consolidation, as per arts. 117 and following, of the Italian Income Tax Code, between them, Yama and a number of other companies controlled by the latter. The criteria for, and regulation of, these relations are established and formalized in consolidation agreements, based on the principle of equal treatment between participants

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

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

At December 31, 2014, the Company held 397,233 treasury shares in portfolio for an equivalent value of € 2,029 thousand.

On April 24, 2014, the Shareholders' Meeting renewed the authorization to purchase and dispose of treasury shares for the purposes laid down by it. During 2014 financial year there were no purchases or sales of own shares, leaving the balances at beginning of year unchanged.

During January and February 2015 Emak did not buy or sell treasury shares, with the result that the stock and value are unchanged compared to December 31, 2014.

9. Corporate governance and other information required by Issuers Regulations

Emak S.p.A. adopted the Code of Conduct, approved by the Committee established at the Italian Stock Exchange as reformulated in December 2014 and available on the website www.borsaitaliana.it. Details of Emak's compliance with the Code's provisions are set out in the "**Report on corporate management and ownership structures**, provided for by arts. 123-bis of Legislative Decree 58/98, according to the "comply or explain" scheme.

As already mentioned, remuneration paid, also by subsidiary companies, to Directors and Auditors of the parent company, as well as and the amounts and movements of Emak securities held by Directors, Auditors and the Managing Director, is now set out in the "**Remuneration Report"**, drawn up in accordance with art. 123-ter, Leg. Dec. 58/98.
Both reports are available to the public at the company's registered office and on the website: www.emak.it under the section "Investor Relations > Documentazione Societaria > Corporate Governance"

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Leg. Dec. 231/2001
It should be noted that the Emak Group has adopted the Organisation, Management and Control Model, provided for by art. 6 of Legislative Decree 231/01, periodically updated, in modular form, in line with the extension of the liability of companies for ever new crimes.
The Model makes use, in the different companies of the Group, of Supervisory Committees, furnished with autonomous powers of action and control regarding its effective and efficient application.

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

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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.

10. Disputes

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

11. Other information

With regard to the requirements of Article 36 of the Market Rules - Consob Resolution No. 16191 dated October 29 2007, Emak reports to have currently the control of four large companies, incorporated and regulated under the law of a state outside the European Union:

- Jiangmen Emak Outdoor Power Equipment Co. Ltd. (Republic of China);
- Tailong (Zhuhai) Machinery Manufacturing Equipment Ltd. (Republic of China);
- Comet Usa Inc. (United States of America);
- Valley industries LLP (United States of America)

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

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With effect from 2010, and with subsequent renewal in 2013, Emak S.p.A. has exercised the option, in conjunction with Comag Srl, for IRES taxation of group ("national fiscal consolidation"), pursuant to art. 117 et seq., Presidential Decree 917/86.

12. Business outlook, principle risks and elements of uncertainty

The prospects for 2015 are characterized by general uncertainty, with particular reference to the emerging areas, and by the continuation of critical situations in some areas such as Russia and Ukraine. In this context, the Group will focus its efforts on the integration and consolidation of the acquisitions completed in the last year with the aim of fully exploiting related synergies.
The Group will continue to pay great attention towards research and development, to focus its marketing efforts on countries where it has a direct presence and to work on improving the efficiency of its processes, while making sure it is ready to take advantage of new growth opportunities.

13. Subsequent events

Share capital increase Speed South America
During the first months of 2015 the company Speed France has fully subscribed and paid a capital increase of the subsidiary Speed South America for € 120 thousand.

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

In accordance with the Consob Communication dated July 28 2006, the following table provides a reconciliation between net income for 2014 and shareholders' equity at December 31, 2014 of the Group (Group share), with the corresponding values of the parent company Emak:

€/000	Equity at 31.12.2014	Result for the year ending 31.12.2014	Equity at 31.12.2013	Result for the year ending 31.12.2013
Equity and result of Emak S.p.A.	144,712	6,011	142,788	2,718
Equity and result of consolidated subsidiaries	153,059	12,513	142,443	13,505
Total	**297,771**	**18,524**	**285,231**	**16,223**
Effect of the elimination of the accounting value of shareholdings	(135,271)	0	(130,213)	0
Elimination of dividends	0	(8,450)	0	(5,363)
Elimination of other intergroup items and profits	(2,401)	111	(4,224)	(327)
Total consolidated amount	**160,099**	**10,185**	**150,794**	**10,533**
Minority interest	**(1,688)**	**282**	**(1,753)**	**(207)**
Equity and result attributable to the Group	**158,411**	**10,467**	**149,041**	**10,326**

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

Shareholders,
We submit for your approval the financial statements at December 31, 2014, which reports a profit of € 6,010,544.00. We also propose the distribution of a dividend of € 0.025 for each share outstanding.

We invite you to approve this resolution:

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

resolves

a) to approve the Directors' Report and the financial statements at December 31, 2014, showing a net profit of € 6,010,544.00;

b) to allocate the net profit of € 6,010,544.00, as follows:
   - € 300,527.20 to the statutory reserve;
   - to the Shareholders, in the form of dividends, the amount of € 0.025, gross of legal deductions, for each share outstanding, with the exclusion of treasury shares held by the company;
   - the entire remaining amount to retained earnings>>

c) to pay the dividend (coupon no. 18) on 3 June 2015, with ex-dividend date June 1, and the *record date* June 2.>>

Bagnolo in Piano (RE), March 13, 2015

On behalf of the Board of Directors
The Chairman
Fausto Bellamico

Emak Group
Consolidated Financial Statements at 31 December 2014

Consolidated Income Statement

€/000	Notes	Year 2014	of which related parties	Year 2013	of which related parties
Sales	10	354,757	3,155	355,033	2,051
Other operating incomes	10	3,045		2,405	
Change in inventories		6,144		(1,019)	
Raw and consumable materials and goods	11	(198,608)	(3,124)	(193,162)	(2,764)
Salaries and employee benefits	12	(65,035)		(62,746)	
Other operating costs	13	(68,847)	(2,165)	(66,315)	(2,035)
Amortization, depreciation and impairment losses	14	(11,473)		(11,821)	
Ebit		**19,983**		**22,375**	
Financial income	15	683		917	
Financial expenses	15	(3,860)	(49)	(4,472)	(576)
Exchange gains and losses	15	357		(1,393)	
EBT		**17,163**		**17,427**	
Income taxes	16	(6,978)		(6,894)	
Net profit		**10,185**		**10,533**	
(Profit)/loss attributable to minority interests		282		(207)	
Net profit attributable to the group		**10,467**		**10,326**	
Basic earnings per share	17	**0.064**		**0.063**	
Diluted earnings per share	17	**0.064**		**0.063**	

€/000	Notes	Year 2014	Year 2013
Net profit (A)		**10,185**	**10,533**
Profits/(losses) deriving from the conversion of foreign company accounts		**2,537**	**(1,080)**
Profits/(losses) deriving from the transfer of treasury shares in portfolio	31	**(46)**	**(782)**
Tax effect relating to other components		**52**	**214**
Total other components to be included in the comprehensive income statement (B):		**2,543**	**(1,648)**
Comprehensive net profit (A)+(B)		**12,728**	**8,885**
Comprehensive (profit)/loss attributable to minority interests		**656**	**(62)**
Comprehensive net profit attributable to the group		**13,384**	**8,823**

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

Schedule showing consolidated assets-liabilities-financial situation

ASSETS

€/000	Notes	31.12.2014	of which related parties	31.12.2013	of which related parties
Non-current assets					
Property, plant and equipment	18	56,836	0	56,079	0
Intangible assets other than goodwill	19	6,170	0	4,555	0
Goodwill	20	34,773	15,125	30,229	14,834
Equity investments	21	230	0	230	0
Equity investments in related company	21	0	0	18	0
Deferred tax assets	30	8,576	0	7,621	0
Other non current financial assets	26	158	0	178	0
Other receivables	23	62	0	2,464	0
Total		**106,805**	**15,125**	**101,374**	**14,834**
Current assets					
Inventories	24	127,665	0	118,515	0
Trade and other receivables	23	95,615	1,002	98,541	651
Current tax assets	30	5,037	0	4,805	0
Other financial assets	26	7	0	1,503	0
Derivative financial instruments	22	241	0	101	0
Cash and cash equivalents	25	13,238	0	15,122	0
Total		**241,803**	**1,002**	**238,587**	**651**
Non-current assets classified as held for sale		**0**		**0**	
TOTAL ASSETS		**348,608**	**16,127**	**339,961**	**15,485**

EQUITY AND LIABILITIES

€/000		31.12.2014	of which related parties	31.12.2013	of which related parties
Capital and reserves					
Total Group	27	158,411	0	149,041	0
Minorities interest		1,688	0	1,753	0
Total equity		**160,099**	**0**	**150,794**	**0**
Non-current liabilities					
Loans and borrowings	29	51,005	1,873	51,240	1,044
Deferred tax liabilities	30	4,365	0	3,881	0
Provisions for employee benefits	31	9,112	0	9,490	0
Provisions	32	1,666	0	1,762	0
Other non-current liabilities	33	937	0	1,039	0
Total		**67,085**	**1,873**	**67,412**	**1,044**
Current liabilities					
Trade and other payables	28	75,049	1,060	74,699	927
Current tax liabilities	30	2,879	0	3,419	0
Loans and borrowings	29	40,823	801	41,197	25
Derivative financial instruments	22	859	0	848	0
Provisions	32	1,814	0	1,592	0
Total		**121,424**	**1,861**	**121,755**	**952**
Liabilities related to the non-current assets classified as held for sale		**0**		**0**	
TOTAL EQUITY AND LIABILITIES		**348,608**	**3,734**	**339,961**	**1,996**

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

Statement of changes in consolidated equity for the Emak Group at 31.12.2013 and at 31.12.2014

Eur/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 31.12.2012	**40,594**	**42,454**	**1,700**	**1,138**	**2,111**	**(214)**	**27,733**	**19,289**	**8,421**	**143,226**	**1,815**	**145,041**
Change in treasury shares										**0**		**0**
Profit reclassification			224					4,926	(8,421)	**(3,271)**	(106)	**(3,377)**
Other changes								263		**263**	(18)	**245**
Net profit for the period					(935)	(568)			10,326	**8,823**	62	**8,885**
Balance at 31.12.2013	**40,594**	**42,454**	**1,924**	**1,138**	**1,176**	**(782)**	**27,733**	**24,478**	**10,326**	**149,041**	**1,753**	**150,794**
Change in treasury shares										**0**		**0**
Profit reclassification			136					6,101	(10,326)	**(4,089)**	(119)	**(4,208)**
Other changes								75		**75**	710	**785**
Net profit for the period					2,911	6			10,467	**13,384**	(656)	**12,728**
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**

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

Consolidated Cash Flow Statement

€/000	Notes	2014	2013
Cash flow from operations			
Net profit for period		**10,185**	**10,533**
Amortization, depreciation and impairment losses	14	11,473	11,821
Capital (gains)/losses on disposal of property, plant and equipment		(73)	(282)
Decreases/(increases) in trade and other receivables		5,520	5,463
Decreases/(increases) in inventories		(7,654)	2,403
(Decreases)/increases in trade and other payables		(1,783)	5,114
Change in provision for employee benefits		(562)	481
Decreases/increases in provision for liabilities		120	374
Decreases/increases in derivate financial instruments		(129)	(522)
Net cash generated by operations		**17,097**	**35,385**
Cash flow from investment activities			
Increases in property, plant and equipment and intangible assets		(13,705)	(8,129)
(Increases) and decreases in financial assets		1,535	(1,357)
Proceeds from disposal of property, plant and equipment		73	13
Change in scope of consolidation Greenfield		(2,717)	471
Net cash absorbed by investment activities		**(14,814)**	**(9,002)**
Cash flow from financial activities			
Other equity changes		89	(323)
Share capital increase		0	0
Change in short and long-term loans and borrowings		(3,044)	(21,409)
Change in finance leases		16	(468)
Dividends paid		(4,208)	(3,377)
Change in translation reserve		2,537	(1,080)
Net cash absorbed by financial activities		**(4,610)**	**(26,657)**
Net increase in cash and cash equivalents		**(2,327)**	**(274)**
Opening cash and cash equivalents		**9,298**	**9,572**
Closing cash and cash equivalents		**6,971**	**9,298**

ADDITIONAL INFORMATION ON THE CASH FLOW STATEMENT

€/000		2014	2013
Reconciliation of cash and cash equivalents			
Opening cash and cash equivalents, detailed as follows:	25	**9,298**	**9,572**
Cash and cash equivalents		15,122	16,229
Overdrafts		(5,824)	(6,657)
Closing cash and cash equivalents, detailed as follows:	25	**6,971**	**9,298**
Cash and cash equivalents		13,238	15,122
Overdrafts		(6,267)	(5,824)
Other information:			
Tax paid		(3,988)	(2,261)
Interest income		303	332
Interest paid		(2,932)	(3,317)
Change in trade receivables and others toward related parties		(351)	13
Change in trade payables and others toward related parties		133	130
Change in trade receivables and others for fiscal assets		(920)	1,140
Change in trade payables and others for fiscal liabilities		(97)	(370)

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

Explanatory notes to the consolidated financial statements of Emak Group

Contents

1. General information

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

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

The Board of Directors of Emak S.p.A. on March 15, 2014 approved the Financial Report to December 31, 2014, and ordered his immediate notification under Art. 154-ter, paragraph 1-ter TUF, to the Board of Auditors and to the Auditing firm in order for them to carry out their relative duties. In connection with this communication, the company has issued an appropriate press release with the key figures of the financial statements and the dividend proposal made to the General Meeting of Shareholders.

The financial statements and consolidated financial statements are subject to statutory audit by Fidital Revisione S.r.l.

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

2. Summary of principal accounting policies

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

2.1 General methods of preparation

The consolidated financial statements of the Emak Group (hereinafter “the Group”) have been prepared in accordance with the IFRS standards issued by the International Accounting Standards Board and adopted by the European Union at the date of preparing this report. The term IFRS also refers to all revised international accounting standards (IAS) and all interpretations by the International Financial Reporting Interpretations Committee (IFRIC), previously named the Standing Interpretations Committee (SIC).

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

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

In accordance with the provisions of IAS 1, the consolidated balance sheet is constituted by the following reports and documents:

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

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

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

2.2 Methods of consolidation

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

The acquisition of subsidiaries is accounted for using the purchase method, except for those acquired in 2011 from Yama Group for which reference can be made to the introduction of the present paragraph. 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 minority interests. The excess of the cost of acquisition over the group's share of the fair value of the net assets acquired is recognized as goodwill. If the cost of acquisition is lower, the difference is directly expensed to income (see note 2.7).
The financial statements of subsidiaries are included in the consolidated accounts starting from the date of taking control to when such control ceases to exist. Minority interests and the amount of profit or loss for the period attributable to minorities are shown separately in the consolidated balance sheet and income statement.

Subsidiaries are consolidated line-by-line from the date that the Group obtains control.
The subsidiary Valley LLP is consolidated at 100% as a result of the "Put and Call Option Agreement" which regulates the acquisition of the remaining 10% held by the current Managing Director of the company

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.

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

The scope of consolidation at December 31, 2014 following the acquisitions already mentioned above 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
Comag S.r.l.	Pozzilli - IS (I)	1,850,000	€	99.442	Emak S.p.A.	99.442
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	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	Arnax (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	Pietermaritzbury (ZA)	100	ZAR	51.000	Speed France SAS	51.000
Ningbo Tecomec Manufacturing Co. Ltd	Ningbo City (PRC)	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.	Genova (I)	55,556	€	90.000	Comet S.p.A.	90.000
Valley Industries LLP (1)	Paynesville Minnesota (USA)	0	USD	100.000	Comet Usa Inc	100.000
Emak do Brasil Industria LTDA	Curitiba (Brasile)	200,000	Real	99.000	Emak S.p.A.	99.000
S.I. Agro Mexico	Guadalajara (Messico)	1,000,000	Mex$	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 (Marocco)	1,445,000	MAD	100.000	Speed France SAS	100.000
Speed South America SpA	Providencia (Cile)	1,000	CLP	100.000	Speed France SAS	100.000

(1) The share in Valley Industries LLP is equal to 100% as a result of the "Put and Call Option Agreement" which regulates the acquisition of the remaining 10% held by the current Managing Director of the company.

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 organisational 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 has identified, following the “management approach”, a single segment of activity, which includes all activities referable to the different business areas managed by the Group.

2.4 Translation differences

(a) 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.

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

(c) Group companies
The financial statements of all group companies whose functional currency differs to the presentation currency of the consolidated financial statements are converted as follows:
(i) assets and liabilities are converted at the closing rate on the balance sheet date;
(ii) income and expenses are converted 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 these financial statements into Euro are as follows:

Amount of foreign for 1 Euro	Average 2014	31.12.2014	Average 2013	31.12.2013
GB Pounds (UK)	0.81	0.78	0.85	0.83
Renminbi (Cina)	8.19	7.54	8.16	8.42
Dollar (Usa)	1.33	1.21	1.33	1.38
Zloty (Poland)	4.18	4.27	4.20	4.15
Zar (South Africa)	14.40	14.04	12.83	14.57
Uah (Ukraine)	15.86	19.21	10.79	11.33
Real (Brazil)	3.12	3.22	2.87	3.26
Dirham (Morocco)	11.16	10.98	-	-
Peso Mexican (Mexico)	17.66	17.86	-	-

2.5 Property, plant and equipment

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

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

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

- buildings, 10-33 years;
- plant and machinery, 7-10 years;
- other, 4-8 years.

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

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

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

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

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

2.6 Intangible assets

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

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

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

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

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

2.7 Goodwill

The goodwill deriving from the purchase of subsidiaries, classified under non-current assets, is initially recorded at cost value recognized at the acquisition date, as previously described and is considered by the Emak Group an asset with an indefinite useful life. Consequently, this asset is not amortized but is subject to regular checks to detect any impairment.

Goodwill is allocated to the business units that generate separately identifiable cash flows and monitored in order to allow the verification of impairment.

2.8 Impairment of assets

Assets with an indefinite life are not amortized or depreciated but are reviewed annually for any impairment. Assets subject to amortization or depreciation are reviewed for impairment every time that events or changes in circumstances indicate that their carrying value might not be recoverable. The impairment loss recognized is the amount by which the carrying amount of an asset exceeds its recoverable amount, corresponding to the higher of the asset's net selling price and its value in use. For the purposes of measuring impairment, assets are classified together into the smallest identifiable groups that generate cash inflows (cash-generating units).
The aforementioned impairment test necessarily requires making subjective valuations based on information available within the Group, on reference market prospects and on historical trends. In addition, if there

appears to be a potential reduction in value, the Group makes a calculation of the value using what it considers to be suitable valuation techniques. The same value checks and the same valuation techniques are applied to intangible and tangible fixed assets with a defined useful life when there are indicators that predict difficulties in recovering the relative net book value through use.
The correct identification of indicators of the existence of a potential reduction in value, as well as estimates for establishing values, mainly depend on factors and conditions that may vary over time, also to a significant degree, thereby influencing the valuations and estimates made by the directors.

2.9 Investment property

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

2.10 Financial assets and investments

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

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

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

(b) Other financial assets

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

(c) Equity investments

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

(d) Financial assets available-for-sale

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

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

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

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

2.11 Non-current assets held for sale

Assets held for sale are classified in this category when:

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

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

2.12 Inventories

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

2.13 Trade receivables

Trade receivables are recognized initially at fair value and subsequently measured at depreciated cost, using the effective interest method. They are recorded net of a bad debt provision, deducted directly from accounts receivable to bring the evaluation at their estimated realizable value.
A provision for the impairment of trade receivables is recognized when there is objective evidence that the group will be unable to collect all the amounts according to the original terms and conditions. The amount of the provision for such loss is charged to the income statement

2.14 Trade payables

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

2.15 Cash and cash equivalents

Cash and cash equivalents include cash on hand, demand deposits with banks and short-term financial investments that are highly liquid. Bank overdrafts are classified in the balance sheet under short-term loans and borrowings under current liabilities.

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

2.16 Share capital

Ordinary shares are classified under equity.

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

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

2.17 Financial liabilities

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

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

2.18 Taxes

Current taxes are the taxes accrued in accordance with the rules in force at the date of the financial statement in the various countries in which the Group operates also include adjustments to prior years' taxes.
Deferred tax assets and liabilities are recorded to reflect all temporary differences at the reporting date between the carrying amount of an asset / liabilities for tax purposes and allocated according to the accounting principles applied.
Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date.
Deferred tax assets are recognized on all temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilized.
The same principle applies to the recognition of deferred tax assets on utilizable tax losses.
The carrying amount of deferred tax assets is reviewed at each balance sheet date and possibly reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of all or part of the deferred tax asset to be utilized. These assets are restored if the reasons for them no longer apply. As a general rule, apart from specific exceptions, deferred tax liabilities must always be recognized.
Income taxes (current and deferred) relating to items recognized directly in equity are also recognized directly in equity.
Current tax assets and liabilities are offset only if the company has a legally enforceable right to set off the recognized amounts and if it intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously. Deferred tax assets and liabilities may be offset only if the company is able to offset

current tax assets against current tax liabilities and if the deferred taxes refer to income taxes levied by the same taxation authority.

2.19 Provision for employee termination indemnities

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

2.20 Provisions for liabilities and charges

Provisions for liabilities and charges are recognized when the Group has legal or constructive obligation arising from past events, is likely to be asked to pay the balance of the obligation and a reliable estimate can be made of the related amount

2.21 Revenues

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

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

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

2.22 Government grants

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

2.23 Financial income and expenses

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

2.24 Payment of dividends

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

2.25 Earnings per share

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

2.26 Cash flow statement

The cash flow statement has been prepared using the indirect method.
Cash and cash equivalents included in the cash flow statement comprise the cash-related balances at the reporting date. Cash flows in foreign currency have been translated at the average rate for the period. Interest income and expense, dividends received and income taxes are included in cash flow generated by operations.

2.27 Changes in accounting standards and new accounting standards

Valuation and measurement criteria are based on IFRS standards in force at 31 December 2014 and approved by the European Union.

Accounting standards, amendments and interpretations applied from 1 January 2014

IFRS 10 Consolidated financial statements, IAS 27 (2011) Separate financial statements
IFRS 10 establishes a single control model that applies to all entities, including 'special purpose entities'. Specifically, IFRS 10 replaces the previous IAS 27 “Consolidated and separate financial statements” and the SIC-12 interpretation “Consolidation - Special Purpose Entities”. IFRS 10 modifies the notion of control, providing that an investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The standard is applicable retrospectively from 1 January 2014. IFRS 10 has had no impact on the consolidation of equity interests held by the Group.

IFRS 11 Joint Arrangements and IAS 28 (2011) Investments in Associates and Joint Ventures
IFRS 11 replaces IAS 31 “Interests in Joint Ventures” and SIC-13 “Jointly-controlled Entities — Non-monetary Contributions by Venturers” and removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture must be accounted for using the equity method. Following the issue of this standard, IAS 28 “Investments in Associates” has been amended to include within its scope of application also investments in jointly-controlled entities. The new standard is applicable retrospectively from 1 January 2014. The adoption of this standard has not had any effect on the Group’s consolidated financials statements.

IFRS 12 Disclosure of Interests in Other Entities
IFRS 12 sets out the disclosure requirements for all forms of interest, including subsidiaries, joint arrangements, associates, special purpose entities and other unconsolidfated structured entities. The new standard is applicable retrospectively from 1 January 2014 and has only affected the disclosures to be given in the Group’s consolidated financial statements.

Amendments to IFRS 10, IFRS 12 and IAS 27 – Investment Entities
The amendments provide for an exception for entities that may be considered as investment entities in accordance with IFRS 10 – Consolidated Financial Statements. This exception to consolidation requires that investment entities measure subsidiaries at the fair value recorded in the incpome statement. These amendments have had no impact for the Group, since non of the entities belonging to the Group qualifies as an investment entity as per IFRS 10.

Amendments to IAS 32 - Offsetting financial assets and liabilities
The amendments clarify the meaning of “the legally enforceable right to set-off”, as well as the application of the IAS 32 criterion for set-off in the event of regulation systems (such as, for example, situations of centralised offsetting) that apply gross but not simultaneous regulation mechanisms. These amendments are

applicable from 1 January 2014. The adoption of this standard has had no impact on the Group's consolidated financial statements.

Amendments to IAS 39 - 'Novation of Derivatives and Continuation of Hedge Accounting
The amendments regard the treatment of situations in which a hedging derivative is novated by the original counterparty to the central counterparty as a result of legislation or regulations. The amendments are applicable retrospectively for financial periods beginning from 1 January 2014 but are not applicable to the Group.

Amendments to IAS 36 - Recoverable Amounts Disclosures for Non-Financial Assets
The amendments aim to clarify the information necessary to disclose in the event that an impairment loss has been identified or reversed during the financial year in the event that the recoverable amount has been established on the basis of the fair value less costs to sell. The amendments are applicable retrospectively for financial years beginning from 1 January 2014 but are not currently applicable to the Group.

Interpretation IFRIC 21
The interpretation was given by the Interpretations Committee in order to clarify when an entity should account for liabilities to pay levies imposed by governments for access to a certain market. The new interpretation is not applicable to the Group.

3. Capital management

The group's objectives for managing capital are:

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

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

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

The NFP / Equity and NFP / EBITDA ratios at 31 December 2014 and 31 December 2013 are as follows.

	Dec. 31 14 €/000	**Dec. 31 13 €/000**
Net financial position (note 9)	79,043	76,381
Total Equity	160,099	150,794
Ebitda (1)	33,130	34,196
Nfp/Equity	**0.49**	**0.51**
Nfp/Ebitda	**2.39**	**2.23**

(1) l'EBITDA 2014 was adjusted to significant and non-recurring transaction during the year.

4. Financial risk management

4.1 Financial risk factors

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

and controlling financial risks focus on the unpredictability of financial markets and seek to minimize the potentially negative effects on the consolidated results. The Group uses derivative financial instruments to hedge certain risks.
Hedging of the Group's financial risks is managed by a head office function working in close collaboration with the individual operating units.

(a) Market risk

(i) Interest rate risk
Since the group does not have significant interest-bearing assets, operating profits and cash flows are largely unaffected by changes in market interest rates. The group's interest rate risk relates to its long-term loans and borrowings. Variable rate loans expose the group to the cash flow risk associated with interest rates. Fixed rate loans expose the group to the fair value risk associated with interest rates.
The group's policy is based on constantly monitoring its level and structure of debt and on the trend in interest rates and macroeconomic variables that might directly influence them, with the goal of optimizing the cost of money.
At December 31 2014, financings with banking institutions and financial leasing companies are at variable rates. During the year the company has set up hedging operations aimed at limiting the effects of interest rate fluctuations.

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

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

(iii) Price risk
The group is exposed to fluctuations in the price of raw materials. This exposure is mostly towards suppliers of parts since their price is generally tied by contract to the trend in market prices for raw materials. The group usually enters into medium-term contracts with certain suppliers for the purpose of managing and limiting the risk of fluctuations in the price of its main raw materials such as aluminium, sheet metal, plastic and copper.
(b) Credit risk
The group does not have significant concentrations of credit risk and has adopted policies to ensure that products are sold to customers of proven creditworthiness and that certain types of receivable are insured. The group has policies that limit its credit exposure to any single financial institution.

(c) Liquidity risk
Prudent liquidity risk management implies maintaining sufficient financial availability of cash and marketable securities, funding through an adequate amount of bank credit.
Consequently, the treasury of the Group carries out the following activities:
- verification of financial requirements in order to take necessary actions;
- obtaining adequate lines of credit;
- optimization of liquidity, where feasible, through structures of centralized management of cash flows of the Group;
- Maintaining a balanced composition of net financial debt to investments;
- Achievement of a proper balance between short-term, medium and long term debt;
- limited credit exposure to individual financial institutions;
- Monitoring of compliance with the parameters set by covenants relating to medium-long term loans.

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

The Group has maintained its high level of creditworthiness on the part of credit institutes and analysts. As a result, there are no significant variations in available credit lines which already abundantly exceed requirements.

4.2 Accounting for derivative financial instruments and hedging activities

Derivative financial instruments are used exclusively for hedging purposes with the intent of reducing the risks of foreign currency and interest rate fluctuation. In line with its risk management policy, in fact, the Group does not carry out derivative operations for speculative purposes.
When such operations are not accounted for as hedging operations they are recorded as trading operations. As established by IAS 39, derivative financial instruments may qualify for special hedge accounting only if (i) at the inception of the hedge the hedging relationship is formally designated and documented, (ii) the hedge is expected to be highly effective and (iii) the effectiveness of the hedge can be measured reliably.
Derivatives are initially recognized at cost and adjusted to fair value at subsequent balance sheet dates

On the basis of the above, and of contracts entered into, the accounting methods adopted are as follows:
1. Fair value hedge: the fair value variations of the hedging instrument are posted to the Income Statement together with variations in the fair value of the hedged transactions.
2. Cash flow hedge: the variations in fair value which are intended and proved to be effective for hedging future cash flows are posted to the Comprehensive Income Statement, while the ineffective portion is posted immediately to the Income Statement. If contractual commitments or planned hedging operations lead to the creation of an asset or liability, when this occurs the profits or losses on the derivative which have been posted directly to the Comprehensive Income Statement adjust the opening cost of acquisition or holding value of the asset or liability. For financial cash flow hedgings that do not lead to the creation of an asset or liability, the amounts which have been posted directly to the Comprehensive Income Statement are transferred to the Income Statement in the same period in which the contractual commitment or planned hedging operation are posted to the Income Statement.
3. Derived financial instruments not defined as hedging instruments: the variations in fair value are posted to the Income Statement.

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

4.3 Measurement of fair value

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

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

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

5. Key accounting estimates and assumptions

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

In this context, it should be noted that the situation caused by the persistent difficulties of the economic and financial scenario has implied the need to make assumptions regarding the future outlook which is characterised by uncertainty. As a result, it cannot be excluded that the actual results obtained will be different from the forecasts, and therefore adjustments, even of significant amounts (which obviously cannot today be estimated or foreseeable) to the book value of the relative items may be necessary.

6. Segment information

On the basis of the new criteria introduced by IFRS 8 for the definition of operating segments, as described in note 2.3, the Group has identified a unique operating sector according to the "management approach".

7 Significant non-recurring events and transactions

7.1 Geoline Electronic Operation

On 28 January 2014 the subsidiary Tecomec S.r.l. concluded an agreement for the acquisition of 51% of the company Geoline Electronic S.r.l., a company incorporated by Dinamica Generale S.p.A., involved in the development and production of electronic control systems for applications in the Agriculture sector.
The operation forms part of the Group's growth strategy, setting up a technical-commercial development project for electrical products to be marketed with the Geoline trademark.
The acquisition has allowed Tecomec S.r.l. to complete its product range, to extend its customer base, to exploit cross-selling opportunities through the distribution of products already available in Dinamica Generale S.p.A.'s product range and, overall, to reinforce its position on the market. As a result, Emak Group has access to specific skills in the electronics sector able to develop not only the Geoline business but also that of other product families.

The operation provides for an investment for the Group of € 2,700 thousand, of which € 1,500 thousand have already been paid; the remaining amount, € 1,200 thousand, is subdivided into two instalments of € 600 thousand each, with respective due dates 10 January 2015 and 10 January 2016.

The company has been included in the Group's scope of consolidation as from 28 January 2014, the date of the company's incorporation.

On the basis of what is provided for by IFRS 3, the difference between the price paid and the corresponding share of equity has been recorded as goodwill. The details are shown below:

€/000	Book values	Fair Value adjustments	Fair value of acquired assets
Non-current assets			
Other intangible fixed assets	1,207	-	1,207
Non-current liabilities			
Post-emplyment benefits	(5)	-	(5)
Current liabilities			
Trade and other liabilities	(2)	-	(2)
Total net assets acquired	**1,200**	**0**	**1,200**
% interest held			**51%**
Net equity acquired			**612**
Goodwill			**2,088**
Value of equity investment registred in financial statement			**2,700**
Purchase price paid			**1,500**
Deferred price			**1,200**
Net cash outflow			**1,500**

7.2 Acquisition of Caj Tech sarl Au (now Speed Industrie Sarl)

With effect from 1 January 2014, Speed France S.A.S., the French subsidiary of Tecomec S.r.l., acquired 100% of the company, Caj Tech Sarl Au, subsequently renamed Speed Industrie Sarl.

The company, incorporated in 2012, has its registered office in Mohammedia (Marocco) and mainly carries on packing activities for Speed France; the operation will allow the latter to directly control the costs of each phase of the production process. The price of Caj Tech Sarl Au was contractually agreed at 269.000 dirhams, equivalent to € 24 thousand, fully paid on 2 January 2014.

At the same time, the parent company, Speed France, subscribed and paid, by way of an increase in the share capital of the acquired company, the amount of € 1,345 thousand dirhams, equivalent to around € 120 thousand.

The company has been included in the Group's scope of consolidation starting from 1 January 2014.

The fair value of the assets and liabilities subject to aggregation with effect from 1 January 2014, the price paid and the financial disbursement are detailed below:

€/000	Book values	Fair Value adjustments	Fair value of acquired assets
Non-current assets			
Property, plant and equipment	21	-	21
Other intangible fixed assets	5	88	93
Current assets			
Inventories	315	-	315
Trade and other receivables	3	-	3
Current tax assets	208	-	208
Cash and cash equivalents	18	-	18
Current liabilities			
Trade and other liabilities	(630)	-	(630)
Current tax liabilities	(1)	-	(1)
Provisions	(2)	-	(2)
Total net assets acquired	**(64)**	**88**	**24**
% interest held			**100.0%**
Net equity acquired			**24**
Goodwill			**-**
Value of equity investment registred in financial statement			**24**
Purchase price paid			**24**
Cash and cash equivalents			**18**
Net cash outflow			**6**

The adjustment of fair value accounted for as part of the operation refers to the value of the rights deriving from the contractual agreements in force at the date of the acquisition.

7.3 Acquisition of the control of S.I. Agro Mexico

On 9 January 2014 the subsidiary, Comet S.p.A., acquired control of the distribution company, S.I. Agro Mexico, with registered office in Guadalajara in Mexico, taking its share capital stake from 30% to 85%. Comet acquired the additional shareholding from the family of the founder and general manager of the company who will continue to be responsible for operational management as well as minority shareholder.

S.I. Agro Mexico, a company incorporated in 2010 and of which Comet has been a shareholder right from the start, distributes on the local market components, accessories and spare parts in the agricultural sector marketed with the "Comet", "Valley", "Geoline" and "Mecline" trademarks.

The company's turnover for the year ending 31 December 2014 amounts to around € 2,900 thousand.

The operation forms part of Emak Group's growth strategy, since it will allow it to strengthen its overall presence in an important market and with significant margins, such as Mexico.

The consideration for the operation amounts to around € 1,000 thousand: € 694 thousand, the fixed part, has already been paid; € 300 thousand, the variable part, will be paid on the basis of results obtained in the 2014-2015 period. Based on the prospective data updated to today, payment of the variable part of the price is considered unlikely.

Side agreements relating to the acquisition provide for a call option in favor of Comet for the acquisition of the remaining 15% of share capital at the end of the 5th year after closing the deal, at a price linked to Ebitda performance.

The fair value of the assets and liabilities subject to aggregation with effect from 1 January 2014, the price paid and the financial disbursement are detailed below:

€/000	Book values	Fair Value adjustments	Fair value of acquired assets
Non-current assets			
Property, plant and equipment	39	-	39
Other intangible fixed assets	-	-	-
Other receivables	1	-	1
Current assets			
Inventories	396	-	396
Trade and other receivables	178	-	178
Cash and cash equivalents	29	-	29
Non-current liabilities			
Loans and borrowings	(60)	-	(60)
Current liabilities			
Trade and other liabilities	(452)	-	(452)
Current tax liabilities	(21)	-	(21)
Total net assets acquired	**109**	**0**	**109**
% interest held			**55.0%**
Net equity acquired			**60**
Goodwill			**634**
Value of equity investment registred in financial statement			**694**
Purchase price paid			**694**
Deferred price			**0**
Cash and cash equivalents			**29**
Net cash outflow			**665**

7.4 Acquisition of Master Fluid S.r.l. and subsequent merger of Master Fluid S.r.l. into P.T.C. S.r.l.

On 5 June 2014, the subsidiary, PTC S.r.l., itself controlled by Comet S.p.A., completed the acquisition of 80.5% of the share capital of Master Fluid S.r.l. with registered office in Rubiera (RE).

Master Fluid operates in the projecting and manufacturing of special equipment for industry and environmental hygiene and fittings on industrial vehicles, in particular the production of high pressure cold and hot water washing equipment (water jetting), fitting street-washing vehicles and equipment for cleaning sewers and cleaning pipes.

The transaction, valued at approximately € 0.8 million, will enable PTC to expand its range of products to increase its coverage of foreign markets and to develop synergies from the point of view of costs.

On June 24, 2014, shareholders' meeting approved the merger of Master Fluid Srl into the parent P.T.C.

The merger operation, finalized on 30 June, 2014, provided for a share capital increase of PTC S.r.l. in order to meet the needs of the exchange ratio on the participation, to be allocated to the minority shareholder of Master Fluid (third party to the Group), which is now held by Comet SpA for 90%.
The effects of the incorporation with regards to third parties became effective from 1 September 2014. The accounting and tax effects, for the purpose of the separated financial statements of P.T.C. S.r.l., are effective as from 1 January 2014.

The fair value of the assets and liabilities subject to aggregation with effect from 30 June 2014, the price paid and the financial disbursement are detailed below:

€/000	Book values	Fair Value adjustments	Fair value of acquired assets
Non-current assets			
Property, plant and equipment	36	-	36
Other intangible fixed assets	43	-	43
Deferred tax assets	55	-	55
Current assets			
Inventories	785	-	785
Trade and other receivables	930	-	930
Current tax assets	4	-	4
Cash and cash equivalents	4	-	4
Non-current liabilities			
Post-emplyment benefits	(179)	-	(179)
Current liabilities			
Trade and other liabilities	(847)	-	(847)
Current tax liabilities	(19)	-	(19)
Loans and borrowings	(479)	-	(479)
Provisions	(7)	-	(7)
Total net assets acquired	**326**	**0**	**326**
% interest held			**80.5%**
Net equity acquired			**263**
Goodwill			**523**
Value of equity investment registred in financial statement			**786**
Purchase price paid			**550**
Deferred price			**236**
Cash and cash equivalents			**4**
Net cash outflow			**546**

7.5 Contributions granted to certain Group companies for research, innovation and expansion of production

In the third quarter 2014 Comet S.p.A. received a contribution, as per Law 46/1982, by the Ministry of Economic Development relating to investments as part of a multiyear plan of product innovation, for the amount of € 750 thousand (90% of the total amount granted).

Moreover, in the first months of 2014, Comet S.p.A. received a contribution, disbursed by MIUR (the Ministry of Education, University and Research) as per Leg. Dec. 297/99, of € 99 thousand. This contribution has been recognized in the income statement for the 2014 financial year.

Following an investigation by the Ministry of Economic Development, in the third quarter 2014, Comag S.r.l. received, as per Law 488/92, 90% of the capital contribution granted for investments (overall amounting to € 9,538 thousand) made in the period 2004-2008. The portion collected amounts to € 1,670 thousand and was accounted for as a reduction of amounts receivable already registered by the company.

7.6 Merger of Emak USA into Comet USA

On October 1, 2014, Emak S.p.A., as part of the process of rationalizing its presence in the American market, sold to the controlled company Comet S.p.A. its entire stake in the share capital of Emak USA.
In October 2014, the shareholders of Comet USA and Emak USA approved the merger of Emak USA into Comet USA, effective from December 1, 2014.
The reorganization provides that the business of Emak USA business will become a division of Comet USA. The aim is to optimize logistics and maximize operating synergies, thereby freeing up important resources for business development.

7.7 Incorporation of Speed South America

In October 2014, the company, Speed France Sas, controlled by Tecomec Srl, completed the process of setting up a new company called Speed South America, based in Santiago (Chile), in which it holds the entire share capital.

The newly-incorporated company will sustain an investment of $ 2 million for the setting up of a plant for the production of wire and heads for trimmers and nylon wire for agricultural use. The start of production activities is expected in the first quarter of 2015.

Thanks to this operation, Speed France, leader in the reference market, will have a direct presence in, and be more competitive on, the South American market, which represents one of the areas with the highest development potential for these types of product.

In the first months of 2015 the company, Speed France, fully subscribed and paid a capital increase of the subsidiary, Speed South America, for € 120 thousand and granted it a loan of € 350 thousand in order to provide the company with necessary financial resources.

The subsidiary at the closing date is not yet operative, and consequently its figures have not been consolidated, since they are not material.

7.8 Acquisition of 70% of the Brazilian company Lemasa LTDA

On November 3, 2014, the controlled company, Comet S.p.A., signed agreements for the acquisition of 70% of the share capital of the Brazilian company, Lemasa LTDA, for the amount of 75.6 million Reais (approximately € 24 million at the exchange rate at December 31, 2014). The founding family and current owner of the company will be involved both in the management of activities and as a minority shareholder. The closing of the transaction is expected by April 2015, once all the necessary formalities have been completed.

Lemasa, a Brazilian company founded in 1989 with its headquarters in Indaiatuba, is one of the leading manufacturers in South America of pumps and systems at high and very high pressure, a specific segment of the high pressure water jetting sector. The main areas of application of Lemasa's products are the agro-industry and bio-fuels, and the construction, oil & gas and ship-building industries. The company reported a turnover of 41.2 million Reais (approximately 13 million Euro) in 2014, and 40 million Reais in 2013.

The acquisition, which will be financed by bank debt, shall take place through the newly-formed Comet do Brasil Investimentos LTDA based in Indaiatuba (Brazil), whose share capital will be owned as to 99% by Comet S.p.A. and 1% by Ptc Srl..

The price will be paid in three installments: 42.3 million Reais at the closing of the deal; 10.6 million Reais at the end of the audit on the 2014 financial statements; 22.7 million Reais after the approval of the 2017 financial statement.

The amounts relating to the last two installments will remain deposited in an escrow account as security for all contractual commitments, for any contingency which might arise and for price adjustments according to economic-financial parameters provided for by the contract.

The agreement also provides for a "Put and Call Agreement" for the remaining 30% of the share capital that can be exercised on the 6th year following the closing at a price modulated on the basis of the average profitability achieved by Lemasa in the three previous years.

Lemasa's business and technology are highly complementary to Comet's, one of the worldwide leaders in the field of pumps for agriculture and high pressure water jetting. In recent years Comet has expanded its product range (also through the acquisition of HPP, PTC and Master Fluid) towards the high pressure sector by directing its offer to the more professional end of the market. With this acquisition, Comet will strengthen its competitive position by exploiting industrial and distribution synergies resulting from the transaction.

It must be underlined that, as of today, the Emak Group, and Comet in particular, does not have any kind of relationship with Lemasa. Therefore, at consolidated level, the results of this company will result in net increases in the Group's results.

7.9 Emak S.p.A. restructuring costs

On 14 December 2014 Emak SpA entered into an Agreement with the OO.SS. and RSU companies for voluntary redundancy in accordance with arts. 4, 5 and 24 of Law 223/91, involving a total of 29 employees, providing for the voluntary redundancy of the staff involved in the period from 19 to 30 December 2014.
The redundancy procedure closed on 22 December 2014 with the involvement of 25 employees (of which 8 office staff and 17 factory workers), corresponding to around 6.5% of the total workforce at 30 November 2014. The costs sustained by the Company for incentives and INPS contributions relating to the voluntary reducndancy scheme totalled € 855 thousand (of which € 775 thousand for incentives and € 80' thousand for INPS contributions).

8. Positions or transactions deriving from atypical and unusual operations

During the year 2014 there were no transactions of atypical and unusual

9. Net financial positions

Details of the net financial position are summarized in the following table:

	Net financial debt	31/12/2014	31/12/2013
A.	Cash and banks	13,238	15,122
B.	Other cash	0	0
C.	Assets for trading	0	0
D.	**Liquidity (A+B+C)**	**13,238**	**15,122**
E.	**Current financial receivables**	**248**	**1,604**
F.	Current bank loans	(15,491)	(19,972)
G.	Current portion of non current loans	(24,396)	(19,838)
H.	Other financial debts	(1,795)	(2,235)
I.	**Current financial debts (F+G+H)**	**(41,682)**	**(42,045)**
J.	**Net current financial debts (I+E+D)**	**(28,196)**	**(25,319)**
Z.	Non current financial receivables	158	179
K.	Non current bank loans	(48,228)	(50,063)
L.	Bonds issued	0	0
M.	Other non current financial debts	(2,777)	(1,178)
N.	**Non current financial debts (K+L+M+Z)**	**(50,847)**	**(51,062)**
O.	**Net current financial debts (J+N)**	**(79,043)**	**(76,381)**

At 31 December 2014 the negative net financial position towards related parties was € 2,674 thousand, of which € 1,873 thousand for the non-current portion.

For more details see note no. 8 of the Directors' report.

10. Sales and other operating income

The Group's revenues amount to € 354,757 thousand, compared to € 355,033 thousand of last year, and are recorded net of returns for € 3,146 thousand, against € 1,685 thousand of last year.

The breakdown of revenues is as follows

€/000	FY 2014	FY 2013
Net sales revenues (net of discounts and rebates)	354,645	353,642
Revenues from recharged transport costs	3,258	3,076
Returns	(3,146)	(1,685)
Total	**354,757**	**355,033**

Other operating income is analysed as follows:

€/000	FY 2014	FY 2013
Capital gains on property, plant and equipment	207	67
Capital gain on assets available for sale	0	270
Recovery of warrants costs	95	77
Insurance refunds	68	148
Advertising reimbursement	289	285
Government grants	1198	346
Recovery of administrative costs	255	166
Recovery of costs canteen	99	102
Other operative income	834	944
Total	**3,045**	**2,405**

The heading "Government Grants" refers mainly to government grants received by Comet S.p.A. against investments sustained in research and development for product innovation for an overall amount of € 849 thousand. For more details reference should be made to Note 7.5.

11.Cost of raw and consumable materials and goods

The cost of raw and consumable materials and goods is analysed as follows:

€/000	FY 2014	FY 2013
Raw materials, semi-finished products and goods	194,907	189,799
Other purchases	3,701	3,363
Total	**198,608**	**193,162**

12. Salaries and employee benefits

Details of these costs are as follows:

€/000	FY 2014	FY 2013
Wage and salaries	44,930	43,228
Social security charges	13,235	12,973
Employee termination indemnities	2,184	2,141
Other costs	1,950	1,943
Directors' emoluments	1,077	1,449
Temporary staff	1,659	1,012
Total	**65,035**	**62,746**

The details of staff by country is shown in heading 6 of the Directors' Report. The increase in staff costs is mainly attributable to the extension of the scope of consolidation and to the greater production volumes recorded in a number of companies in the Group. The costs for the year include non-recurring costs relating to the restriucturing of the workforce in a number of Group companies for the amount of € 1,116 thousand.

13. Other operating costs

Details of these costs are as follows.

€/000	FY 2014	FY 2013
Subcontract work	12,533	13,090
Maintenance	3,017	2,908
Trasportation	14,010	13,376
Advertising and promotion	3,530	3,033
Commissions	5,282	5,425
Travel	2,329	2,307
Postals and telecomunications	891	824
Consulting fees	4,272	3,674
Driving force	1,929	1,832
Various utilities	1,322	1,467
Services and bank fees	827	883
Costs of after sales warranty	921	868
Other services	6,650	6,070
Services	**57,513**	**55,757**
Rents, rentals and the enjoyment of third party assets	**7,615**	**6,965**
Increases in provvisions	**484**	**292**
Increases in prowision for doubtful accounts (note 23)	664	601
Capital losses on property, plant and equipment	134	54
Other taxes (not on income)	1,046	1051
Grants	289	287
Other operating costs	1,102	1,308
Other costs	**3,235**	**3,301**
Total	**68,847**	**66,315**

The increase in costs for services is mainly linked to the extension of the scope of consolidation.

Consultancy costs have increased compared to the previous financial year mainly as a result of the M&A operations carried out and the greater use made of external industrial advice aimed at product innovation.

14. Amortization and depreciation

Details of these amounts are as follows:

€/000	FY 2014	FY 2013
Amortization of intangible assets (note 19)	2,003	1,993
Depreciaton of property, plant and equipment (note 18)	9,391	9,828
Impairment losses	79	-
Total	**11,473**	**11,821**

The "Impairment losses" heading refers to the reversal of goodwill (net of the effect of exchange differences) recorded upon the acquisition of Epicenter LLC, the details of which can be found under Note 20.

15. Finance income and expenses

Financial income is analysed as follows:

€/000	FY 2014	FY 2013
Interest of trade receivables	294	154
Interest on bank and postal current accounts	89	130
Income from adjustment to fair value of derived instruments for hedging interest rate risk	279	591
Other financial income	21	42
Financial income	**683**	**917**

Financial expenses are analysed as follows

€/000	FY 2014	FY 2013
Interest on medium-term bank loans and borrowings	2,381	2,026
Interest on short-term bank loans and borrowings	430	951
Financial charges from valuing employee terminations indemr	201	174
Proceeds from adjustment to fair value derived instruments for hedging interest rate risk	512	582
Other financial costs	336	739
Financial expense	**3,860**	**4,472**

Interest payable to banks have fallen, overall, compared to the previous financial year, mainly due to the reduction in the average negative net financial position.

Adjustments to fair values of derived instruments take account of the fair value of interest rate risk hedgings, giving rise to losses and gains according to the fluctuation of interest rates; the net negative effect of the financial year is € 233 thousand, against a positive effect of € 9 thousand in the previous year.

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

The breakdown of profits and losses is as follows:

€/000	FY 2014	FY 2013
Profit / (Loss) on exchange differences on trade transactions	4	(815)
Profit / (Loss) on exchange differences on financial assets	353	(578)
Exchange gains and losses	**357**	**(1,393)**

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

The balance includes a loss pf € 251 deriving from the valuation of the "fair value" of derived instruments relating to buying "reais", taken to hedge against financial losses connected with the acquisition of the Lemasa company.

16. Income taxes

The estimated tax charge in 2014 for current and deferred tax amounts to € 6,978 thousand (€ 6,894 thousand in the previous year).

This amount is made up as follows:

€/000	FY 2014	FY 2013
Current income taxes	7,323	7,221
taxes from prior years	(2)	160
Deffered tax assets (note 30)	(750)	(216)
Deffered tax liabilities (note 30)	407	(271)
Total	**6,978**	**6,894**

Current income taxes include the cost of IRAP (regional company tax) to € 1,615 thousand, compared to € 1,596 thousand in 2013.

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

€/000	FY 2014	% Rate	FY 2013	% Rate
Profit before taxes	**17,163**		**17,427**	
Theoretical tax charges	**5,389**	**31.4**	**5,472**	**31.4**
Effect of IRAP differences calculated on different tax base	649	3.8	964	5.5
Non-taxable income	(123)	(0.7)	(143)	(0.8)
Non-deductible costs	428	2.5	316	1.8
Differences in rates with other countries	(18)	(0.1)	(114)	(0.7)
Previous period tax	(26)	(0.2)	160	0.9
Other differences	679	4.0	239	1.4
Effective tax charge	**6,978**	**40.7**	**6,894**	**39.6**

The effective tax rate is 40.7%, an increase from 39.6% at December 31 2013.
This increase is mainly due to the different distribution of taxable income between the countries in which the Group operates and to the non-recognition, for prudence purposes, of deferred tax assets on losses. It should also be noted, moreover, that taxes for the previous year included the setting up of a fund for tax liabilities for € 370 thousand.

17.Earnings per share

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

	FY 2014	FY 2013
Net profit attributable to ordinary shareholders in the parent company (€/1.000)	10,467	10,326
Weighted average number of ordinary shares outstanding	163,537,602	163,537,602
Basic earnings per share(€)	**0.064**	**0.063**

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

18.Property, plant and equipment

Changes in property, plant and equipment are shown below:

€/000	31.12.2012	Change in scope of consolidation	Change in scope of consolidation in output	Increases	Decreases	Exchange differences	Reclass.	31/12/2013
Lands and buildings	43,079	-	50	(35)	(104)	-	(1)	42,989
Accumulated depreciation	(12,082)	-	(1,230)	8	22	-	-	(13,282)
Lands and buildings	**30,997**	-	(1,180)	**(27)**	**(82)**	**-**	**(1)**	**29,707**
Plant and machinery	65,708	-	2,706	(538)	(291)	744	352	68,681
Accumulated depreciation	(49,693)	-	(4,293)	497	220	-	-	(53,269)
Plant and machinery	**16,015**	**-**	(1,587)	**(41)**	**(71)**	**744**	**352**	**15,412**
Other assets	82,766	(348)	2,966	(1,296)	(146)	362	113	84,417
Accumulated depreciation	(71,886)	322	(4,305)	1,151	128	(27)	46	(74,571)
Other assets	**10,880**	**(26)**	**(1,339)**	**(145)**	**(18)**	**335**	**159**	**9,846**
Advances and fixed assets in progress	**1,263**	**-**	**1,674**	**(1)**	**(4)**	**(1,079)**	**(739)**	**1,114**
Cost	**192,816**	**(348)**	**7,396**	**(1,870)**	**(545)**	**27**	**(275)**	**197,201**
Accumulated depreciation (note 14)	**(133,661)**	**322**	**(9,828)**	**1,656**	**370**	**(27)**	**46**	**(141,122)**
Net book value	**59,155**	**(26)**	**(2,432)**	**(214)**	**(175)**	**-**	**(229)**	**56,079**

€/000	FY 31.12.2013	Change in scope of consolidation	Increases	Decreases	Exchange differences	Reclass.	Other moviments	FY 31.12.2014
Lands and buildings	42,989	-	495	(24)	1,006	-	-	44,466
Accumulated depreciation	(13,282)	-	(1,193)	19	(187)	-	-	(14,643)
Lands and buildings	**29,707**	-	**(698)**	**(5)**	**819**	**-**	**-**	**29,823**
Plant and machinery	68,681	109	3,641	(1,575)	1,181	1,004	20	73,061
Accumulated depreciation	(53,269)	(89)	(4,163)	1,368	(887)	13	(2)	(57,029)
Plant and machinery	**15,412**	**20**	**(522)**	**(207)**	**294**	**1,017**	**18**	**16,032**
Other assets	84,417	253	3,392	(747)	836	(28)	163	88,286
Accumulated depreciation	(74,571)	(177)	(4,035)	631	(695)	67	26	(78,754)
Other assets	**9,846**	**76**	**(643)**	**(116)**	**141**	**39**	**189**	**9,532**
Advances and fixed assets in progress	**1,114**	**-**	**1,936**	**(286)**	**25**	**(1,056)**	**(284)**	**1,449**
Cost	**197,201**	**362**	**9,464**	**(2,632)**	**3,048**	**(80)**	**(101)**	**207,262**
Accumulated depreciation (note 14)	**(141,122)**	**(266)**	**(9,391)**	**2,018**	**(1,769)**	**80**	**24**	**(150,426)**
Net book value	**56,079**	**96**	**73**	**(614)**	**1,279**	**0**	**(77)**	**56,836**

Increases refer mainly to investments:

- in equipment for the development of new products;
- in the upgrading and modernization of production lines;
- in the upègrading of production systems and infrastructures;
- in the cycloical renewal of production and industrial equipment.

The decreases relate mainly to the replacement of obsolete dies and machines following organisational changes in the financial year.

There were no indicators of impairment of fixed assets.

Details of the value of land and buildings under finance leases are as follows:

€/000	**31.12.2014**	**31.12.2013**
Gross value	768	768
Accumulated depreciation	(578)	(506)
Net book value	**190**	**262**

The finance lease in force relates to manufacturing plants to be used in the production process of Tecomec S.r.l., Speed France SAS and Speed Line South Africa Ltd.

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

Over the years, the Group has benefited from a number of capital grants provided in accordance with Law 488/92 to the subsidiary Comag Srl, with its registered office in Molise. The grants received are credited to income over its remaining useful life of the assets to which they relate and are shown in the balance sheet as deferred income.

Contributions disbursed in previous years were as follows:

- € 1,615 thousand in 1998 for investments worth € 4,532 thousand.
- . € 636 thousand in 2002 for investments made in 2001 and 2002 worth around € 4,250.

In the third quarter 2014, the subsidiary, Comag S.r.l. received part of the contribution as per Law 488/92 originally resolved for a total of € 2,401 thousand by the Ministry of Economic Development in 2008, granted for overall investments of € 9,538 thousand made in the period 2004-2008. The portion collected amounts to € 1,670 thousand and was accounted for as a reduction of amounts receivable already registered by the company in previous financial years.
The remaining credit at 31 December therefore amounts to € 730 thousand (see Note 23). It should be noted that the total grant is subject to a partial revision according to the investments definitively made. As a result, as disclosed in Note 32, the Group has accounted for € 157 thousand during the year as a partial adjustment of the credit in question, which has been added to the fund already previously set up for € 388 thousand. The net value of the credit therefore anmounts to € 185 thousand, presumably collectable within one year.

19. Intangible assets

Intangible assets report the following changes:

€/000	31.12.2012	Change in scope of consolidation	Increases	Decreases	Exchange differences	Reclass.	Other moviments	31.12.2013
Development costs	2,152	-	399	-	(1)	(148)	-	2,402
Accumulated amortization	(1,402)	-	(369)	-	2	122	-	(1,647)
Development costs	**750**	**-**	**30**	**-**	**1**	**(26)**	**-**	**755**
Patents and intellectual property rights	11,872	-	778	(149)	(12)	358	-	12,847
Accumulated amortization	(10,019)	-	(1,090)	149	10	(39)	-	(10,989)
Patents	**1,853**	**-**	**(312)**	**-**	**(2)**	**319**	**-**	**1,858**
Concessions, licences and trademarks	2,066	(257)	6	-	(13)	(56)	-	1,746
Accumulated amortization	(1,473)	52	(199)	-	13	41	-	(1,566)
Concessions, licences and trademarks	**593**	**(205)**	**(193)**	**-**	**0**	**(15)**	**-**	**180**
Other intangible assets	2,791	-	285	-	(18)	24	32	3,114
Accumulated amortization	(1,574)	-	(335)	-	8	(2)	-	(1,903)
Other intangible assets	**1,217**	**-**	**(50)**	**-**	**(10)**	**22**	**32**	**1,211**
Advanced payments and fixed assets in progress	**410**	**-**	**233**	**-**	**-**	**(300)**	**208**	**551**
Cost	**19,291**	**(257)**	**1,701**	**(149)**	**(44)**	**(122)**	**240**	**20,660**
Accumulated depreciation (note 14)	**(14,468)**	**52**	**(1,993)**	**149**	**33**	**122**	**-**	**(16,105)**
Net book value	**4,823**	**(205)**	**(292)**	**-**	**(11)**	**-**	**240**	**4,555**

€/000	31.12.2013	Change in scope of consolidation	Increases	Decreases	Exchange differences	Reclass.	Other moviments	31.12.2014
Development costs	2,402	60	337	-	-	40	-	2,839
Accumulated amortization	(1,647)	(29)	(417)	-	-	-	-	(2,093)
Development costs	**755**	**31**	**(80)**	**-**	**-**	**40**	**-**	**746**
Patents and intellectual property rights	12,847	18	1,065	(2)	74	52	28	14,082
Accumulated amortization	(10,989)	(11)	(1,035)	2	(63)	-	-	(12,096)
Patents	**1,858**	**7**	**30**	**-**	**11**	**52**	**28**	**1,986**
Concessions, licences and trademarks	1,746	2	37	(1)	(16)	-	42	1,810
Accumulated amortization	(1,566)	(1)	(130)	1	17	-	-	(1,679)
Concessions, licences and trademarks	**180**	**1**	**(93)**	**-**	**1**	**-**	**42**	**131**
Other intangible assets	3,114	1,309	174	-	158	-	-	4,755
Accumulated amortization	(1,903)	(6)	(421)	-	(73)	-	-	(2,403)
Other intangible assets	**1,211**	**1,303**	**(247)**	**-**	**85**	**-**	**-**	**2,352**
Advanced payments and fixed assets in progress	**551**	**-**	**473**	**-**	**-**	**(92)**	**23**	**955**
Cost	**20,660**	**1,389**	**2,086**	**(3)**	**216**	**0**	**93**	**24,441**
Accumulated depreciation (note 14)	**(16,105)**	**(47)**	**(2,003)**	**3**	**(119)**	**-**	**-**	**(18,271)**
Net book value	**4,555**	**1,342**	**83**	**-**	**97**	**0**	**93**	**6,170**

The investments of the year relate mainly to the purchase of software for improving process efficiency

Research and development costs directly recorded in the Group's income statement amount to € 7,423 thousand.

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

20.Goodwill

The goodwill of € 34,773 thousand reported at December 31 2014 is detailed below:

€/000	31.12.2013	Ch. In scope of consolidation	Impairment losses	Exchange differences	31.12.2014
Goodwill from the acquisition of Victus-Emak Sp. z o.o.	897	-	-	(25)	872
Goodwill from the acquisition of company branch Victus IT	4,961	-	-	(138)	4,823
Goodwill from the merger of Bertolini S.p.A.	2,074	-	-	-	2,074
Goodwill from the acquisition of Tailong Machinery Ltd.	2,486	-	-	291	2,777
Goodwill from the acquisition of Epicenter LLC	111	-	(79)	(32)	0
Goodwill from the acquisition of Gruppo Tecomec	2,807	-	-	-	2,807
Goodwill from the acquisition of Gruppo Comet	2,279	-	-	-	2,279
Goodwill from the acquisition of Speed France	2,854	-	-	-	2,854
Goodwill from the merger of HPP	1,974	-	-	-	1,974
Goodwill from transfer of the business PTC	360	-	-	-	360
Goodwill from the acquisition of Master Fluid	-	523	-	-	523
Goodwill from the acquisition of Valley LLP	9,426	-	-	1,282	10,708
Goodwill from the acquisition of Geoline Electronic Srl	-	2,088	-	-	2,088
Goodwill from the acquisition of S.I.Agro Mexico	-	634	-	-	634
Total	**30,229**	**3,245**	**(79)**	**1,378**	**34,773**

- Goodwill on the purchase of Victus-Emak Sp. Z.o.o. for € 872 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 € 4,823 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 € 2,777 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;

- Godwill 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 7 of the Notes to the Accounts); in compliance with the requirements of the reference accounting standards, the acquisition operations carried out between parties subject to common control are not regulated by IFRS 3, but are accounted for taking account of the requirements of IAS 8, that is, the concept of a reliable and faithful representation of the operation, and of the provisions of OPI 1 (Assirevi (Association of Italian Auditors) Preliminary Guidelines regarding IFRS), relating to the “accounting treatment of business combinations of entities under common control in the separate and consolidated financial statements”. As more fully specified in the aforementioned accounting standards, the choice of the accounting standard for the operations in question must make reference to the above-described elements, which imply the application of the criterion of the continuity of the values of the net assets transferred. The principle of the continuity of values gives rise to the recognition in the financial statements of the acquiring company of values equal to those that would have been shown if the net assets subject to aggregation had always been aggregated. The net assets must therefore be recognised at the book values shown in the accounts of the acquired companies before the operation or, if available, at the values shown in the consolidated accounts of the common controlling company.
  Specifically, the company has chosen to account for the difference arising from the greater price paid for the acquisition of the stakes of the Tecomec Group and of the Comet Group only at the values already recognised in the consolidated accounts of the controlling company Yama at the time of the respective acquisitions.
  Since the acquisition values of the shareholdings in the Greenfield Operation are greater than the equity values of the acquired companies at 31 December 2011, the excess of € 33,618 thousand has been eliminated by adjusting down equity in the consolidated financial statements,

- The amount of € 1,974 thousand relates to the positive difference emerged following the acquisition and subsequent merger by incorporation of the company HPP in Comet S.p.A., finalized in 2010;

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

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

- The amount of 10,708 thousand relates to the acquisition of Valley Industries LLP by Comet USA Inc. in February 2012, resulting from the difference arising between the acquisition price and its net assets

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

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

All the “impairment test” referring to the goodwill amounts recorded at 31 December 2014 have been approved by the Board of Directors.

The impairment test has been carried out by comparing the net book value of the goodwill and the recoverable value of the reference cash-generating unit, calculated with the “Discounted cash flow” method.

In the basic assumption the discount rate after taxes used to discount back expected future cash flows gross of taxes was calculated for single market areas. This rate (WACC) reflects the current market value of the time value of money for the period considered and the specific risks of the Emak Group.

The discount rate used corresponds to an estimate net of taxes, made on the basis the following main assumptions:

- risk-free rate equal to the average yield on reference ten-year government bonds;
- borrowing in relation to the financial structure of the Group.

For the purpose of carrying out the impairment test on goodwill values, the discounted cash flow has been based on the following assumptions

- The base figures are those taken from Emak Group’s strategic plan 2015-2017. This plan is the best management forecast of the future operating performances of the single entities making up the Group in the period in question. The expected cash flows refer to the reference units in their present conditions and exclude possible operations of a non-ordinary nature. Regarding the goodwill resulting from the merger of Bertolini S.p.A. in Emak S.p.A, have been considered the figures of the plan of the CGU (Cash Generating Unit) Emak S.p.A., as it represents the minimum level at which the 'goodwill is monitored by management for internal management purposes.
- With regards to the companies operating in the Euro area the gross Wacc used to discount back future cash flows expected for the CGUs located in the Euro area ranges from 5,93% to 8,56%.
- The Wacc used to discount the cash flows expected for the CGUs located in Poland was 8.29%, for the CGUs located in China it was 8.72%, for the CGU located in Mexico it was 10.8% while for the CGUs located in the USA it was 6.17%.
- The expected future cash flows were estimated in the single currencies in which they will be generated.
- Expected future cash flows refer to a period of 3 years and include a normalised terminal value used to express a summary forecast of future results beyond the time period explicitly considered.
- The terminal value has been determined on the basis of a long term growth rate (g) prudentially equal to 2%.

The *impairment test* procedure, in compliance with the provisions of IAS 36 and applying the internal procedures defined by the Board of Directors, has led to the writing-off of the entire amount of the goodwill relating to Epicenter LLC, with a reduction of € 111 thousand. The assessment of the recoverable value is based on future cash flows as per the multi-year plan approved by the Directors, drawn up taking account of the geopolitical instability of the country in which the subsidiary operates. This situation has affected the assessment of the recoverable value, which has been carried out on the basis of the following assumptions:

- The elements and the assumptions used for the purpose of the impairment test, such as sales revenues, Ebitda and expected cash flows, are those shown in the economic and financial business plan 2015-2017. Prudentially, no growth rate has been forecast for the financial years from 2015 to 2017;
- According to the basic assumption, the discount rate used to discount the future cash flows expected after taxes were 27.8%;

With regards to other goodwill amounts, the impairment test has not indicated values which are not recoverable, also with the assumption of a variation in the Wacc of +10% to -10%.

21. Equity investments

The amount of the balance of "other investments" is € 230 thousand.
Investments are not subject to impairment losses; risks and benefits associated with the possession of the investment are negligible.
The Group owns a minority interest in Netribe S.r.l., a company operating in the IT sector. This investment is valued at its cost of € 223 thousand since its fair value cannot be determined.
The percentage of participation of Emak S.p.A. in Netribe S.r.l. is 15.41%.
At 31 December of the previous financial year, the Group held a stake of 30% of S.I. Agro Mexico for the value of € 18 thousand, recorded under the heading "Equity investments in related companies". During January 2014 the Group increased its shareholding so as to obtain a controlling stake, as more fully set out in Note 7.3.

22. Derivative financial instruments

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

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

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

Accounting for the underexposed instruments is at fair value. According to the IFRS principles these effects were accounted in the income statement of the current year.
The current value of these contracts at December 31 2013 is shown as follows:

€/000	**31.12.2014**	**31.12.2013**
Positive *fair value* assesment exchange rate hedge	230	90
Positive *fair value* assesment IRS and interest rate options	11	11
Total derivative financial instrument	**241**	**101**
Negative *fair value* assesment exchange rate hedge	458	125
Negative *fair value* assesment IRS and interest rate options	401	633
Assesment fair value other instrument	0	90
Total derivative financial instrument liabilities	**859**	**848**

At December 31 2014 appear outstanding purchases / sales of foreign currencies with forward contracts for:

	Company		Nominal value (€/000)	Exchange rate	Due to
Forward contracts for foreign currencies purchases					
Cnh/Eur	Emak Spa	Cnh	35,000	7.98	13/05/2015
Cnh/Usd	Emak Spa	Cnh	55,000	6.24	14/12/2015
Eur/Gbp	Emak UK Ltd.	€	1,200	0.80	30/06/2015
Usd/Eur	Sabart S.r.l.	Usd	2,500	1.28	30/06/2015
Reais/Eur	Comet Spa	Brl	50,600	3.24	25/03/2015
Usd/Eur	Comet Spa	Usd	1,200	1.24	30/06/2015
Eur/Usd	Comet U.S.A. Inc.	€	2,380	1.30	18/12/2015

The amount of € 50,600 thousnad Reais (a non-deliverable currency) refers to two "synthetic forward" contracts with exchange differential in Euros and have been taken with the aim of hedging future cash flows relating to the acquisition of "Lemasa", as illustrated under Note 7.8.

Finally, on December 31 2014 IRS contracts and options on interest rates are also in force, with the aim of covering the risk of variability of interest rates on loans.
The total notional amount of the contracts signed amounts to € 30,558 thousand, and the maturity of the instruments is analyzed as follows:

Bank	Company	Notional Euro (€/000)	Date of the operation	Due to
Banca Popolare di Verona	Emak S.p.A.	2,900	28/03/2013	30/09/2017
Carisbo	Emak S.p.A.	1,200	19/07/2011	15/06/2016
Banca Popolare dell'Emilia Romagna	Emak S.p.A.	667	20/01/2010	31/12/2016
Banca Nazionale del Lavoro	Emak S.p.A.	1,875	03/05/2012	20/04/2016
Banca Nazionale del Lavoro	Emak S.p.A.	1,875	27/06/2012	20/04/2016
UniCredit	Emak S.p.A.	3,250	22/05/2013	31/03/2018
Banca Popolare di Verona	Comet S.p.A.	1,000	22/09/2010	24/09/2015
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.	3,900	22/05/2013	29/03/2018
Banca Popolare di Verona	Tecomec S.r.l.	3,000	11/05/2010	11/05/2015
UniCredit	Tecomec S.r.l.	1,500	11/04/2012	31/07/2017
Intesa San Paolo	Comet USA	5,391	27/02/2013	19/02/2019
Total		**30,558**		

The average interest rate resulting from the instruments is equal to 1.42%.

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

The value of all these contracts (relating to interest and exchange rates) at December 31 2014 is an overall negative fair value of € 618 thousand.

23. Trade and other receivables

Details of these amounts are as follows:

€/000	31.12.2014	31.12.2013
Trade receivables	94,152	97,908
Provision for doubtful accounts	(3,686)	(3,297)
Net trade receivables	**90,466**	**94,611**
Trade receivables from related parties (note 38)	1,002	651
Prepaid expenses and accrued income	1,527	1185
Other receivables	2,620	2,094
Total current portion	**95,615**	**98,541**
Other non current receivables	62	2,464
Total non current portion	**62**	**2,464**

The item "Other short-term receivables" includes:

- € 730 thousand referring to amounts receivable in relation to the grant as per Law 488/92 (note 18). A relative bad debt provision has been set up totalling € 545 thousand (note 32). The receivable, equal to € 2,401 at 31 December 2013, was classified at that date under the heading “Other non-current receivables”.
- an amount of € 456 thousand for receivables of certain Group companies towards the controlling company Yama S.p.A., emerging from the relationships that govern the tax consolidation in which they participate, 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 of IRAP relating to personnel costs, for employees and other workers, from taxable IRES, as per Article 2, paragraph 1-c of the Decree-law no. 201/2011.

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

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

€/000	31.12.2014	31.12.2013
Opening balance	**3,297**	**3,219**
Change in scope of consolidation	27	-
Provisions (note 13)	664	601
Decreases	(294)	(516)
Exchange differences	(8)	(7)
Closing balance	**3,686**	**3,297**

The book value reported in the balance sheet corresponds to fair value**.**

24.Inventories

Inventories are detailed as follows:

€/000	31.12.2014	31.12.2013
Raw, ancillary and consumable materials	35,739	37,997
Work in progress and semi-finished products	17,610	17,139
Finished products and goods	74,316	63,379
Total	**127,665**	**118,515**

Inventories at December 31 2014 are stated net of provisions amounting to € 5,489 thousand (€ 4,838 thousand at December 31 2013) intended to align the obsolete and slow moving items to their estimated realizable value.

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

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

€/000	FY 2014	FY 2013
Opening balance	4,838	4,670
Change in scope of consolidation	200	-
Provisions	511	401
Effect of exchange differences	17	(5)
Uses	(77)	(228)
Closing balance	**5,489**	**4,838**

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

25. Cash and cash equivalents

Cash and cash equivalents are detailed as follows:

€/000	31.12.2014	31.12.2013
Bank and post office deposits	13,067	15,000
Cash	171	122
Total	**13,238**	**15,122**

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

€/000	31.12.2014	31.12.2013
Cash and cash equivalents	13,238	15,122
Overdrafts (note 29)	(6,267)	(5,824)
Total	**6,971**	**9,298**

26. Other financial assets

Other non-current financial assets amount to € 158 thousand (€ 178 thousand at 31 December 2013) and mainly refer to guarantee deposits.
Other current financial assets amount to € 7 thousand against € 1,503 thousand in the previous year which included the € 1,500 thousand paid by Tecomec S.r.l. into an "escrow account" as part of the acquisition of the shareholding of Geoline Electronic S.r.l., more fully described under Note 7.1.

27. Equity

Share capital
Share capital is fully paid up at 31 December 2014 and amounts to € 42,623 thousand, remaining unchanged during the year under examination. It consists of 163,934,835 ordinary shares of par value € 0.26 each.

Treasury shares
The adjustment of share capital for purchase of treasury shares, equal to € 2,029 thousand, is the overall exchange value paid by Emak S.p.A. for the acquisition on the market of treasury shares held at December 31 2014 (note 37).

The nominal value of these treasury shares is € 104 thousand

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

Share premium reserve
At December 31 2014 the share premium reserve is € 42,454 thousand, unchanged from the previous year is consists of the premiums on newly issued shares

Legal reseve
The legal reserve at December 31 2014 of € 2,060 thousand (€ 1,924 thousand at December 31 2013).

Revaluation reserve
At 31 December 2014 the revaluation reserve includes the reserves deriving from the revulation as per Law 72/83 for € 371 thousand and as per Law 413/91 for € 767 thousand.

Other reserves:
The extraordinary reserve, amounts to € 27,088 thousand at 31 December 2014, inclusive of all allocations of earnings in prior years

At December 31 2014, reserves qualifying for tax relief refer to tax provisions for grants and donations for € 129 thousand, to reserves for merger surpluses for € 394 thousand and to reserves from capital grants deriving from the merger of Bertolini S.p.A. for € 122 thousand.
These reserves remained unchanged from the previous year.

At December 31 2014 the reserve for conversion differences for a positive amount of € 4,087 thousand is entirely attributable to the differences generated from the translation of balances into the Group's reporting currency

At December 31 2014 the IAS 19 reserve is equal a negative amount of € 776 thousand, for the actuarial valuation difference of post-employment benefits to employees

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

In addition, there is a restriction regarding the distribution of the "Profits brought forward" heading in the consolidated balance sheet amounting to € 7,531 thousand.

28. Trade and other payables

Details of trade and other payables are set out below:

€/000	31.12.2014	31.12.2013
Trade payables	56,557	59,723
Payables due to related parties (note 38)	1,060	927
Payables due to staff and social security institution	10,635	8,609
Accrued expense and deffered income (note 33)	419	312
Advances from customers	2,193	1,757
Other payables	4,185	3,371
Total	**75,049**	**74,699**

The book value reported in the balance sheet corresponds to fair value

The heading. "Other payables" includes € 2,109 thousand, against € 1,371 thousand at 31 December 2013 for current IRES (Italian corporate income tax) payable accounted for by a number of Group companies to the parent company, Yama S.p.A., and arising from the relationships that govern the tax consolidation as per art. 116 and following of Presidential Decree no. 917/1986, in which they participate.

29. Financial liabilities

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

€/000	31.12.2014	31.12.2013
Overdrafts (note 25)	6,267	5,824
Bank loans	33,534	33,783
Finance leases	72	75
Loans from related parties (note 38)	801	25
Financial accrued expense and deffered income	87	232
Other loans	62	1,258
Total current	**40,823**	**41,197**

Loans from related parties mainly refer to the acquisition of the equity interest in Geoline Elettronic S.r.l. for € 600 thousand.

At 31 December of the previous year, the heading “Other loans” referred to the liability relating to the buy-back commitment on the part of Emak S.p.A. for the equity interest held by Simest S.p.A. in the subsidiary, Jiangmen Emak Outdoor Power Equipment Co, entirely paid during the third quarter of 2014.

Long-term loans and borrowings are repayable as follows

€/000	31.12.2014	31.12.2013
Bank loans	48,228	50,062
Finance leases	153	134
Loans from related parties (note 38)	1,873	1,044
Other loans	751	-
Total non current portion	**51,005**	**51,240**

A number of medium-long-term loans are subject to finance covenants assessed on the basis of consolidated Nfp/Ebitda and Nfp/Equity ratios.

Lease obligations in the event of insolvency are guaranteed by the right of the lessor on the leased asset

Loans from related parties at 31 December 2014 mainly refer (for € 1,239 thousand) to the discounted residual amount payable to the transferring shareholder of Valley Industries LLP following the “Put and Call Option Agreement” for the acquisition of the residual 10% of the company to be exercised in 2017 and € 600 thousand relates to the non-current portion of the amount payable for the equity interest in Geoline Electronic S.r.l., to be paid in 2016.

The “Other loans” heading, for € 751 thousand, refers to the granting of a subsidised loan on the part of SIMEST SpA in accordance with Law 133/08.

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

€/000	Due within 2 years	Due within 3 years	Due within 4 years	Due within 5 years	Total due within 5 years	Due beyond 5 years
Bank loans	22,255	14,098	7,193	3,936	**47,482**	**746**
Finance leases	74	37	33	9	**153**	**-**
Financial debt from related parties	600	1,273	-	-	**1,873**	**-**
Other loan	-	150	150	150	**450**	**301**
Total	**22,929**	**15,558**	**7,376**	**4,095**	**49,958**	**1,047**

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

- on bank loans in Euro, Euribor plus a fixed spread is applied;
- on bank loans in British pounds the "base rate" Bank of England plus a fixed spread is applied;
- on bank loans in U.S. dollars LIBOR plus a fixed spread is applied
- on finance leases the Euibor rate plus a fixed spread and the South Africa Prime Overdraft Rate less a fixed spread of 0.5% is applied, depending on the area. The overall debt subject to the latter interest rate amounts to € 93 thousand;

With regard to liabilities for loans obtained for the purchase of leased assets the following information is provided:

€/000	31.12.2014	31.12.2013
Future minimum payments of less than year	78	80
Future minimum payments between 1 and 5 years	178	142
Future minimum payments over 5 years	-	-
Total minimum payments	**256**	**222**
Due to future financial charge	**(31)**	**(13)**
Present value	**225**	**209**
Average interest rate	**5.8%**	**4,4%**

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

30. Tax assets and liabilities

Deferred tax assets are detailed below

€/000	31.12.2013	Ch. In scope of consolidation	Increases	Decreases	Other movements	Exchange differences	31.12.2014
Deffered tax on impairment of assets	1,040	-	5	(59)	-	-	986
Reversal of unrealized intercompany gains	1,718	-	386	-	-	-	2,104
Provision for inventory obsolescence	1,099	55	228	(131)	-	2	1,253
Losses in past financial periods	923	-	442	(68)	-	101	1,398
Provisions for bad debts	196	-	51	(6)	-	-	241
Other deferred tax assets	2,645	-	578	(676)	36	11	2,594
Total (note 16)	**7,621**	**55**	**1,690**	**(940)**	**36**	**114**	**8,576**

The portion of taxes which are expected to reverse within the following 12 months is estimated to be in line with the decrease registered in 2014.

The recognition of deferred tax assets depends on the existence of conditions for their future recovery on the basis of updated strategic plans.
The exploitation of past tax losses is of limited duration. Following its merger into Comet Usa, the accrued tax losses attributable to Emak Usa Inc, for which the benefits deriving from the tax asset will start from 2026, have been transferred into the acquiring company and will be useable by the latter already from the 2015 financial year.

Deferred tax liabilities are detailed below

€/000	31.12.2013	Increases	Decreases	Other movements	Exchange differences	31.12.2014
Deffered tax on property IAS 17	1,436	-	(30)	-	-	1,406
Valutation of provision for employee termination indemnities under IAS 19	50	28	(36)	(27)	-	15
Taxation on capital gains	136	14	(134)	-	-	16
Other deferred tax liabilities	2,259	857	(292)	44	60	2,928
Total (note 16)	**3,881**	**899**	**(492)**	**17**	**60**	**4,365**

"Other deferred tax liabilities" refers mainly to revenues that will be fiscally recognised in future financial periods.
The portion of taxes which are expected to reverse within the following 12 months is estimated to be in line with the decrease registered in 2014.

Hypothetical tax liabilities, which could arise if dividends are paid further to distribution from the "Profits brought forward" or "Profit for the financial period" reserves on the part of subsidiaries, amounts at December 31, 2014 to € 2,795 thousand, against € 2,450 thousand in 2013

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

The tax credits amount at December 31 2014 to € 5,037 thousand, against € 4,805 thousand at December 31 2013, and refer to VAT credits, surplus payments on account of direct tax and other tax credits

Current tax liabilities amount to € 2,879 thousand at December 31 2014 compared with € 3,419 thousand a year earlier. They refer to payables for direct tax for the period, VAT and withholding taxes.

31. Long-term post-employment benefits

At December 31 2014 such benefits refer principally to the discounted liability for employment termination indemnity payable at the end of an employee's working life, amounting to € 8,702 thousand against € 9,149 thousand at December 31 2013. The valuation of the indemnity leaving fund (TFR) at the closing date, carried out according to the nominal debt method in force would be € 8,740 thousand against € 9,303 at December 31 2013.

Movements in this liability are as follows:

€/000	2014	2013
Opening balance	**9,490**	**9,071**
Current service cost and other provision	127	57
Actuarial (gains)/losses	46	782
Interest cost on obligation (note 15)	201	174
Change from extraordinary operation	-	(62)
Change from area of consolidation	184	-
Disbursements	(936)	(532)
Closing balance	**9,112**	**9,490**

The principal economic and financial assumptions used are as follows:

	FY 2014	FY 2013
Annual inflation rate	1.0%	2.4%
Rising discount rate	1.9%	1.5%
Rate of dismissal	1.0%	1.0%

Demographic assumptions refer to the most recent statistics published by ISTAT

In the 2015 financial year, payments are expected to be in line with 2014, net of payments attributable to the effects of voluntary redundancies.

32. Provisions for liabilities and charges

Movements in these provisions are detailed below:

€/000	31.12.2013	Change in scope of consolidation	Increase	Decrease	Exchange differences	31.12.2014
Provisions for agents' termination indemnity	1,739	-	131	(227)	-	1,643
Other provisions	23	-	-	-	-	23
Total non current portion	**1,762**	**-**	**131**	**(227)**	**-**	**1,666**
Provisions for products warranties	424	-	31	-	(1)	454
Other provisions	1,168	9	322	(126)	(13)	1,360
Total current	**1,592**	**9**	**353**	**(126)**	**(14)**	**1,814**

The provision for agents' termination indemnity is calculated on the basis of agency relationships in force at the close of the financial year. It refers to the probable indemnity which will have to be paid to the agents

Other non-current provisions for € 23 thousand, unchanged compared to the previous financial year, have been allocated against probable future costs relating to a dispute regarding the parent company for IRES, IRAP and VAT for the financial years 1999-2006, for an all-inclusive assessed amount of € 376 (including taxes, interest and penalties). The disputes are currently at different stages of legal proceedings, currently suspended waiting for the Supreme Court to rule, at least initially, with effect of invalidating all pending proceedings. All the sentences so far passed by the relevant Tribunal Commissions have been in favour of Emak S.p.A. and it is expected that the out come of the proceedings will be favourable also in the last resort. The provision already allocated to cover possible compensation for legal costs is confirmed.

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

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

- the setting aside of € 414 thousand (including legal defense costs for € 44 thousand) relating to an assessment of the parent company carried out by the Bologna Tax Office, large taxpayers section, during 2013 and referring to the years 2008-2010.
  On the basis of the reporting process, the Tax Office has assessed, with reference to the adjustment of the prices of a number of transnational intercompany transactions in 2008, greater taxes and interest for € 480 thousand, as well as, for the 2009 financial year, for the same reason, taxes and interest for a further € 210 thousand. The assessment has not yet been carried out for the 2010 tax year. Sanctions as per art. 1, paragraph 2-ter of Leg. Dec. 471/97 are not, in any case, due on the assessments.
  Appeal has been submitted against the 2008 assessment to the Provincial Tax Commission of Bologna, in which EMAK S.p.A. has claimed the full correcness of its operations; the dispute is currently suspended, awaiting developments in the remaining years.
  With respect to the 2009 assessment, since relevant conditions applied in this case, EMAK has submitted a request for a tax settlement, based on the same assumptions of fact and law as set out in the dispute; the request has been based on the expectation, based on is own well-founded convictions, of avoiding the costs and inconvenience of the aforementioned dispute. The attempt at settlement will probably not be successful, and it is probable that the dispute will cover all the years in question. Also in this case, on the basis of valid arguments that the company is able to put forward, the provision already set aside in the previous financial year is considered as appropriate.
- the adjustment, made in the cuurent financial year and in previous financial yars, for € 545 thousand, of the original value of the credit for capital grants Law 488/92 (note 18);
- a number of diputes relating to different controversies for around € 304 thousand;
- costs related to penalties that could be charged to the Group in the future for around € 81 thousand;
- the reimbursement of excess amounts on civil liability accidents for € 16 thousand.

33. Other non-current liabilities

The entire amount of € 937 thousand at 31 December 2013 refers to the deferred income relating to capital grants received pursuant to Law 488/92 by Comag S.r.l. and allocated (according to the accruals principal) to subsequent financial periods. The part of the grant receivable within a year is recorded in current liabilities under accrued expenses and deferred income (note 28) and amounts to € 102 thousand (€ 110 thousand last year).

34. Contingent liabilities

Below we highlight further disputes that the Group has entered into and that may give rise to contingent liabilities:

- On February 29 2012 controlled access to Tecomec Srl was completed by the Tax Office of Reggio Emilia, aimed at checking tax in the years, 2008, 2009 and 2010. The notices of assessment that have ensued entirely confirm the findings set out in the notice of assessment and demand an amount inclusive of taxes, interest and penalties of € 524 thousand. After making an unsuccessful tax settlement proposal, Tecomec proposed formal recourse, claiming, with the unanimous comfort of the views collected, the findings of the Office to be largely unfounded. The reasonably potential liabilities incumbent therefore amount to only € 75 thousand, plus € 50 thousand for costs of defense.

- On October 12 2012, at the conclusion of the audit by the Internal Revenue Service, a report on findings against the company Comet S.p.A. was issued for the 2010 tax year. The findings currently pending in litigation concern IRES and IRAP for about € 70 thousand, plus interest.

- The controlled company Tecomec S.r.l. has entered into a tax dispute concerning the years 2002, 2003, 2004 and 2005 involving a total potential cost of € 435 thousand, including taxes, interest and penalties. The appeal by the company was accepted with the judgment of the Tax Court of Reggio Emilia in October 2008. The ruling was appealed by the Office. All procedures were then suspended by mutual agreement, awating a decision of the Supreme Court regarding a similar case. The directors of the company, supported by the opinion of its defenders in court, believe to have valid reasons to support the company's claim with respect to all disputes and all levels of courts activated; therefore this liability was not considered probable.

It should be noted that any abovementioned liabilities refers to a period when the control on the different companies was exercised by Yama S.p.A., which sold the relative equity interests to Emak on 22/12/2011.

By virtue of the contractual guarantees issued at the time in favour of the transferee Emak, any liability to be defined in relation to the various positions mentioned above will be subject to full refunding to the Group on the part of Yama SpA or of the subsidiary Sabart.

35. Information on financial risks

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

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

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

Qualitative and quantitative information is given below regarding the nature of such risks for the Emak Group.
The quantitative figures shown below have no value for forecasting purposes. Specifically, the sensitivity analysis on market risks are unable to reflect the complexity and associated reactions of the market as a result of each change hypothesised.

Credit risk

The maximum theoretical exposure to credit risk for the Group at 31 December 2014 is the accounting value of financial assets shown in the financial statements.

It should be pointed out that the credit granted to clients involves specific assessments of solvency. Generally the Group obtains guarantees, both financial and otherwise, against credits granted for the supply of products. Certain categories of credits to foreign customers are also covered by insurance with primary companies.

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

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

At December 31 2014 there were no significant positions of insolvency subject to individual devaluation. Allocation to the bad debt provision was made on the basis of a constant analysis of outstanding amounts as a whole

At December 31 2014 "Trade receivables and Other receivables", equal to € 95,615 thousand (€ 98,541 thousand at 31 December 2013), include € 14,808 thousand (€ 9,649 thousand at 31 December 2013) outstanding by more than 3 months. This value has been rescheduled according to repayment plans agreed with the clients.

The value of amounts receivable covered by insurance or by other guarantees at December 31 2014 is € 37,455 thousand (€ 39,444 thousand at December 31 2013).

At December 31 2014 the first 10 customers account for 21,4% of total trade receivables (23,2% at December 31 2013), while the top customer represents 6,7% of the total (6,2% at December 31 2013)

Liquidity risk

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

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

As described under the "Management of financial risk" heading, the Group reduces liquidity risk and optimises the management of financial resources through:

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

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

The management considers that currently unused funds and credit lines, amounting to € 139 million, as well as those which will be generated from operating and financial activities, will allow the Group to meet its requirements deriving from investment activities, the management of working capital and the repayment of debts at their natural maturity dates.

Exchange risk

The Group is exposed to risks deriving from fluctuations in exchange rates, which may affect the economic result and value of equity.
The net balances at December 31 2014 for which the Group is exposed to exchange rate risk as a result of the use of a currency different from Group companies' local reporting currency are as follows:

Credit position in US Dollars	15,216,502
Debt position in Yen	30,390,812
Debt position in Swiss Francs	55,638
Debt position in Taiwanese dollars	615,037
Debt position in Renminbi	42,080,901
Debt position in Euro	5,660,642

Specifically:

- in cases in which the companies in the Group incur costs expressed in different currencies from those of their respective revenues, the fluctuation of exchange rates may affect the operating result of such companies.
  In the 2014 financial period, the overall amount of revenues directly exposed to exchange risk represented around 8.8% of the Group's aggregate turnover (11.2% in the 2013 financial period), while the amount of costs exposed to exchange risk is equal to 20% of aggregate Group turnover (19.4% in the 2012 financial period)

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

  - EUR/USD, relating to sales in dollars made in the North American market and in other markets in which the dollar is the reference currency for commercial exchanges, and to production/purchases in the Euro zone;
  - EUR/GBP, essentially in relation to sales in the UK market;
  - EUR/RMB, in relation to Chinese production activities and to relative import/export flows;
  - EUR/YEN, relating to purchases in the Japanese market and to sales in other markets;
  - EUR/PLN, relating to sales in the Polish market;
  - EUR/UAH, in respect of sales on the Ukrainian market;
  - EUR/REAIS, in respect of sales on the Brazilian market;
  - EUR/ZAR, relating to purchases in the South African market;
  - EUR/MXR, relating of sales in the Mexican market;
  - EUR/MAD, relating to purchases in the Moroccan market.

There are no significant commercial flows with regards to other currencies

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

- With regards to commercial activities, the companies in the Group are able to hold commercial credits and debits expressed in currencies which are different from the currency in which they keep their accounts and the variation in exchange rates may result in the realisation or ascertainment of exchange risks.
  The Group's policy is to partly cover, after appropriate evaluation of exchange rate trends, exposed positions resulting from credits and debits expressed in a currency different from that in which the company keeps its accounts.

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

- Assets and liabilities of subsidiary companies in the Group, whose accounting currency is different from the Euro, may have different equivalent values in Euro depending on the trend in exchange rates. As provided for by the accounting principles adopted, the effects of such variations are recorded directly in equity, under the heading "reserve for conversion differences" (see Note 27).
  At the balance sheet date there was no hedging in force with regards to these exposures for conversion exchange risk.

Sensitivity analysis
The potential loss of fair value of the net balance of financial assets/liabilities subject to the risk of variation in exchange rates held by the Group at December 31 2014, as a result of a hypothetical unfavourable and immediate variation of 10% in all relevant single exchange rates, would amount to around € 1,224 thousand (€ 1,270 thousand at December 31 2013).

Interest rate risk

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

The Group uses derivative financial instruments to cover interest rate risk

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

A hypothetical, instantaneous and unfavourable negative variation of one base point in annual interest rates in force at December 31 2014 applicable to financial liabilities at a variable interest rate would result in a greater net cost, on an annual basis, of around € 659 thousand (€ 581 thousand at December 31 2013). The above calculation takes into consideration the total amounts of financial liabilities net of the total amount of IRS operations carried out for hedging purposes.

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

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

Sensitivity analysis
The potential loss of fair value of derivative financial instruments held by the Group at December 31 2014 as a result of a hypothetical unfavourable and immediate variation of 10% in underlying values would amount to around € 1,860 thousand (€151 thousand at December 31 2013).

36. Commitments

Fixed asset purchases
The Group has commitments for purchases of fixed assets not accounted for in the financial statements at December 31 2014 for an amount of € 1,317 thousand (€ 779 thousand at December 31 2013). These commitments relate to the purchase of equipment, plant and machinery

Guarantees granted
The group has € 3,049 thousand in guarantees granted to third parties at December 31 2014

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

- a Put and Call option is contained in the contract for the acquisition of the subsidiary, Valley Industries LLP, for the remaining 10% of the share capital, to be exercised before 2017;

- as part of the contract for the acquisition of the Maxican company, S.I.Agro Mexico, the subsidiary, Comet S.p.A., has entered into a supplementary agreement that provides for a call option in favour of Comet for the acquisition of the remaining 15% of the share capital, to be exercised in 2019.

It should be noted, moreover, that the parent company, Emak S.p.A., has not exercised the call option, which expired on 30 June 2014, for the acquisition of a further 14% stake of the subsidiary, Epicenter LLC.

37. Ordinary shares, treasury shares and dividends

Share capital is fully paid up at December 31 2014 and amounts to € 42,623 thousand. It consists of 163.934.835 ordinary shares of par value € 0.26 each.

	31.12.2014	31.12.2013
Number of ordinary shares	163,934,835	163,934,835
Treasury shares	(397,233)	(397,233)
Total outstanding shares	**163,537,602**	**163,537,602**

The dividends for 2014 approved by the shareholders on April 24 2014, totalling € 4,089 thousand, were paid during 2014.

At December 31 2014 the company held in portfolio 397,233 treasury shares for a value of € 2,029 thousand.

During 2014 no treasury shares were purchased or sold by Emak S.p.A..
Therefore, at December 31 2014 the company held 397,233 treasury shares in portfolio for a value of € 2,029 thousand

In January and February 2015 no treasury shares were acquired or sold by Emak S.p.A.. As a result, the holding and value of treasury shares is unchanged with respect to December 31 2014.

38. Related party transactions

No operations of an extraordinary nature were carried out during the year between the Group and external related parties.

On the other hand, in the course of its normal business operations, Emak and the companies of its Group sometimes maintain current business relationships with the controlling company Yama S.p.A. and with certain companies that are part of its group.

This activity consists mainly in the exchange of goods and provision of services; related transactions have been adjusted according to market conditions (ie, conditions equivalent to those that would be applied in relations between independent parties), all fall within 'in ordinary exercise of the activity and were carried out in the interests of the Group companies Emak. Such transactions, corresponding to a strict logic and purpose industrial and commercial, have been regulated by specific and analytical "framework decisions" made by the competent Board of Directors of group companies, in accordance with specific procedures for protection.
Relations of a financial nature derive from the participation of the companies Comet S.p.A., Tecomec S.r.l., Sabart S.r.l. and Raico S.r.l. in the tax consolidation under Articles. 117 et seq., Tax Code, which involves Yama and certain other subsidiaries of the latter. 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 regulation of the financial relations deriving from the group payment of corporation tax coincides with the settlement with the tax authorities of the aggregated credit and debt situations by the consolidating YAMA

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

Sale of goods and services and receivables:

Related parties (€/000)	Net sales	Receivables
Agro D.o.o.	475	26
Euro Reflex D.o.o.	635	375
Garmec S.r.l.	284	170
Mac Sardegna S.r.l.	742	419
Selettra S.r.l.	4	-
Total Yama Group	**2,140**	**990**
Other related parties	**1,015**	**12**
Total (note 23)	**3,155**	**1,002**

Purchase of goods and services and trade and financial:

Companies belonging to Yama Group (€/000)	Purchases of raw and finished products	Other costs	Commercial and other payables	Financial charges	Current financial liability	Non current financial liability
Agro D.o.o.	32	-	2	-	-	-
Cofima S.r.l.	783	328	402	-	-	-
Euro Reflex D.o.o.	1,775	5	368	-	-	-
Garmec S.r.l.	74	1	3	-	-	-
Mac Sardegna S.r.l.	-	7	1	-	-	-
Sabart S.p.A.	-	273	-	-	-	-
Selettra S.r.l.	414	22	174	-	-	-
Yama Immobiliare S.r.l.	-	1,441	-	-	-	-
Yama S.p.A.	-	-	-	-	-	-
Total Yama Group	**3,078**	**2,077**	**950**	**0**	**0**	**0**
Other related parties	**46**	**88**	**110**	**49**	**801**	**1,873**
Total (note 28-29)	**3,124**	**2,165**	**1,060**	**49**	**801**	**1,873**

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The remunerations of the Directors and Auditors of the Parent company for the financial year 2014, the different components of the total remuneration, the remuneration policy adopted, the procedures followed for their calculation and the shareholdings in the group owned by the above officers, are set out in the "Remuneration report", drawn up pursuant to art. 1123-ter, Leg. Dec. 58/98 and available on the company website http://www.emak.it, nella sezione "Investor Relations > Documentazione Societaria > Corporate Governance".

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

39. Subsequent events

For the description of subsequent events please refer to the note 16 of the directors' report.

Emak S.p.A. – Financial statements at December 31, 2014

Emak S.p.A. – Income statements

€	Notes	Year 2014	of which to related parties	Year 2013	of which to related parties
Sales	8	128,601,627	37,107,480	135,631,932	31,843,670
Other operating income	8	381,809	164,056	285,031	
Change in inventories		966,661		(67,273)	
Raw and consumable materials and goods	9	(88,040,393)	(49,753,952)	(91,000,347)	(52,987,346)
Salaries and employee benefits	10	(20,218,459)	0	(19,930,221)	
Other operating costs	11	(19,064,496)	(1,015,859)	(19,102,654)	(1,244,326)
Amortization, depreciation and impairment losses	12	(4,487,079)		(3,956,023)	
EBIT		**(1,860,330)**		**1,860,445**	
Financial revenues	13	7,743,205	7,439,293	4,754,408	4,410,894
Financial costs	13	(1,662,976)	(35,184)	(2,329,815)	(565,199)
Exchange gains and losses	13	2,415,106		(871,219)	
EBT		**6,635,005**		**3,413,819**	
Income taxes	14	(624,461)		(696,264)	
Net profit		**6,010,544**		**2,717,555**	
Basic earnings per share	**15**	**0.037**		**0.017**	
Diluted earnings per share	**15**	**0.037**		**0.017**	

Comprehensive income statement

Figures in thousands of euros	Notes	Year 2014	Year 2013
Net profit (A)		**6,010,544**	**2,717,555**
Profits/(losses) deriving fromdefined benefit plans (*)	**29**	**(25,000)**	**(422,000)**
Tax effect relating to other components (*)		**27,000**	**116,000**
Total other components to be included in the comprehensive income statement (B):		**2,000**	**(306,000)**
Comprehensive net profit (A)+(B)		**6,012,544**	**2,411,555**

* Items cannot be classified in the Income Statement

In accordance with the CONSOB resolution no. 15519 of July 27 2006, the effects of transactions with related parties on the consolidated income statement are shown in the scheme and are further described and discussed in note 35.

Schedule showing assets-liabilities-financial situation

ASSETS

€	Notes	31.12.2014	of which to related parties	31.12.2013	of which to related parties
Non-current assets					
Property, plant and equipment	16	19,073,999		19,319,151	
Intangible assets other than goodwill	17	1,190,472		1,228,571	
Goodwill	18	2,074,305	2,074,305	2,074,305	2,074,305
Equity investments	19	102,658,469		104,048,946	
Deferred tax assets	28	1,771,214		1,685,358	
Other non current financial assets	21	6,544,199	6,529,199	8,643,259	8,578,259
Other receivables	22	4,394		1,849	
Total		**133,317,052**	**8,603,504**	**137,001,439**	**10,652,564**
Current assets					
Inventories	23	37,652,181		36,685,520	
Trade and other receivables	22	50,420,425	11,869,695	49,981,342	9,542,753
Current tax assets	28	1,660,756		1,569,001	
Other financial assets	21	1,894,407	1,894,407	1,450,221	1,450,221
Derivative financial instruments	20	129,051		0	
Cash and cash equivalents	24	2,282,652		3,121,132	
Total		**94,039,472**	**13,764,102**	**92,807,216**	**10,992,974**
TOTAL ASSETS		**227,356,524**	**22,367,606**	**229,808,655**	**21,645,538**

EQUITY AND LIABILITIES

€	Nota	31.12.2014	of which to related parties	31.12.2013	of which to related parties
Capital and reserves					
Issued capital		40,594,388		40,594,388	
Share premium		42,454,420		42,454,420	
Other reserves		30,564,576		30,426,698	
Retained earnings		31,098,349		29,312,124	
Total equity	**25**	**144,711,733**		**142,787,630**	
Non-current liabilities					
Loans and borrowings	27	24,336,952		26,252,401	
Deferred tax liabilities	28	1,877,723		1,626,021	
Provisions for employee benefits	29	3,809,716		4,413,568	
Provisions	30	364,426		549,621	
Total		**30,388,817**		**32,841,611**	
Current liabilities					
Trade and other payables	26	31,598,866	10,739,837	28,166,640	7,541,815
Current tax liabilities	28	827,812		838,899	
Loans and borrowings	27	18,817,091	3,007,175	24,057,790	5,007,175
Derivative financial instruments	20	126,641		244,167	
Provisions	30	885,564		871,918	
Total		**52,255,974**	**13,747,012**	**54,179,414**	**12,548,990**
TOTAL EQUITY AND LIABILITIES		**227,356,524**	**13,747,012**	**229,808,655**	**12,548,990**

In accordance with the CONSOB resolution no. 15519 of July 27 2006, the effects of related party transactions on the financial position are shown in the scheme and are further described and discussed in note 35.

Statement of changes in consolidated equity for the Emak Group at 31.12.2013 and at 31.12.2014

€/000	Share capital	Share premium	OTHER RESERVES				RETAINED EARNINGS		TOTAL
			Legal reserve	Revaluation reserve	Reserve IAS 19	Other reserves	Retained earnings	Net profit for the period	
Total at 31.12.2012	**40,594**	**42,454**	**1,700**	**1,138**	**(62)**	**27,733**	**25,612**	**4,478**	**143,647**
Change in treasury shares	0	0	0	0	0	0	0	0	**0**
Payment of dividends	0	0	0	0	0	0	0	(3,271)	**(3,271)**
Reclassification of 2012 net profit	0	0	224	0	0	0	983	(1,207)	**0**
Other changes	0	0	0	0	0	0	0	0	**0**
Net profit for 2013	0	0	0	0	(306)	0	0	2,718	**2,412**
Total at 31.12.2013	**40,594**	**42,454**	**1,924**	**1,138**	**(368)**	**27,733**	**26,595**	**2,718**	**142,788**
Change in treasury shares	0	0	0	0	0	0	0	0	**0**
Payments of dividends	0	0	0	0	0	0	(1,506)	(2,582)	**(4,088)**
Reclassification of 2013 net profit	0	0	136	0	0	0	0	(136)	**0**
Others	0	0	0	0	0	0	0	0	**0**
Net profit for 2013	0	0	0	0	2	0	0	6,010	**6,012**
Total at 31.12.2014	**40,594**	**42,454**	**2,060**	**1,138**	**(366)**	**27,733**	**25,089**	**6,010**	**144,712**

*the share capital at 31.12.14 of € 42,623 is shown net of treasury shares of a value of € 2,029

Cash flow statement

€/000	Notes	2014	2013
Cash flow from operations			
Net profit for period		**6,010**	**2,718**
Amortization, depreciation and impairment losses	12	4,487	3,956
Capital (gains)/losses on disposal of property, plant and equipment		(180)	(18)
Dividends income		(7,050)	(3,963)
Decreases/(increases) in trade and other receivables		(619)	8,358
Decreases/(increases) in inventories		(966)	67
(Decreases)/increases in trade and other payables		3,673	686
Change in provisions for employee benefits	29	(604)	220
(Decreases)/increases in provision for liabilities	30	(171)	470
Change in derivate financial instruments		(247)	(171)
Net cash generated by operations		**4,333**	**12,323**
Cash flow from investment activities			
Dividend income		7,050	3,963
Increases in property, plant and equipment and intangible assets		(4,204)	(2,021)
(Increases) and decreases in financial assets		3,045	(2,516)
Gainsfrom disposal of property, plant and equipment		180	18
Net cash absorbed by investment activities		**6,071**	**(556)**
Cash flow from financial activities			
Dividends paid		(4,088)	(3,271)
Change in short and long-term loans and borrowings		(7,950)	(15,283)
Change in finance leases		0	(474)
Change in equity		2	(306)
Net cash absorbed by financial activities		**(12,036)**	**(19,334)**
Net increase/(decrease) in cash and cash equivalents		**(1,632)**	**(7,567)**
Opening cash and cash equivalents		**1,417**	**8,984**
Closing cash and cash equivalents		**(216)**	**1,417**

ADDITIONAL INFORMATION ON THE CASH FLOW STATEMENT

€/000		2014	2013
Reconciliation of cash and cash equivalents			
Opening cash and cash equivalents, detailed as follows:	24	**1,417**	**8,984**
Cash and cash equivalents		3,121	9,959
Overdrafts		(1,704)	(975)
Closing cash and cash equivalents, detailed as follows:	24	**(216)**	**1,417**
Cash and cash equivalents		2,283	3,121
Overdrafts		(2,499)	(1,704)
Other information:			
Tax paid		(622)	(190)
Interest paid		(1,478)	(1,766)
Interest on financings to subsidiary companies		389	245
Interest on financings from subsidiary companies		(35)	(22)
Interest receiveable on bank account		4	44
Interest receiveable on trade receivables		228	126
Effects of exchange rate changes		227	(260)
Change in related party financial assets transactions		1,605	(2,794)
Change in trade receivables and others toward related parties		(1,377)	(2,035)
Change in trade payables and others toward related parties		(2,385)	(51)
Change in trade receivables and others for fiscal assets		(177)	557
Change in payables and others for fiscal liabilities		241	(360)

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

Explanatory notes to the consolidated financial statements of Emak Group

Contents

1. General information

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

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

The Board of Directors of Emak S.p.A. on March 15, 2014 approved the Financial Statements for the year to December 31, 2014, and ordered immediate notification under Art. 154-ter, paragraph 1-ter TUF, to the Board of Auditors and to the Auditing firm in order for them to carry out their relative duties. In connection with this communication, the company issued an appropriate press release with the key figures of the financial statements and the dividend proposal made to the General Meeting of Shareholders.

The financial statements for the financial year will be submitted for approval by the General Meeting of Shareholders called for 23 April 2015.

Emak S.p.A., as the parent company, has also prepared the consolidated financial statements of the Emak Group at 31 December 2014, also approved by the Board of Directors of Emak S.p.A. in the meeting of 13 March 2015; both sets of financial statements are subject to statutory audit by Fidital Revisione S.r.l..

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

2. Summary of principal accounting policies

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

2.1 General methods of preparation

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

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

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

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

- Balance Sheet: based on the distinction between current and non-current assets and current and non-current liabilities;
- Income Statement and Comprehensive Income Statement: based on a classification of items according to their nature;
- Cash flow Statement: based on a presentation of cash flows using the indirect method;
- Statement of Changes in Equity;
- The notes to the separate financial statements.

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

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

2.2 Presentation currency

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

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

2.3 Tangible fixed assets

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

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

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

- buildings, 10-33 years;
- plant and machinery, 7-10 years;
- other, 4-8 years.

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

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

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

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

2.4 Intangible assets

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

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

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

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

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

2.5 Goodwill

Goodwill, classified in the non-current assets, is initially recorded at cost value recognized at the acquisition date, as previously described, and is considered as an asset with an indefinite useful life. Consequently, this asset is not depreciated but is subject to regular checks to detect any impairment.

Goodwill is allocated to the business units that generate eparately identifiable cash flows and monitored in order to allow the verification of impairment.

2.6 Impairment of assets

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

2.7 Investment property

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

2.8 Financial assets and investments

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

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

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

(b) Other financial assets

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

(c) Equity investments

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

(d) Available-for-sale financial assets

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

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

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

2.9 Non-current assets held for sale

Assets held for sale are classified in this category when:

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

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

2.10 Inventories

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

2.11 Trade receivables

Trade receivables are recognized initially at fair value and subsequently measured at amortized cost, using the effective interest method. They are recorded net of a bad debt provision, deducted directly from accounts receivable to bring the evaluation at their estimated realizable value.
A provision for the impairment of trade receivables is recognized when there is objective evidence that the company will be unable to collect all the amounts according to the original terms and conditions. The amount of the provision for such loss is charged to the income statement

2.12 Trade payables

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

2.13 Cash and cash equivalents

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

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

2.14 Share capital

Ordinary shares are classified under equity.

Any proceeds from their sale, less directly attributable transaction costs and the related tax, are recognized in equity pertaining to the Society.

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

2.15 Financial liabilities

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

Loans and borrowings are classified as current liabilities if the company does not have an unconditional right to defer the extinguishment of the liability to at least 12 months after the balance sheet date

2.16 Taxes

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

During 2013, Emak has renewed the option for consolidated taxation of IRES for the three-year period 2013-2015 with its subsidiary COMAG. The tax assets and liabilities entries acquired from COMAG by virtue of the consolidation converge with the corresponding balances recorded by the consolidating company EMAK in relation to its position with the Inland Revenue. The reciprocal accounting entries between EMAK and COMAG are regulated in compliance with the consolidation agreements, executed on 24 May 2013.

2.17 Provision for employee termination indemnities

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

2.18 Provisions for liabilities and charges

Provisions for liabilities and charges are recognized when (i) the company has a legal or constructive obligation as a result of past events, (ii) it is probable that a payment will be required to settle the obligation and (iii) a reliable estimate can be made of the related amount.

2.19 Revenues

Revenues are recognized in the Income Statement on an accruals and temporal basis and are recognized to the extent that it is probable that the economic benefits y associated with the sale of goods or the provision of services will flow to the Company and their amount can be reliably measured.
Revenues are accounted net of returns, discounts, rebates and taxes directly associated with the sale of goods or the provision of the service.
sales are recognized at the fair value of the consideration received for the sale of products and services, when there are the following conditions:

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

2.20 Government grants

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

2.21 Financial income and expenses

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

2.22 Payment of dividends

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

2.23 Earnings per share

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

2.24 Cash flow statement

The cash flow statement has been prepared using the indirect method.
Cash and cash equivalents included in the cash flow statement comprise the cash-related balances at the reporting date. Cash flows in foreign currency have been translated at the average rate for the period.
Interest income and expense, dividends received and income taxes are included in cash flow generated by operations

2.25 New accounting standards

Reference should be made to note 2.27 in the consolidated accounts.

3. Financial risk management

3.1 Risk factors of a financial nature

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

(a) Market risk

(i) Interest rate risk
The Company's interest rate risk relates to its long-term loans and borrowings. Variable rate loans expose the Company to the cash flow risk associated with interest rates. Fixed rate loans expose the Company to the fair value risk associated with interest rates.
The Company's policy is based on constantly monitoring its level and structure of debt and on the trend in interest rates and macroeconomic variables that might directly influence them, with the goal of optimizing the cost of money. At December 31 2014, the Company's bank loans and borrowings and finance leases all carried variable interest and consequently, the company has set up hedging operations aimed at limiting the effects of interest rate fluctuations.

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

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

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

(c) Liquidity risk
Prudent management of liquidity risk implies the maintenance of sufficient liquid funds and marketable securities, and the availability of funding through adequate credit lines.
Consequently, the treasury, in accordance with the general directives of the Group, carries out the following activities:

- verification of financial requirements in order to take necessary actions;
- obtaining adequate lines of credit;
- liquidity optimization, where feasible, through structures of centralized management of cash flows of the Group;

- maintaining a balanced composition of net financial debt to investments;
- pursuit of a correct balance between short-term, medium and long term debt;
- limited credit exposure to individual financial institutions;
- monitoring of compliance with the parameters set by the covenants relating to medium-long term loans.

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

The company, through a financial management of the Group has maintained high levels of reliability on the part of banks and analysts. Lines of credit available significantly exceed requirements.

3.2 Accounting for derivative financial instruments and hedging activities

Derivative financial instruments are used exclusively for hedging purposes with the intent of reducing the risks of foreign currency fluctuation. In line with its risk management policy, in fact, the Group does not carry out derivative operations for speculative purposes.
When such operations are not accounted for as hedging operations they are recorded as trading operations
As established by IAS 39, derivative financial instruments may qualify for special hedge accounting only if (i) at the inception of the hedge the hedging relationship is formally designated and documented, (ii) the hedge is expected to be highly effective and (iii) the effectiveness of the hedge can be measured reliably.
Derivatives are initially recognized at cost and adjusted to fair value at subsequent balance sheet dates
When such operations are not accounted for as hedging operations they are recorded as trading operations.
Derivatives are initially recognized at cost and adjusted to fair value at subsequent balance sheet dates.

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

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

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

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

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

3.3 Measurement of fair value

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

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

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

4 Key accounting estimates and assumptions

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

In this context, it should be noted that the situation caused by the persistent difficulties of the economic and financial scenario has implied the need to make assumptions regarding the future outlook which is characterised by uncertainty. As a result, it cannot be excluded that the actual results obtained will be different from the forecasts, and therefore adjustments, even of significant amounts (which obviously cannot today be estimated or foreseeable) to the book value of the relative items may be necessary. The financial statements heading most affected by the use of estimates is shareholdings in subsidiaries and associates included among non-current assets, where the estimates are used to establish any devaluations and recoveries of value. Any effects are not, however, particularly critical or material, considering their low significance in relation to the underlying account headings.

5. Significant non-recurring events and transactions

5.1 Sale of Emak Usa to Comet S.p.A.

On 26 August 2014 Emak S.p.A. contributed $ 1.1 million to a future capital increase of the subsidiary, Emak USA, through the conversion of trade receivables.
On October 1, 2014, Emak S.p.A., as part of the process of rationalizing its presence in the American market, sold to the controlled company Comet S.p.A. its entire stake in the share capital of Emak USA.
The operation has not produced significant economic effects on the company's results.

5.2 Restructuring costs

On 14 December 2014 Emak SpA entered into an Agreement with the OO.SS. and RSU companies for voluntary redundancy in accordance with arts. 4, 5 and 24 of Law 223/91, involving a total of 29 employees, providing for the voluntary redundancy of the staff involved, in the period from 19 to 30 December 2014.
The redundancy procedure closed on 22 December 2014 with the involvement of 25 employees (of which 8 office staff and 17 factory workers), corresponding to around 6.5% of the total workforce at 30 November 2014. The costs sustained by the Company for incentives and INPS contributions relating to the voluntary redundancy scheme totalled € 855 thousand (of which € 775 thousand for incentives and € 80 thousand for INPS contributions).

6. Positions or transactions deriving from atypical and unusual operations

During the year 2014 there were no atypical or unusual operations.

7. Net financial position

Details of the net financial position are summarized in the following table:

Net financial debt	31/12/2014	31/12/2013
A. Cash and banks	2,283	3,121
D. Liquidity (A+B+C)	**2,283**	**3,121**
E. Current financial receivables	2,023	1,450
F. Current bank loans	(2,615)	(5,842)
G. Current portion of non-current loans	(13,195)	(11,921)
H. Other financial debts	(3,134)	(6,539)
I. Current financial debts (F+G+H)	**(18,944)**	**(24,302)**
J. Net current financial debts (I+E+D)	**(14,638)**	**(19,731)**
Z. Non current financial receivables	**6,544**	**8,643**
K. Non current bank loans	(23,585)	(26,252)
L. Bonds issued	0	0
M. Other net non-current payables	(751)	0
N. Non current financial debts (K+L+M+Z)	**(17,792)**	**(17,609)**
O. Net current financial debts (J+N)	**(32,430)**	**(37,340)**

At December 31 2014 the net financial position includes:

- financing receivables in the medium and long term granted by Emak S.p.A. to subsidiaries amounting to € 6,529 thousand, recorded under non-current financial receivables;
- financing receivables in the short term granted by Emak S.p.A. to the subsidiary, Comet USA, for € 1,894 thousand, recorded under current financial receivables
- the financial debt payable to the subsidiary, Sabart S.r.l., for the overall amount of € 3,007 thousand, is recorded under Other current financial debts.

At December 31 2013 the net financial position included.

- financing receivables in the medium and long term granted by Emak S.p.A. to subsidiaries amounting to € 8,578 thousand, recorded under non-current financial receivables;
- financing receivables in the short term granted by Emak S.p.A. to the subsidiary, Comet USA, for € 1.450 thousand, recorded under current financial receivables;
- the financial debts payable to the subsidiaries, Sabart S.r.l., Victus Emak and Emak Suministros Espana for the amount of € 5,007 thousand recorded under Other current financial debts.

8. Sales and other operating income

Sales revenues amount to € 128,602 thousand, compared with € 135,632 thousand in the prior year. They are stated net of € 2,440 thousand in returns, compared with € 974 thousand in the prior year.

Details of sales are as follows:

€/000	FY 2014	FY 2013
Net sales revenues (net of discounts and rebates)	129,617	135,253
Revenues from recharged transport costs	1,425	1,353
Returns	(2,440)	(974)
Total	**128,602**	**135,632**

Other operating income is analysed as follows

€/000	FY 2014	FY 2013
Subsidies for operation	66	46
Capital gains on tangible fixed assets	184	18
Insurance refunds	44	86
Out-of-period income	32	70
Other	56	65
Total	**382**	**285**

The item **"Subsidies for operations"** refers to the Fondimpresa contribution of € 51 thousand, for costs incurred by the Company for training its staff, and other contributions amounting overall to € 15 thousand.

The heading, **"capital gains on tangible fixed assets"** includes a value of € 164 thousand referring to capital gains realized with respect to the subsidiaries, Comag S.r.l., Jiangmen Emak Outdoor and Tailong Zhuhai Machinery Manufacturing, for the sale of equipment.

9. Cost of raw and consumable materials and goods

The heading is analysed as follows:

€/000	FY 2014	FY 2013
Raw materials	37,602	37,943
Finished products	48,905	51,801
Consumable materials	156	106
Other purchases	1,377	1,150
Total	**88,040**	**91,000**

10. Salaries and employee benefits

Details of these costs are as follows

€/000	FY 2014	FY 2013
Wage and salaries	14,326	13,636
Social security charges	4,463	4,390
Employee termination indemnities	978	985
Other costs	75	128
Directors' emoluments	281	791
Temporary staff	95	-
Total	**20,218**	**19,930**

The increase in staff costs mainly relates to the voluntary redundancy procedure which has led to costs for the Company of € 855 thousand (of which € 775 thousand are for wages and salaries and € 80 thousand for Inps contributions).

The breakdown of employees by grade as follows:

	December 31 2014		December 31 2013	
	(1)	(2)	**(1)**	**(2)**
Executives	15	15	16	16
Office staff	182	169	187	182
Factory workers	196	177	199	198
Total	**393**	**361**	**402**	**396**

(1) Average number of employees in year
(2) Number of employees at this date

11. Other operating costs

Details of these costs are as follows:

€/000	FY 2014	FY 2013
Subcontract work	1,743	1,927
Trasportation	5,208	5,149
Advertising and promotion	1,379	1,617
Maintenance	1,304	1,191
Commissions	1,172	1,377
Consulting fees	2,006	1,683
Costs of after sales warranty	649	651
Insurance	339	372
Travel	294	291
Postals and telecomunications	211	192
Other services	1,839	1,753
Services	**16,144**	**16,203**
Rents, rentals and the enjoyment of third party assets	**1,788**	**1,714**
Increases in provvisions	**55**	**148**
Increases in provision for doubtful accounts (note 23)	310	237
Other taxes (not on income)	244	228
Other operating costs	523	572
Other costs	**1,077**	**1,037**
Total	**19,064**	**19,103**

Costs for services have remained generally in line with the previous year; worth noting is the reduction in costs for external processing, substantially counterbalanced by an increase in consultancy costs (due to the increase in design costs for the development of new products) and in maintenance costs on buildings, relating to the changes required to implement the new logistics centre.

La **"commissions"** heading has fallen compared to the previous year due to the termination of a number of contracts in force, mainly reaching their natural expiry date.

12. Amortization and depreciation

Details of these amounts are as follows:

€/000	FY 2014	FY 2013
Amortization of intangible assets (note 16)	2,823	3,049
Depreciaton of property, plant and equipment (note 17)	644	907
Svalutation (note 19)	1,020	-
Total	**4,487**	**3,956**

13. Finance income and expenses

Details of these amounts are as follows:

€/000	FY 2014	FY 2013
Dividends from subsidiaries	7,050	3,963
Interest on trade receivables	228	100
Interest on commercial receivables to subsidiaries (note 35)	-	60
Interest on loans to subsidiaries (note 35)	388	388
Interest on bank and post office accounts	4	44
Costs from adjustement to fair value and closure of derivates instruments for hedging interest rate risk	65	197
Other financial income	8	2
Financial income	**7,743**	**4,754**

The heading **"Dividends from shareholdings in subsidiaries"** refers to the dividends received from Emak Suministros Espana S.A, Tecomec S.r.l. Comet S.p.A., Sabart S.r.l. and Victus-Emak Sp.Z.o.o.

Financial expenses are analysed as follows:

€/000	FY 2014	FY 2013
Interest on long-term bank loans and borrowings	1,248	1,235
Interest on short-term bank loans and borrowings	90	174
Interest on loans to related parties (note 35)	35	565
Financial charges from valuing employee termination ind. (note 29)	95	89
Proceeds from adjustment to fair value derived instruments for hedging interest rate risk	163	211
Losses on subsidiaries	4	-
Other financial costs	28	56
Financial expense	**1,663**	**2,330**

In the 2013 financial year the heading **"Interest on loans to related parties**" mainly included the discounted value of the debt payable to YAMA S.p.A. and Sabart S.p.A. for deferred payment for the acquisition of the equity interests in Sabart S.r.l., Raico S.r.l., Tecomec S.r.l. and Comet S.p.A.: this debt was settled in December 2013.

The "**Losses on subsidiaries**" heading refers to the sale to the subsidiary, Comet S.p.A., of the entire shareholding of Emak Usa, as described in paragraph 5 of these Notes.

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

€/000	FY 2014	FY 2013
Positive exchange rate differences	2,367	1,082
Unrealized gains/(losses)	1,541	(597)
Negative exchange rate differences	(1,493)	(1,356)
Exchange gains and losses	**2,415**	**(871)**

14. Income taxes

The tax charge for the 2014 financial year for current taxes, deferred tax liabilities and deferred tax assets amounts to € 624 thousand net of the positive effect of taxes of previous financial years for € 24 thousand. The tax charge for the previous year amounted to € 390 thousand, plus the negative effect of the taxes of previous financial periods for € 306 thousand, for a total of € 696 thousand.

This amount is made up as follows:

€/000	FY 2014	FY 2013
Current income taxes	431	1,044
taxes from prior years	(24)	306
Deffered tax assets (note 28)	251	(379)
Deffered tax liabilities (note 28)	(34)	(275)
Total	**624**	**696**

Current income taxes include the cost of IRAP (regional company tax) of € 431 thousand, compared to € 567 thousand in 2013

The theoretical tax charge, calculated using the ordinary rate of 31.40%, is reconciled to the effective tax charge as follows

€/000	FY 2014	% rate	FY 2013	% rate
Profit before taxes	**6,635**		**3,414**	
Theoretical tax charges	**2,083**	**31.4**	**1,072**	**31,4**
Effect of IRAP differences calculated on different tax base	169	2.5	433	12.7
Dividends	(1,842)	(27.8)	(1,035)	(30.3)
Non-deductible costs	344	5.2	83	2.4
Previous period tax	(24)	(0.4)	306	9.0
Other differences	(106)	(1.6)	(163)	(4.8)
Effective tax charge	**624**	**9.4**	**696**	**20.4**

15. Earnings per share

"**Basic**" earnings per share are calculated by dividing the net profit for the period attributable to the company's shareholders by the weighted average number of ordinary shares outstanding during the period, excluding the average number of ordinary shares held as treasury shares (see note 34).

The company has only ordinary shares outstanding

	FY 2014	FY 2013
Net profit attributable to ordinary shareholders (€/1.000)	6,010	2,718
Weighted average number of ordinary shares outstanding	163,537,602	163,537,602
Basic earnings per share(€)	**0.037**	**0.017**

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	FY 31.12.2012	Increases	Decreases	Other moviments	FY 31.12.2013
Lands and buildings	19,822	3	-	-	19,825
Accumulated depreciation	(6,310)	(476)	-	-	(6,786)
Lands and buildings	**13,512**	**(473)**	**-**	**-**	**13,039**
Plant and machinery	9,344	68	(99)	349	9,662
Accumulated depreciation	(6,308)	(823)	99	-	(7,032)
Plant and machinery	**3,036**	**(755)**	**-**	**349**	**2,630**
Other assets	43,936	880	(551)	90	44,355
Accumulated depreciation	(39,762)	(1,751)	551	-	(40,962)
Other assets	**4,174**	**(871)**	**-**	**90**	**3,392**
Advances and fixed assets in progress	**157**	**538**	**-**	**(438)**	**257**
Cost	**73,259**	**1,489**	**(650)**	**1**	**74,099**
Accumulated depreciation (note 12)	**(52,380)**	**(3,050)**	**650**	**-**	**(54,780)**
Net book value	**20,879**	**(1,561)**	**-**	**1**	**19,319**

€/000	FY 31.12.2013	Increases	Decreases	Other moviments	FY 31.12.2014
Lands and buildings	19,825	327	(10)	-	20,142
Accumulated depreciation	(6,786)	(445)	10	-	(7,221)
Lands and buildings	**13,039**	**(118)**	**-**	**-**	**12,921**
Plant and machinery	9,662	454	(746)	20	9,390
Accumulated depreciation	(7,032)	(760)	673	-	(7,119)
Plant and machinery	**2,630**	**(306)**	**(73)**	**20**	**2,271**
Other assets	44,355	1,574	(200)	219	45,948
Accumulated depreciation	(40,962)	(1,618)	190	-	(42,390)
Other assets	**3,392**	**(44)**	**(10)**	**219**	**3,558**
Advances and fixed assets in progress	**257**	**305**	**-**	**239**	**323**
Cost	**74,099**	**2,660**	**(956)**	**-**	**75,803**
Accumulated depreciation (note 12)	**(54,780)**	**(2,823)**	**873**	**-**	**(56,730)**
Net book value	**19,319**	**(163)**	**(83)**	**-**	**19,073**

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

The increases relate to:

- the plant and machinery category, further to the upgrading of the warehouse layout for the development of new logistics centre at the site costing € 454 thousand;
- the "**other assets**" category mainly refers
  - the purchase of equipment and dies for the development of new products and for the upgrading and modernization of production lines, for € 1,464 thousand;
  - the purchase of electronic machines, for € 183 thousand;
  - the purchase of instruments for testing and control, for € 54 thousand;
  - the purchase of internal means of transport, for € 83 thousand;
  - other fixed assets for € 9 thousand.

The item "**Advance payments and construction in progress**" refers to the amounts paid for the construction of equipment and dies for the production.

The company does not have any assets which are subject to restrictions on ownership.

17. Intangible assets

Intangible assets report the following changes:

€/000	FY 31.12.2012	Increase	Other movements	FY 31.12.2013
Development costs	1,830	-	-	1,830
Accumulated amortization	(1,236)	(193)	-	(1,429)
Development costs	**594**	**(193)**	**-**	**401**
Patents and intellectual property rights	5,982	330	-	6,312
Accumulated amortization	(5,258)	(531)	-	(5,789)
Patents	**724**	**(201)**	**-**	**523**
Concessions, licences and trademarks	110	2	-	112
Accumulated amortization	(54)	(11)	-	(65)
Concessions, licences and trademarks	**56**	**(9)**	**-**	**47**
Other intangible assets	638	127	37	802
Accumulated amortization	(451)	(172)	-	(623)
Other intangible assets	**187**	**(45)**	**37**	**179**
Advanced payments and fixed assets in progress	**43**	**72**	**(37)**	**78**
Cost	**8,603**	**532**	**-**	**9,135**
Accumulated depreciation (note 12)	**(6,999)**	**(907)**	**-**	**(7,906)**
Net book value	**1,604**	**(375)**	**-**	**1,229**

€/000	FY 31.12.2013	Increase	Other movements	FY 31.12.2014
Development costs	1,830	-	-	1,830
Accumulated amortization	(1,429)	(147)	-	(1,576)
Development costs	**401**	**(147)**	-	**254**
Patents and intellectual property rights	6,312	334	28	6,674
Accumulated amortization	(5,789)	(383)	-	(6,172)
Patents	**523**	**(49)**	**28**	**502**
Concessions, licences and trademarks	112	-	-	112
Accumulated amortization	(65)	(10)	-	(75)
Concessions, licences and trademarks	**47**	**(10)**	-	**37**
Other intangible assets	802	87	-	889
Accumulated amortization	(623)	(104)	-	(727)
Other intangible assets	**179**	**(17)**	-	**162**
Advanced payments and fixed assets in progress	**78**	**185**	**(28)**	**235**
Cost	**9,135**	**606**	**-**	**9,741**
Accumulated depreciation (note 12)	**(7,906)**	**(644)**	**-**	**(8,550)**
Net book value	**1,229**	**(38)**	**-**	**1,191**

Investments in the year relate mainly to the purchase of software for improving process efficiency for € 334 thousand, including customizations of the management system. The increase in the Other intangible fixed assets heading relates mainly to the investments in the web marketing projects associated with the new e-commerce platform.

All the intangible assets have a finite residual life and are amortized on a straight-line basis over the following periods:

- Development costs 5 years
- Intellectual property rights 3 years
- Concessions, licences, trademarks and similar rights 10/15 years
-

Research and development costs directly recorded in the income statement amount to € 5,641 thousand.

18. Goodwill

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

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

19. Equity investments

Details of equity investments are as follows:

€/000	31.12.2013	Increases	Decrease	31.12.2014
Equity investments				
- in subsidiary companies	103,824	834	(2,225)	102,433
- in other companies	225	-	-	225
TOTAL	**104,049**	**834**	**(2,225)**	**102,658**

Investments in **subsidiaries** amounted to € 102,433 thousand, due to:
- an increase of € 834 thousand with relation to payments for future capital increases of the subsidiary, Emak USA Inc., through the conversion of trade receivables (1.1 million dollars);
- a decrease of € 1,205 thousand further to the sale to the subsidiary, Comet S.p.A., of the entire shareholding of Emak Usa, as from 1 October 2014;
- a write-down of € 1.020 thousand of the shareholding of 61% of the share capital of the company regulated by Ukrainian law, Epicenter LLC.

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

The company's directors have carried out an impairment test on goodwill emerging from the consolidation process. They have subsequently carried impairment tests on the book value of the equity interests that have indicators of possible losses in value using the *Discounted Cash Flow* method based on the following assumptions:

- The base figures are those taken from Emak Group's strategic plan 2015-2017. This plan is the best management forecast of the future operating performances of the single entities making up the Group in the considered period. With regards to the goodwill arising from the merger of Bertolini S.p.A into Emak S.p.a., the Emak S.p.A C.G.U. (Cash Generating Unit) plan figures have been used, since this plan represents the minimum level at which the goodwill is monitored by management for internal management purposes.
- The expected future cash flows refer to the reference units in their present conditions and exclude any operations of a non-ordinary nature;
- The WACC used to discount the cash flows of the Ukrainian company, Epicenter LLC, is 27.82%;

- The value used as a summary estimate of future results beyond the period of time explicitly considered has been calculated on the basis of a prudent long-term growth rate (g) of 2%, representing long-term expectations for the relevant industrial sector;
- The WACC rate reflects the current market assessments of the time value of money for the period considered and the specific risks of the subsidiary

Following the impairment test carried out on the accounting value of Epicenter LLC, equal to € 1,350 thousand at 31 December in the previous year and referring to 61% of the company regulated by Ukrainian law, a write-down of € 1,020 thousand has been made. The future cash flows derive from plans drawn up taking account of the difficult political situation of the country in which the subsidiary operates and indicate that the value of the equity interest, under the expected conditions, is not fully recoverable.

Le partecipazioni in **altre imprese** sono relative a:

- a minority interest in Netribe S.r.l., a company operating in the IT sector; this investment is valued at its cost of € 223 thousand since its fair value cannot be determined. The percentage of participation of Emak S.p.A. in Netribe S.r.l. is 15.41%;
- one share for membership of the ECOPED Consortium as required by Decree 151/2005, with a value of € 1 thousand;
- one share for membership of the ECOPED Consortium as required by Decree 151/2006, with a value of € 1 thousand.

20. Derivative financial instruments

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

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

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

At December 31 2014 purchases / sales of foreign currencies with forward contracts in force were as follows:

	Company		Nominal value (€/000)	Exchange rate	Due to
Forward contracts for foreign currencies purchases					
Cnh/Eur	Emak Spa	Cnh	35,000	7.98	13/05/2015
Cnh/Usd	Emak Spa	Cnh	55,000	6.24	14/12/2015

The accounting of the abovementioned instruments is at fair value. The current value of these contracts has resulted in the recognition of positive fair values for € 129 thousand.
In accordance with the applicable accounting standards such effects have been accounted for in the income statement in the current period

Emak S.p.A., moreover, has taken out a number of IRS contracts and options on interest rates, with the aim of covering the risk of variability of interest rates on loans, for a notional total of € 11,767 thousand.

The expiry of the instruments is as follows:

- € 5,617 thousand will be amortised in financial years up to 2016;
- € 2,900 thousand will be amortised in financial years up to 2017;
- € 3,250 thousand will be amortised in financial years up to 2018.
-

The recorded value of these contracts at December 31 2014 is a total negative fair value of € 127 thousand.

The average interest rate resulting from the instruments is equal to 1.18%.

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.

21. Other financial assets

The other non-current assets amounted to € 6,544 thousand, against € 8,643 thousand in the previous year and refer to loans quoted in Euros and U.S. Dollars, granted to subsidiaries amounting to € 6,529 thousand and borrowings in the amount of € 15 thousand.
Other current financial assets amounting to €1,894 thousand refer to the U.S. Dollar loan granted to the controlled company Comet Usa (€ 1,450 thousand at December 31 2013)

The interest rates applied to loans granted by Emak to the subsidiaries have been established in accordance with the framework resolutions that define the nature and terms of conduct. In general, the yield varies depending on:
- the type and duration of the loan granted;
- the performance of the financial markets in which Emak and its subsidiaries operate and official reference rates (12 months Euribor and 12 months Libor);
- the currency of the loan granted;

22. Trade receivables amd other receivables

A breakdown of the heading is shown below:

€/000	31.12.2014	31.12.2013
Trade receivables	39,788	41,389
Provision for doubtful accounts	(1,657)	(1,362)
Net trade receivables	**38,131**	**40,027**
Trade receivables from related parties (note 35)	11,870	9,543
Prepaid expenses and accrued income	215	180
Other receivables	204	231
Total current portion	**50,420**	**49,981**
Other non current receivables	4	2
Total non current portion	**4**	**2**

The heading, "**Trade receivables from related parties**", for the details of which reference should be made to the relative note, includes a receivable of € 269 thousand from the subsidiary, Comag S.r.l., emerging from the tax consolidation regime in which the two companies take part.

The trade receivables heading includes amounts in dollars for 19,971,834.
Trade receivables have an average maturity of 99 days.

All non-current receivables mature within five years. There are no trade receivables due after one year.
"**Trade receivables**" are analysed by geographical area as follows:

The breakdown of the "**Trade receivables"** heading is shown below:

€/000	Italy	Europe	Rest of the world	Total
Trade receivables	13,248	16,738	9,802	**39,788**
Related parties receivables	1,219	6,928	3,723	**11,870**

The movement in the provision for bad debts is as follows

€/000	FY 2014	FY 2013
Opening balance	**1,362**	**1,296**
Increases (nota 11)	310	237
Decreases	(15)	(171)
Closing balance	**1,657**	**1,362**

The book value of this balance approximates its fair value.

23. Inventories

Inventories are detailed as follows:

€/000	FY 2014	FY 2013
Raw, ancillary and consumable materials	16,955	18,632
Work in progress and semi-finished products	5,582	4,955
Finished products and goods	15,115	13,099
Total	**37,652**	**36,686**

Inventories are stated net of a provision of € 1,544 thousand at December 31 2014 (€ 1,339 thousand at December 31 2013) intended to align obsolete and slow-moving items to their estimated realizable value.

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

€/000	FY 2014	FY 2013
Opening balance	**1,339**	**1,268**
Increase	257	193
Uses	(52)	(122)
Closing balance	**1,544**	**1,339**

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

None of the company's inventories at December 31 2014 act as security against its liabilities

24.. Cash and cash equivalents

Cash and cash equivalents are detailed as follows:

€/000	31.12.2014	31.12.2013
Bank and post office deposits	2,276	3,115
Cash	7	6
Total	**2,283**	**3,121**

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

€/000	31.12.2014	31.12.2013
Cash and cash equivalents	2,283	3,121
Overdrafts (note 27)	(2,498)	(1,704)
Total	**(215)**	**1,417**

25. Equity

Share capital
Share capital is fully paid up at December 31 2014 and amounts to € 42,623 thousand, remaining unchanged during the year under examination. It consists of 163,934,835 ordinary shares of par value € 0.26 each.

Treasury shares
The adjustment of share capital for purchase of treasury shares, equal to € 2,029 thousand, is the overall exchange value paid by Emak S.p.A. for the acquisition on the market of treasury shares held at 31 December 2014 (note 34).
The nominal value of these treasury shares is € 104 thousand.
As for the sale and purchase of shares made during the period, please refer to the appropriate section of the Directors' Report.

Share premium reserve
At December 31 2014, the share premium reserve amounts to € 42,454 thousand, unchanged from the previous year is made up of premiums on newly issued shares. The reserve is shown net of expenses related to the capital increase amounting to € 1,598 thousand and adjusted for the tax effect of € 501 thousand.

Legal reserve
The legal reserve at December 31 2014 of € 2,060 thousand (€ 1,924 thousand at December 31 2013).

Revaluation reserve
At 31 December 2014, the revaluation reserve includes reserves deriving from the revaluation pursuant to Law 72/83 for € 371 thousand and Law 413/91 for € 767 thousand.
No change occurred during the year.

Other reserves:
The extraordinary reserve, amounts to € 27,088 thousand at December 31 2014, inclusive of all allocations of earnings in prior years.

At 31 December 2014 other reserves also include:

- reserves qualifying for tax relief, referring to tax provisions for grants and donations for € 129 thousand;
- reserves for merger surpluses for € 394 thousand;
- reserves from capital grants deriving from the merger of Bertolini S.p.A. for € 122 thousand.

These reserves are unchanged compared to previous year.

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

Nature/Description (€/000)	Amount	Possible use	Available portion	Summary of uses in past three years: Coverage of losses	Summary of uses in past three years: Other reasons
Share capital	**42,623**				
Capital reserve					
Share premium reserve (§)	42,454	A-B-C	42,454	-	-
Revaluation reserve under Law 72/83 (#)	371	A-B-C	371	-	-
Revaluation reserve under Law 413/91 (#)	767	A-B-C	767	-	-
Merger surplus reserve (#)	394	A-B-C	394	-	-
Other untaxed reserve (#)	122	A-B-C	122	-	-
Reserves formed from earnings					
Legal reserve	2,060	B	-	-	-
Extraordinary reserve	27,088	A-B-C	27,088	-	-
Untaxed reserve (#)	129	A-B-C	129	-	-
Treasury shares	(2,029)		(2,029)	-	-
Profits brought forward in FTA	2,513	A-B	2,513	-	-
Valutation reserve	(366)		(366)	-	-
Profits brought forward	22,576	A-B-C	22,576	-	1,507
Total	**96,079**		**94,019**	-	-
Undistributable portion (*)			**(8,932)**	-	-
Distributable balance			**85,087**	-	-
Net profit for the period (**)	**6,010**		**5,710**	-	-
Total equity	**144,712**				

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

(#) subject to tax payable by the company in the event of distribution.
(*) Equal to the reserve First Time Adoption (€ 2,513 thousand), the share of long-term costs not yet amortized (€ 255 thousand) in addition to the share of necessary future allocation to the legal reserve (€ 6,164 thousand). This bond bears specifically on the share premium reserve (§);
(**) subject to obliged allocation to the legal reserve for € 300 thousand.

26. Trade and other payables

Details of these amounts are as follows:

€/000	31.12.2014	31.12.2013
Trade payables	14,692	16,284
Payables due to related parties (note 35)	10,740	7,541
Payables due to staff and social security institution	3,464	2,134
Other payables	2,703	2,208
Total	**31,599**	**28,167**

The item "**Payables to related parties**", the details of which are provided in the relevant note, includes € 61 thousand as a payable to the subsidiary, Comag Srl, arising from the tax consolidation relationship in which the two companies participate.

The item "**Other payables**" includes a guarantee received from a customer for € 1,863 thousand Euro and payables due to directors and employees for € 656 thousand.

Trade payables do not generate interest and are settled after an average of 74 days

This balance includes the following amounts in foreign currency:

- USD 2,544,988
- JPY 44,184,154;
- CHF 14,042
- TWD 615,037;
- RNB 43,437,794.

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

€/000	Italy	Europe	Rest of the world	Total
Trade payables	9,040	1,170	4,482	14,692
Related parties payables	5,720	625	4,395	10,740

The book value reported in the balance sheet corresponds to fair value.

27. Financial liabilities

Financial liabilities at December 31 2014 do not include any secured payables.

Details of **current financial liabilities** are as follows:

€/000	31.12.2014	31.12.2013
Overdrafts (note 24)	2,498	1,704
Bank loans	13,195	15,921
Financial accrued expense and deffered income	117	168
Other loans	-	1,258
Loans from related parties (note 35)	3,007	5,007
Total current	**18,817**	**24,058**

At 31 December of the previous year, the heading "Other loans" referred to the liability relating to the buy-back commitment on the part of Emak S.p.A. for the equity interest held by Simest S.p.A. in the subsidiary, Jiangmen Emak Outdoor Power Equipment Co, entirely paid during the third quarter of 2014.

The "**Loans from related parties**" refers to an interest-bearing loan on the part of the subsidiary, Sabart S.r.l.

Short-term loans and borrowings are repayable as follows:

€/000	Due within 6 months	Due within 6 and 12 months	Total
Bank loans	6,347	6,848	**13,195**
Loans from related parties (note 35)	3,007	-	**3,007**
Total non current portion	**9,354**	**6,848**	**16,202**

The interest rates applied to loans granted to Emak by subsidiaries have been established in accordance with the framework resolutions that define the nature and terms of conduct. Generally the yield varies depending on:
- the type and duration of the loan granted;
- the performance of the financial markets in which Emak and its subsidiaries operate and official reference rates (Euribor);
- the currency of the loan granted;

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

€/000	31.12.2014	31.12.2013
Bank loans	23,586	26,252
Other financial loans	751	-
Total non current portion	**24,337**	**26,252**

The heading, "**Other financial loans**" amounting to € 751 thousand, refers to the granting of a loan in accordance with Law 133/08 on the part of SIMEST.

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

€/000	Due within 2 years	Due within 3 years	Due within 4 years	Due within 5 years	Total due within 5 years	Due beyond 5 years
Bank loans	**11,774**	**6,820**	**3,192**	**1,800**	**23,585**	**-**
Other financial loans	**-**	**150**	**150**	**150**	**450**	**301**

The interest rates refer to 3-6 months Euribor plus an average spread of 2.52 percentage points.

A number of medium-long-term loans are subject to finance covenants assessed on the basis of consolidated Nfp/Ebitda and Nfp/Equity ratios. At December 31 2014 the Group complied with all the benchmarks set.

28. Tax assets and liabilities

Deferred tax assets are detailed below:

€/000	31.12.2013	Increases	Decreases	Other movements	31.12.2014
Provision for inventory obsolescence	369	71	(15)	-	425
Provision for doubtful accounts	39	19	-	-	58
Other deferred tax assets	1,277	251	(291)	51	1,288
Total (note 14)	**1,685**	**341**	**(306)**	**51**	**1,771**

It is expected that the amount of taxes that will presumably reverse within the next 12 months is in line with the decrease recorded in 2014.
The heading "**Other deferred tax assets**" includes the residual amount for deferred tax assets for € 403 thousand relating to costs incurred for the increase in share capital and directly charged to equity, and to M&A costs charged to the income statement in the 2011 financial year as part of the "Greenfield" operation; in addition, the same heading includes an amount of € 147 thousand relating to deferred incentive bonuses, as well as deferred tax assets for € 117 thousand relating to the product warranty provision referring to future costs for warranties and finally, the tax effect of accounting for post-employment benefits according to IAS 19, for € 167 thousand.

Deferred tax liabilities are detailed below:

€/000	31.12.2013	Increases	Decreases	Other movements	31.12.2014
Buildings redeemed under finance lease IAS 17	134	14	(132)	-	16
Valutation of provision for employee termination indemnities under IAS 19	24	-	(24)	-	-
Deffered provision on capitan gains	1,425	-	(30)	-	1,395
Other deferred tax liabilities	43	472	(49)	-	466
Total (note 14)	**1,626**	**486**	**(235)**	**0**	**1,877**

The portion of the taxes which will reverse in the next 12 months amounted to about € 517 thousand.

The "**Other deferred tax liabilities"** heading refers to unrealized foreign exchange gains in 2014.

It should be noted that no deferred taxes were allocated in respect of the revaluation reserves, which are reserves in partial suspension of the tax, as it is likely that there will be no transactions that would give rise to taxation. The total amount of these taxes is € 408 thousand

The **deferred tax assets** amount at December 31 2014 to € 1,661 thousand, against € 1,569 thousand at December 31 2013, and refer to:

- tax assets in previous financial years relating to tax reimbursements for € 1,036 thousand and referring to the appeal filed in 2012 regarding the deductibility of IRAP (regional corporate tax) as per art. 2 Law no. 201/2011 for a value pf € 848 thousand, and relating to the appeal for reimbursement of IRES (Italian corporate income tax), as per art.6, Decree Law 185/2008 for a further € 188 thousand;
- VAT credits for € 276 thousand;
- credits for income taxes due to higher IRAP advances for € 143 thousand
- tax receivables for € 193 thousand, following the payment made in June 2014, paid provisionally and pending appeal, regarding an assessment of 2008 against the adjustment of the prices of a number of intergroup transnational transactions (note 30);
- other minor tax receivables for € 13 thousand.

Current tax liabilities amount to € 828 thousand at December 31 2014 compared with € 839 thousand a year earlier and all refer to withholding taxes**.**

29. Long-term post-employment benefits

The liability refers to the time-discounted debt for termination indemnity due at the end of an employee's working life, amounting to € 3,810 thousand. The amount of termination indemnity calculated according to the nominal debt method in force at the closing date would be € 3,836 thousand.

Movements in this liability are as follows:

€/000	2014	2013
Opening balance	**4,414**	**4,194**
Actuarial (gains)/losses	25	422
Interest cost on obligation (note 13)	95	89
Disbursements	(724)	(291)
Closing balance	**3,810**	**4,414**

The principal economic and financial assumptions used are as follows

	FY 2014	FY 2013
Annual inflation rate	1%	2,4%
Rising disount rate	1,9%	1,5%
Rate of dismissal (average overall rate)	1%	1%

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

Payments in 2015 are expected to be in line with 2014, net of the disbursement attributable to voluntary redundancies.

30. Provisions for liabilities and charges

Movements in this balance are analysed below:

€/000	31.12.2013	Increase	Decrease	31.12.2014
Provisions for agents' termination indemnity	467	32	(157)	342
Other provisions	23	-	-	23
Total non current portion	**490**	**32**	**(157)**	**365**
Provisions for clients bonus	48	-	(48)	-
Provisions for products warranties	350	23	-	373
Other provisions	534	-	(21)	513
Total current portion	**932**	**23**	**(69)**	**886**

The provision for agents' termination indemnity is calculated with reference to the agency contracts in existence at year end and refers to the indemnity that is likely to be paid to agents.

Other non-current provisions relate to future costs to be incurred, equal to € 23 thousand, the same figure as for the previous year. They have been allocated in respect of a dispute for IRES, IRAP and VAT taxes for the financial years 1999-2006, for a total disputed amount of € 376 thousand all-inclusive (including taxes, interests and sanctions). The disputes are currently at different stages of legal proceedings. All the sentences so far passed by the relevant Tax Commissions have been in favour of Emak S.p.A. and it is expected that the final outcome of the proceedings will be favourable also in the last resort. It is confirmed the provision previously allocated, for the possible compensation of legal costs.

The client bonus provision at 31 December 2013 included the allocation of costs associated with prize competitions that finished during the current year.

The warranty provision relates to future costs for warranty repairs that will be incurred for products sold covered by the guarantee period and / or contract, the provision is based on estimates extrapolated from historical trends.

The "**Other current provisions**" heading, standing at € 513 thousand, refers to the best possible estimation of probable liabilities taking into consideration:

- the setting aside of € 414 thousand (including legal defence costs for € 44 thousand) relating to an assessment of Emak SpA carried out by the Bologna Tax Office, large taxpayers section, during 2013 and referring to the years 2008-2010.
  On the basis of the reporting process, the Tax Office has assessed, with reference to the adjustment of the prices of a number of transnational intercompany transactions in 2008, greater taxes and interest for € 480 thousand, as well as, for the 2009 financial year, for the same reason, taxes and interest for a

further € 210 thousand. The assessment has not yet been carried out for the 2010 tax year. Sanctions as per art. 1, paragraph 2-ter of Leg. Dec. 471/97 are not, in any case, due on the assessments.
Appeal has been submitted against the 2008 assessment to the Provincial Tax Commission of Bologna, in which EMAK S.p.A. has claimed the full correctness of its operations; the dispute is currently suspended, awaiting developments in the remaining years.
With respect to the 2009 assessment, since relevant conditions applied in this case, EMAK has submitted a request for a tax settlement, based on the same assumptions of fact and law as set out in the dispute; the request has been based on the expectation, based on is own well-founded convictions, of avoiding the costs and inconvenience of the aforementioned dispute. The attempt at settlement will probably not be successful, and it is probable that the dispute will cover all the years in question. Also in this case, and without excluding the possibility of a legal settlement (As per art. 48, Leg. Dec. 546/92) the provision already set aside in the previous financial year is considered as appropriate;

- costs related to penalties that could be charged to Emak in the future for around € 81 thousand;
- Provisions equal to the excess of claims for product liability insurance for € 18 thousand.

31. Contingent liabilities

At the date of December 31 2014 the Company does not have any disputes other than those referred to in these notes. In the Director's opinion, at the closing date there were no reasonable grounds for the occurrence of additional future liabilities with respect to those already disclosed in these notes.

32. Information on financial risks

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

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

Qualitative and quantitative information is given below regarding the nature of such risks for the Company.
The quantitative figures shown below have no value for forecasting purposes. Specifically, the sensitivity analysis on market risks are unable to reflect the complexity and associated reactions of the market as a result of each change hypothesised.

Credit risk
The maximum theoretical exposure to credit risk for the Company at 31 December 2014 is the accounting value of financial assets shown in the financial statements.

It should be pointed out that the credit granted to the clients involves specific assessments of solvency. Generally the Company obtains guarantees, both financial and otherwise, against credits granted for the supply of products. Certain categories of credits to foreign customers are also covered by insurance with SACE.

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

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

At December 31 2014 there were no significant positions of insolvency subject to individual devaluation. Allocation to the bad debt provision was made on the basis of a constant analysis of outstanding amounts as a whole.

At December 31 2014 “Trade receivables and Other receivables”, equal to € 50,425 thousand (€ 49,983 thousand at December 31 2013), include € 7,591 thousand (€ 4,757 thousand at December 31 2013) outstanding by more than 3 months. This value has been rescheduled according to repayment plans agreed with the clients.

The maximum exposure to credit risk deriving from trade receivables at the end of the financial period, broken down by geographical area (using the Sace reclassification) is as follows:

€/000	2014	2013
Trade receivables due from customers with SACE 1 rating	25,372	13,299
Trade receivables due from customers with SACE 2 e 3 rating	11,189	27,687
Trade receivables due from customers with non-insurable SACE	3,227	403
Total (Note 22)	**39,788**	**41,389**

Countries with SACE 1 rating are those for which insurance covers 90% of the amounts receivable. Countries with SACE 2 rating are those for which insurance covers 85% of the amounts receivable, and those with SACE 3 rating, 80%. SACE provides no coverage for non-Insurable or suspended countries.
Starting from 1 January 2014 Italy has increased its coverage of accounts receivable collection from 85% to 90%, thereby moving from the group of countries with a SACE 2 and 3 rating to one with a SACE 1 rating.

The value of amounts receivable covered by SACE insurance or by other guarantees at December 31 2014 is € 18,675 thousand.

At December 31 2014 the 10 most important customers (not including companies belonging to the Emak Group) account for 47.3% of total trade receivables, while the top customer represents 15.1% of the total.

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

As noted in the section "**Financial risk management**" the Company, in line with the general directives of the Group reduces the liquidity risk and optimizes the management of financial resources: gives rise to the following activities.

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

The characteristics and nature of the expiry of debts and of the Company’s financial activities are set out in Notes 25 and 28 relating respectively to “Cash and Cash Equivalents” and “Financial Liabilities”.
The management considers that currently unused funds and credit lines, amounting to € 66,675 million, as well as those which will be generated from operating and financial activities, will allow the Company to meet its requirements deriving from investment activities, the management of working capital and the repayment of debts at their natural maturity dates.

Exchange rate risk

The Company is exposed to risks deriving from fluctuations in exchange rates, which may affect the economic result and value of equity.
Specifically in cases in which the Company incurs costs expressed in different currencies from those of their respective revenues, the fluctuation of exchange rates may affect the operating result.
In 2014 the overall amount of revenues directly exposed to exchange risk represented around 18% of the turnover (29% in 2013), while the amount of costs exposed to exchange risk is equal to 30% of turnover (32% in 2013).

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

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

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

Sensitivity analysis
The potential loss of fair value of the net balance of financial assets/liabilities subject to the risk of variation in exchange rates held by the Company at December 31 2014, as a result of a hypothetical unfavourable and immediate variation of 10% in all relevant single exchange rates, would amount to around € 1,274 thousand (€ 1,502 thousand at December 31 2013).

Interest rate risk

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

The Company at December 31 2014 holds certain derivative financial instruments whose value is linked to interest rates.

Although these transactions were entered into for hedging purposes, the accounting principles do not allow *hedge accounting* treatment. Therefore, the variability of the underlying values could affect the financial results of the company.

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

A hypothetical, instantaneous and unfavourable negative variation of one base point in annual interest rates in force at December 31 2014 applicable to financial liabilities at a variable interest rate would result in a greater net cost, on an annual basis, of around € 321 thousand (€ 326 thousand at December 31 2013). For the purpose of the calculation account has been taken of the amounts of financial liabilities net of IRS operations for hedging purposes.

Other risks on derivative financial instruments

The Company as at 31 December 2014 holds a number of derivative financial instruments whose value is linked to the exchange rate (operations such as forward purchases of foreign currency) and the interest rates trend.

Although these transactions were entered into for hedging purposes, the accounting principles do not allow hedge accounting treatment. Therefore, the variability of the underlying values could affect the economic results of the company.

Sensitivity analysis

The potential loss in fair value of derivative financial instruments to hedge the exchange rates at 31 December 2014, as a result of a hypothetical, instantaneous unfavourable 10% change in the underlying values, would be about € 1,164 thousand**.**

33. Commitments

Acquistions of further equity interests

It should be noted that Emak S.p.A. has not exercised its call option, expiring on 30 June 2014, for the acquisition of a further 14% stake in the subsidiary, Epicenter LLC.

Purchase of fixed assets

The Company has commitments for the purchase of fixed assets not recorded in the financial statements at 31 December 2014 for the amount of € 512 thousand (€ 254 thousand at 31 December 2013). These commitments refer to the acquisition of equipment, plant and machinery.

Guarantees granted to *third parties*

They amount to € 2,390 thousand and are made up as follows:

- € 474 thousand for a bank guarantee in favour of EPA (United Environmental Protection Agency) in compliance with an American regulation in force from 2010 regarding the emissions of combustion engines;
- € 350 thousand for surety policy in favour of the Naples Customs Office for guaranteeing customs duties;
- € 115 thousand for sureties in favour of the Ministry of Production for promotional prize contests;
- € 20 thousand for surety policy in favour of the Reggio Emilia Customs Office for guaranteeing customs duties;
- € 471 thousand for a surety policy in favour of the Campobasso customs office to guarantee customs duties
- € 782 thousand for a surety policy in favour of SIMEST for loans;
- € 178 thousand for a surety policy in favour of Banca Unicredit for exchange rate and interest rate risk hedging credit lines granted to the subsidiary, Comet S.p.A.

Comfort letters and credit orders in favour of subsidiaries:

These amount to € 30,446 thousand, and refer to the balance of credit line used as at December 31 2014, broken down as follows:

- € 9,350 thousand to the subsidiary Tecomec S.r.l..
- € 2,536 thousand to the subsidiary Emak Deutschland GmbH;
- € 2,028 thousand to the subsidiary Emak France SAS;
- € 1,922 thousand to the subsidiary Emak U.K. Ltd.;
- € 57 thousand to the subsidiary Jiangmen Emak Outdoor Power Equipment Co. Ltd.;
- € 329 thousand to the subsidiary Epicenter Limited;
- € 14,224 thousand to the subsidiary Comet S.p.A.

34. Ordinary shares, treasury shares and dividends

Share capital is fully paid up at December 31 2014 and amounts to € 42.623 thousand. It consists of 163.934.835 ordinary shares of par value € 0.26 each.

	31.12.2014	31.12.2013
Number of ordinary shares	163,934,835	163,934,835
Treasury shares	(397,233)	(397,233)
Total outstanding shares	**163,537,602**	**163,537,602**

The dividends for 2013 approved by the shareholders on 24 April 2014, totalling € 4,088 thousand, were paid during 2014.

At December 31 2013 the company held in portfolio 397.233 treasury shares for a value of € 2.029 thousand.
During 2014 no treasury shares were purchased or sold by Emak S.p.A..

Therefore at December 31 2014 the company held 397.233 treasury shares in portfolio for a value of € 2,029 thousand.

In January and February 2015 no treasury shares were acquired or sold by Emak S.p.A.. As a result, the holding and value of treasury shares is unchanged with respect to December 31 2014.

35. Related Party transactions

Emak adopted in accordance with the law an assurance procedure for the operations typically extraordinary, entered into with related parties, which defines and governs all the potential relationships of this nature, to be applied to all entities of the Group. This procedure, originally introduced and approved November 12, 2010, was subject to review and rationalization during 2013, while retaining the characteristics of full adequacy to regulatory requirements. The revised procedure was approved by the Board of Directors on January 31, 2014. The procedure is available on the website www.emak.it, in the "Investor Relations" - "corporate documents" - "Corporate Governance".

In the financial year in question no transactions of an extraordinary nature with related parties were carried out, excepting the sale of the equity interest in Emak USA, about which information is given in paragraphs 5.1 and 19.

Emak S.p.A. has many dealings with related parties, carried out in the ordinary exercise of its business activities and conducted at market conditions. For the purpose of their regulation, Emak follows guidelines in the form of framework resolutions, which are examined and approved every year with the contribution of the internal Control Committee. The supporting evidence of the ordinary activities carried out in each accounting period are systematically examined on an overall basis by the Board of Directors.

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Related party transactions in 2014 within the Group controlled by Emak S.p.A.

With regards to the group of companies under its control, transactions for the supply and purchase of goods and services carried out by Emak correspond to the industrial and commercial supply chain relating to its normal business activity.
It should be noted that all transactions relating to the exchange of goods and the provision of services that occurred in 2014 as part of are part of ordinary business of the Emak Group and have been adjusted based on market conditions (ie, conditions equivalent to those that would be applied in relations between independent parties).These conditions correspond with aims strictly industrial and commercial and of Group financial management optimization.

The execution of these transactions is governed by specific and analytical procedures and programmatic documents ("framework resolutions"), approved by the Board of Directors, with the assistance and consent of the independent directors, meeting in the Audit and Risk Committee.

It should be noted in particular that certain correlations of a financial nature and of ordinary nature arise from membership of Emak and Comag in the tax consolidation under Articles. 117 et seq., Tax Code. The criteria and procedures for the settlement of such transactions are established and formalized in agreements of consolidation, based on equal treatment for all applicants and recognition accrual of costs and benefits
The operations carried out in 2014 with parties belonging to the Emak Group and the values of such relations in force at the closing date of the financial year are shown below.

Receivables for loans and interest:

Companies belonging to Emak S.p.A. (€/000)	Financial income	Current financial assets	Non current financial assets
Comag S.r.l.	31	-	-
Emak Deutschland GmbH	105	-	2,400
Emak UK Ltd.	14	-	316
Comet USA Inc.	57	1,894	-
Emak Do Brasil Industria Ltda	59	-	1,721
Jiangmen Emak Outdoor Power Equipment	37	-	768
Raico S.r.l.	43	-	500
Epicenter Llc.	42	-	824
Total (note 13 and note 21)	**388**	**1,894**	**6,529**

Due for loans and interests

Companies belonging to Yama Group (€/000)	Financial charges	Current financial liability
Comag S.r.l.	1	-
Sabart S.r.l.	24	3,007
Emak Suministros Espana SA	4	-
Victus Emak Sp. z.o.o.	6	-
Total (A)	**35**	**3,007**

Other reports related to financial nature concerning the relationship of the guarantee referred to in paragraph 33 above.

Sale of goods and services and receivables **:**

Companies belonging to Yama Group (€/000)	Net sales	Other Net Revenues	Dividends	Total	Trade payables
Emak Suministros Espana SA	4,246	-	1,074	**5,320**	**926**
Comag S.r.l.	435	18	-	**453**	**501**
Emak Deutschland Gmbh	4,262	-	-	**4,262**	**842**
Emak UK Ltd.	2,122	-	-	**2,122**	**975**
Emak France SAS	11,839	-	-	**11,839**	**2,461**
Jiangmen Emak Outdoor Power Equipment Co. Ltd.	1,372	1	-	**1,373**	**284**
Victus Emak Sp. z.o.o.	6,671	-	1,076	**7,747**	**850**
Tailong (Zhuhai) Machinery Manufacturing Equipment Ltd.	33	145	-	**178**	**-**
Epicenter Llc.	2,587	-	-	**2,587**	**499**
Emak Do Brasil Industria Ltda	335	-	-	**335**	**1,596**
Speed France SAS	1	-	-	**1**	**-**
Comet S.p.A.	41	-	1,500	**1,541**	**13**
Comet USA Inc.	1,013	-	-	**1,013**	**1,843**
Sabart S.r.l.	280	-	1,900	**2,180**	**88**
Raico S.r.l.	22	-	-	**22**	**9**
Tecomec S.r.l.	58	-	1,500	**1,558**	**33**
Total (C)	**35,317**	**164**	**7,050**	**42,531**	**10,920**

Purchase of goods and services and payables:

Companies belonging to Yama Group (€/000)	Purchases of raw and finished products	Other costs	Total costs	Trade payables
Emak Suministros Espana SA	3	57	**60**	7
Comag S.r.l.	18,132	10	**18,142**	4,708
Emak Deutschland Gmbh	104	156	**260**	22
Emak UK Ltd.	-	44	**44**	26
Emak France SAS	40	262	**302**	35
Jiangmen Emak Outdoor Power Equipment Co. Ltd.	24,946	1	**24,947**	3,864
Comet USA	-	192	**192**	51
Victus Emak Sp. z.o.o.	2	82	**84**	8
Tailong (Zhuhai) Machinery Manufacturing Equipment Ltd.	1,232	-	**1,232**	343
Epicenter Llc.	-	54	**54**	1
Emak Do Brasil Industria Ltda	-	80	**80**	96
Comet S.p.A.	557	-	**557**	221
Sabart S.r.l.	7	-	**7**	6
Tecomec S.r.l.	1,155	-	**1,155**	330
Ningbo Tecomec	40	-	**40**	40
Speed France SAS	878	-	**878**	167
Total (D)	**47,096**	**938**	**48,034**	**9,925**

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Related party transactions in 2014 within the Group controlled by Yama S.p.A.

Emak S.p.A. is part of the larger group of companies that are owned by Yama SpA, its parent company.

The operations carried out in 2014 with YAMA S.p.A. and with other companies directly controlled by it, are exclusively of an ordinary commercial nature, all forming part of the usual performance of Emak's typical business activities and all carried out at arm's length. Within the broader Yama Group, which operates mainly in the sectors of machinery and equipment for agriculture and gardening, engine components and real estate; certain Company provide to Emak components and materials, other Company purchase from Emak products which with complete their respective range of commercial offer.

The following table shows the evidence of transactions carried out with related parties in 2013 are part of the Yama Group and the consistency of its existing at the balance sheet date.

Sale of goods and services and receivables:

Companies belonging to Yama Group (€/000)	Net sales	Other Net Revenues	Receivables
Agro D.o.o.	253	-	-
Euro Reflex D.o.o.	635	-	375
Garmec S.r.l.	178	-	159
Mac Sardegna S.r.l.	722	-	416
Selettra S.r.l.	3	-	-
Totals (E)	**1,791**	**-**	**950**
Total C+E (note 22)	**37,108**	**164**	**11,870**

Purchase of goods and services

Companies belonging to Yama Group (€/000)	Purchases of raw and finished products	Other costs	Total costs	Trade payables
Yama S.p.A.	-	-	**-**	**-**
Agro D.o.o.	-	-	**-**	**-**
Cofima S.r.l.	584	47	**631**	**278**
Garmec S.r.l.	-	1	**1**	**1**
Euro Reflex D.o.o.	1,674	1	**1,675**	**360**
Mac Sardegna S.r.l.	-	7	**7**	**1**
Selettra S.r.l.	400	22	**422**	**174**
Totals	**2,658**	**78**	**2,736**	**814**
Totals D+F (note 26 and 27)	**49,754**	**1,016**	**50,770**	**10,739**

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Other transactions with related parties

Other significant dealings on the part of Emak with related parties are those concerning the remuneration of company officers, established in compliance with general meeting resolutions which have established, for the three-year period of office, maximum global remunerations and, with regards to the Directors, bonus schemes. The resolutions of the Board of Directors regarding the remuneration are taken with the opinion of the Committee, composed exclusively of independent Directors. More detailed information regarding the remuneration policy, the procedures used for its adoption and implementation, as well as a description of each of the headings making up remuneration, are disclosed in the report drawn up by the Company pursuant to art. 123-ter 58/98, and which is available on the website.

Costs incurred during the financial period for the remuneration of Emak Sp.A.'s directors and auditors, also including their fees for services rendered in favour of Group companies, are as follows:

(€/000)	FY 2014	FY 2013
Emoluments of directors and statutory auditors	349	846
Benefits in kind	11	3
Wage and salaries	700	756
Employee termination indemnities	49	49
Total	**1,109**	**1,654**

The variable part of the three-year remuneration incentive scheme intended relating to executive directors, included in the amounts in the table, is currently accruing; it is estimated on the basis of the information currently available and will be recalculated and adjusted upon the expiry of the current Board mandate, which coincides with the approval of the financial statements for the year ending 31 December 2015.

The total debt for remuneration of Directors and Auditors of the Parent Company at December 31 2014 amounted to € 644 thousand.

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

36. Subsequent events

There have been no significant subsequent events.

Supplementary schedules

The following schedules, forming an integral part of the explanatory notes to the financial statements, are provided as appendices:

1. CHANGES IN EQUITY INVESTMENTS IN SUBSIDIARY COMPANIES
2. DETAILS OF EQUITY INVESTMENTS IN SUBSIDIARY COMPANIES
3. FINANCIAL HIGHLIGHTS OF THE ULTIMATE PARENT COMPANY
4. SCHEDULE OF FEES FOR AUDIT SERVICES AND OTHER SERVICES

Appendix 1

Changes in equity investments

	31.12.2013				Changes			31.12.2014			
	Number of shares	Values in the financial statements €/000	% total shareholding	direct shareholding	Subscriptions And acquisitions	Sales	Deprecietions	Number of shares	Values in the financial statements €/000	% total shareholding	direct shareholding
Italy											
Comag S.r.l.	1 share	8,408	99.44	99.44				1 share	8,408	99.44	99.44
Comet S.p.A	5,000,000	27,232	100	100				5,000,000	27,232	100	100
Raico S.r.l.	1 share	5,488	100	100				1 share	5,488	100	100
Sabart S.r.l.	1 share	21,011	100	100				1 share	21,011	100	100
Tecomec S.r.l.	1 share	27,418	100	100				1 share	27,418	100	100
Spain											
Emak Suministros Espana SA	405	572	90	90				405	572	90	90
Germany											
Emak Deutschland Gmbh	10,820	525	100	100				10,820	525	100	100
Great Britain											
Emak UK Ltd	342,090	691	100	100				342,090	691	100	100
France											
Emak France SAS	2,000,000	2,049	100	100				2,000,000	2,049	100	100
China											
Jiangmen Emak Outdoor Power Equipment Co. Ltd.	-	2,476	100	100				-	2,476	100	100
Tailong (Zhuhai) Machinery Manufacturing Equipment Ltd.	-	2,550	100	100				-	2,550	100	100
Poland											
Victus Emak Sp. z.o.o.	32,800	3,605	100	100				32,800	3,605	100	100
USA											
Emak USA Inc.	10	371	100	100	834	(1,205)		-	-	100	100
Ukraine											
Epicenter	1 share	1,350	61	61			(1,020)	1 share	330	61	61
Brazil											
Emak do Brasil Industria Ltda	200,000	78	99	99				200,000	78	99	99
Total investments in subsidiaries		**103,824**							**102,433**		

Appendix 2

Details of equity investments

€/000	Registered office	Value in the financial statements	% Share	Share Capital	Equity (*) Total	Equity (*) Attributable to Emak S.p.A.	Profit/(Loss) of the year *
Comag S.r.l.	Pozzilli (Is)	8,408	99.44	1,850	11,671	11,606	346
Emak Suministros Espana SA	Madrid	572	90	270	3,036	2,732	243
Emak Deutschland Gmbh	Fellbach-Oeffingen	525	100	553	527	527	(269)
Emak UK Ltd	Staffords	691	100	325	705	705	150
Emak France SAS	Rixheim	2,049	100	2,000	6,761	6,761	650
Jiangmen Emak Outdoor Power Equipment Co. Ltd.	Jiangmen	2,476	100	2,476	16,248	16,248	218
Tailong (Zhuhai) Machinery Manufacturing Equipment Ltd.	Zhuhai	2,550	100	1,513	7,861	7,861	314
Victus Emak Sp. z.o.o.	Poznan	3,605	100	2,672	10,062	10,062	436
Epicenter LLC.	Kiev	330	61	1,835	1,168	712	(440)
Emak do Brasil Industria Ltda	Curitiba	78	99	200	(1,816)	(1,798)	(1,341)
Tecomec S.r.l.	Reggio Emilia	27,418	100	1,580	24,743	24,743	3,014
Comet S.p.A.	Reggio Emilia	27,232	100	2,600	24,391	24,391	3,475
Sabart S.r.l.	Reggio Emilia	21,011	100	1,900	7,698	7,698	2,227
Raico S.r.l	Reggio Emilia	5,488	100	20	2,569	2,569	165
Totale partecipazioni in società controllate		**102,433**					

(*) Amounts resulting from the financial statements of subsidiaries prepared in accordance with IAS / IFRS for the preparation of the consolidated financial statements

Appendix 3

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

(€/000)		
BALANCE SHEET	**31.12.2013**	**31.12.2012**
Assets		
A) Amounts receivable from shareholders for outstanding payments	-	-
B) Fixed assets	77,645	79,615
C) Current assets	21,848	26,160
D) Prepayment and accrued income	9	14
Total assets	**99,502**	**105,789**
Liabilities		
A) Equity:		
Share capital	16,858	16,858
Reserves	42,464	35,844
Profit in the financial period	2,954	7,334
B) Provisions	3,151	1,140
C) Post-employment benefits	39	35
D) Amounts payable	33,896	44,446
E) Accruals and deferred income	140	132
Total liabilities	**99,502**	**105,789**
Guarantees, commitments and other risks	28,050	32,775

Income statement	**31.12.2013**	**31.12.2012**
A) Sales	66	67
B) Production costs	(1,088)	(1,110)
C) Financial income and expenditure	9,756	11,926
D) Adjustments to the value of financial assets	(6,075)	(3,772)
E) Extraordinary income and expenditure	(66)	(200)
Result before tax	**2,595**	**6,911**
Tax for the period	359	423
Profit for the period	**2,954**	**7,334**

Appendix 4

Schedule of fees relating to the 2014 financial period for audit services and other services, subdivided by type.

Type of service	**Entity providing the service**	**Beneficiary of the service**	**Fees (€/000)**
Auditing Company	Fidital Revisione S.r.l.	Emak S.p.A.	113
Auditing Company	Fidital Revisione S.r.l.	Italian controlled companies	96
Auditing Company	HLB network	Foreign controlled companies	37
Other services	HLB network	Foreign controlled companies	-

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

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

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

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

of administrative and accounting procedures for the preparation of the company's individual financial statements and the consolidated financial statements for the financial period ending December 31 2014.

2. No factors of a significant nature have arisen.

3. It is certified, moreover, that:

3.1 the individual financial statements and consolidated financial statements for the financial period:

a) have been drawn up in conformity with the international accounting standards recognised by the European Community in accordance with EC regulation no. 1606/2002 of the European Parliament and European Council of 19 July 2002;

b) correspond to the accounting documents, ledgers and records;

c) appear to be suitable for providing a true and fair view of the balance sheet, economic and financial situation of the issuer and of the entities included in the consolidation.

3.2 The Directors' Report contains a reliable analysis of operating trends and results, as well as of the current situation of the issuer and of the entities included in the consolidation, together with a description of the main risks and uncertainties to which they are exposed.

Date: 13 March 2015

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

The CEO:
Fausto Bellamico