

Press release

The Board of Directors approves the results for the first semester 2018

Revenues from sales of € 266.5 million - € 234.1 million in first half 2017

Adjusted EBITDA (*) of € 38.3 million - € 32.8 million in first half 2017

EBIT of € 29.5 million - € 26.4 million in first half 2017

Consolidated net profit of € 22.1 million - € 16.2 million in first half 2017

Net negative financial position equal to € 125.3 million (of which € 18.9 million of debts for future commitments relating to the purchase of the residual minority shares), unchanged compared to 31 December 2017.

Bagnolo in Piano (RE), 9 August 2018 - The Board of Directors of **Emak S.p.A.**, (Milan Stock Exchange – STAR segment), parent company of one of world major groups working in the sectors of outdoor power equipment, pumps and water jetting, and of the related components and accessories, has approved the consolidated results of the first semester 2018.

CONSOLIDATED RESULTS OF FIRST SEMESTER 2018

The Emak Group achieved in the first half 2018 consolidated revenues from sales equal to **€ 266.5 million**, compared to € 234.1 million of the same period last year, increasing by 13.8%. The scope of consolidation affected for 15.2%, the organic growth for 0.6%, while the exchange rate effect was negative for 2%. It should be noted the recovery of revenues, at the same scope of consolidation, registered in the second quarter, thanks to the good performance of the *Outdoor Power Equipment* and *Pumps and High Pressure Water Jetting* segments.

The **Adjusted Ebitda (*)** is equal to € 38.3 million (14.4% of revenues from sales), compared to € 32.8 million of the same period 2017 (14% of revenues from sales), an increase of 16.7%, with the positive contribution of the change in the scope of consolidation for € 7.2 million and despite a general increase in raw material costs and the unfavourable currency trend. Finally, it should be noted the good result obtained in the *Outdoor Power Equipment* segment, thanks to the reduction of operating costs.

The **operating result** amounts to € 29.5 million, compared to € 26.4 million of the same period last year, increasing by 11.7%.

The **net profit** of the first semester 2018 stands at € 22.1 million, compared to € 16.2 million of the same period 2017, increasing by 36.5%. The result was influenced by the improvement in the currency management compared to the first semester 2017. Furthermore, during the first semester 2018, was recorded a financial capital gain for an amount equal to € 2.5 million.

Free cash flow from operations (*) is equal to € 29.3 million, compared to € 22.3 million of first semester 2017.

Investments in property, plant and equipment and intangible assets realized during the first semester 2018 amount to a total of € 7 million.

Consolidated net equity at 30 June 2018 is equal to € 202.8 million, against € 187.5 million at 31 December 2017. During the first semester 2018 the Group distributed dividends for € 5.9 million.

The **net negative financial position** amounts to € 125.3 million (of which € 18.9 million of debts for future commitments relating to the purchase of the remaining minority shares), compared to € 86.2 million at 30 June 2017 and € 125.3 million at 31 December 2017. The increase of the net financial position, compared to the same period last year, is affected by the disbursement related to the acquisition of the Lavorwash Group, which took place on 3 July 2017.

Outlook

The semester closed with a positive result in terms of both growth and profitability, thanks also to the contribution of the synergies deriving from the recent acquisitions and to the plan aimed at recovering the margins of the *Outdoor Power Equipment* division. Despite a still uncertain macroeconomic situation, the risk/opportunity analysis supports us in achieving the objectives of creating value.

(*) Alternative performance indicators

Below are presented the criteria used for the construction of key performance indicators that management considers necessary to the monitoring the Group performance.

- EBITDA: calculated by adding the items "Operating result" plus "Amortization, depreciation and impairment losses".
- Adjusted EBITDA (EBITDA before non ordinary income and expenses): is obtained by deducting at EBITDA the impact of charges and income for litigation, expenses related to M&A transaction, headcount reorganization and restructuring charges.
- Free cash flow from operations: calculated by adding the items "Net profit" plus "Amortization, depreciation and impairment losses".

The highlights from the consolidated accounts of the Group at 30 June 2018 are attached to the present press release.

Pursuant to the law, the interim report at 30 June 2018 and this press release are available to the public at the Company's registered office, on the company website www.emakgroup.it, in the "Investor Relations" section and on the storage mechanism eMarket Storage (www.emarketstorage.com).

Aimone Burani, the executive responsible for the preparation of the corporate accounting documents, declares and certifies in accordance with article 154 bis, paragraph 2, of the Consolidated Finance Act, that the financial statements contained in the present press release correspond to the underlying accounting documents, records and accounting entries.

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Emak Group develops, produces and distributes a wide range of products in three business areas: (i) outdoor power equipment, which includes products for gardening, forestry and agriculture such as trimmers, lawn mowers, garden tractors, chain saws, tillers, rotary tiller; (ii) pumps and high pressure water jetting including products (a) for agriculture as centrifugal and diaphragm pumps for spraying and weeding; (b) for industry, including industrial pumps, high and high pressure systems and urban cleaning equipment; (c) for cleaning, as professional and semiprofessional high pressure washers, floor scrubbers and vacuum cleaners; (iii) components and accessories for the abovementioned sectors, the most representative of which are line and heads for trimmers, accessories for chain saws (i.e. sharpeners), guns, nozzles and valves for high pressure washers and agricultural applications, precision farming (sensors and computers). In 2017 Emak Group realized a total turnover of € 422.2 million

Highlights of the consolidated financial statement broken down by operating segment for the first half 2018

	OUTDOOR POWER EQUIPMENT		PUMPS AND HIGH PRESSURE WATER JETTING		COMPONENTS AND ACCESSORIES		Other not allocated / Netting		Consolidated	
	30.06.2018	30.06.2017	30.06.2018	30.06.2017	30.06.2018	30.06.2017	30.06.2018	30.06.2017	30.06.2018	30.06.2017
€/'000										
Sales to third parties	101,943	102,749	102,870	61,813	61,647	69,511			266,460	234,073
Intersegment sales	1,236	808	988	978	4,846	4,623	(7,070)	(6,409)		
Revenues from sales	103,179	103,557	103,858	62,791	66,493	74,134	(7,070)	(6,409)	266,460	234,073
Ebitda	10,250	9,134	17,429	10,304	10,500	14,301	(1,469)	(1,240)	36,710	32,499
Ebitda/Total Revenues %	9.9%	8.8%	16.8%	16.4%	15.8%	19.3%			13.8%	13.9%
Ebitda before non ordinary expenses	11,762	9,134	17,393	10,675	10,613	14,260	(1,469)	(1,240)	38,299	32,829
Ebitda before non ordinary expenses/Total Revenues %	11.4%	8.8%	16.7%	17.0%	16.0%	19.2%			14.4%	14.0%
Operating result	7,215	6,335	15,033	8,804	8,685	12,488	(1,469)	(1,240)	29,464	26,387
Operating result/Total Revenues %	7.0%	6.1%	14.5%	14.0%	13.1%	16.8%			11.1%	11.3%
Financial management result (1)									154	(4,053)
Profit before tax									29,618	22,334
Income taxes									(7,547)	(6,170)
Net profit									22,071	16,164
Net profit/Total Revenues %									8.3%	6.9%

(1) The "Financial management result" includes financial income and expenses, exchange gain/losses and income from revaluation of equity investments in associates.

STATEMENT OF FINANCIAL POSITION	30.06.2018	31.12.2017	30.06.2018	31.12.2017	30.06.2018	31.12.2017	30.06.2018	31.12.2017	30.06.2018	31.12.2017
Net debt	25,675	27,297	90,361	91,969	10,436	7,031	(1,206)	(1,003)	125,266	125,294
Shareholders' Equity	178,860	176,986	52,178	44,002	48,593	48,975	(76,873)	(82,458)	202,758	187,505
Total Shareholders' Equity and Net debt	204,535	204,283	142,539	135,971	59,029	56,006	(78,079)	(83,461)	328,024	312,799
Net non-current assets (2)	130,319	136,604	75,860	76,648	19,867	19,076	(75,921)	(81,366)	150,125	150,962
Net Working Capital	74,216	67,679	66,679	59,323	39,162	36,930	(2,158)	(2,095)	177,899	161,837
Total Net Capital Employed	204,535	204,283	142,539	135,971	59,029	56,006	(78,079)	(83,461)	328,024	312,799

(2) The net non-current assets of the Outdoor Power Equipment area includes the amount of Equity investments for 75,661 thousand Euro

OTHER STATISTICS	30.06.2018	31.12.2017	30.06.2018	31.12.2017	30.06.2018	31.12.2017	30.06.2018	31.12.2017	30.06.2018	31.12.2017
Number of employees at period end	769	801	717	704	479	516	8	8	1,973	2,029

OTHER INFORMATIONS	30.06.2018	30.06.2017	30.06.2018	30.06.2017	30.06.2018	30.06.2017	30.06.2018	30.06.2017	30.06.2018	30.06.2017
Amortization, depreciation and impairment losses	3,035	2,799	2,396	1,500	1,815	1,813			7,246	6,112
Investment in property, plant and equipment and in intangible assets	2,719	3,078	1,969	1,969	2,269	2,312			6,957	7,359

Emak Group– Consolidated income statement and comprehensive income statement

Thousand of Euro

Year 2017	CONSOLIDATED INCOME STATEMENT	Notes	1H 2018	of which to related parties	1H 2017	of which to related parties
422,155	Revenues from sales	9	266,460	689	234,073	940
3,684	Other operating incomes	9	2,653		1,417	
14,168	Change in inventories		(3,578)		2,651	
(234,565)	Raw materials, consumables and goods	10	(138,197)	(1,838)	(125,677)	(2,410)
(80,055)	Personnel expenses	11	(44,165)		(39,309)	
(81,455)	Other operating costs and provisions	12	(46,463)	(1,308)	(40,656)	(1,608)
(13,955)	Amortization, depreciation and impairment losses	13	(7,246)		(6,112)	
29,977	Operating result		29,464		26,387	
1,807	Financial income	14	3,254		899	6
(4,820)	Financial expenses	14	(2,522)		(2,338)	
(4,218)	Exchange gains and losses	14	(717)		(2,715)	
389	Income from/(expenses on) equity investment	14	139		101	
23,135	Profit before taxes		29,618		22,334	
(6,700)	Income taxes	15	(7,547)		(6,170)	
16,435	Net profit (A)		22,071		16,164	
(270)	(Profit)/loss attributable to non controlling interests		(136)		(218)	
16,165	Net profit attributable to the Group		21,935		15,946	
0.099	Basic earnings per share	16	0.134		0.098	
0.099	Diluted earnings per share	16	0.134		0.098	

Year 2017	CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME	Notes	1H 2018	1H 2017
16,435	Net profit (A)		22,071	16,164
(5,330)	Profits/(losses) deriving from the conversion of foreign company accounts		(511)	(3,458)
(470)	Profits/(losses) deriving from defined benefit plans (*)		-	-
133	Income taxes on OCI (*)		-	-
(5,667)	Total other components to be included in the comprehensive income statement (B)		(511)	(3,458)
10,768	Total comprehensive income for the period (A)+(B)		21,560	12,706
(166)	Comprehensive net profit attributable to non controlling interests		(106)	(191)
10,602	Comprehensive net profit attributable to the Group		21,454	12,515

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

Emak Group – Consolidated cash flow statement

31.12.2017 (€/000)	Notes	30.06.2018	30.06.2017
Cash flow from operations			
16,435	Net profit for the period	22,071	16,164
13,955	Amortization, depreciation and impairment losses	7,246	6,112
1,691	Financial expenses from discounting of debts	694	827
(389)	Income from equity investment	(139)	(101)
-	Capital (gains)/losses from change in scope of consolidation	(2,472)	-
(281)	Financial (income)/ Expenses from adjustment of estimated liabilities for outstanding commitment associates' shares	(132)	-
(184)	Capital (gains)/losses on disposal of property, plant and equipment	(48)	(142)
4,336	Decreases/(increases) in trade and other receivables	(33,246)	(21,152)
(13,713)	Decreases/(increases) in inventories	3,724	(2,605)
5,269	(Decreases)/increases in trade and other payables	8,789	8,773
(44)	Change in employee benefits	(306)	(262)
(12)	(Decreases)/increases in provisions for risks and charges	(400)	(514)
(297)	Change in derivative financial instruments	239	172
26,766	Cash flow from operations	6,020	7,272
Cash flow from investing activities			
(16,164)	Change in property, plant and equipment and intangible assets	(6,819)	(6,918)
1,257	(Increases) and decreases in financial assets	3,734	249
184	Proceeds from disposal of property, plant and equipment	48	142
(40,905)	Change in scope of consolidation	5,484	(1,780)
(55,628)	Cash flow from investing activities	2,447	(8,307)
Cash flow from financing activities			
(612)	Change in equity	(395)	-
35,201	Change in short and long-term loans and borrowings	27,827	1,262
(5,815)	Dividends paid	(5,912)	(5,815)
28,774	Cash flow from financing activities	21,520	(4,553)
(88)	Total cash flow from operations, investing and financing activities	29,987	(5,588)
836	Net exchange differences	784	408
748	INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	30,771	(5,180)
27,020	OPENING CASH AND CASH EQUIVALENTS	27,768	27,020
27,768	CLOSING CASH AND CASH EQUIVALENTS	58,539	21,840

ADDITIONAL INFORMATION ON THE CASH FLOW STATEMENT

31.12.2017 (€/000)	30.06.2018	30.06.2017
RECONCILIATION OF CASH AND CASH EQUIVALENTS		
27,020	Opening cash and cash equivalents, detailed as follows:	27,768
32,545	Cash and cash equivalents	40,812
(5,525)	Overdrafts	(13,044)
27,768	Closing cash and cash equivalents, detailed as follows:	58,539
40,812	Cash and cash equivalents	68,078
(13,044)	Overdrafts	(9,539)
Other information:		
454	Change in related party receivables and service transactions	(324)
19	Change in related party payables and service transactions	472
37	Change in related party financial assets	-
-	Change in related party financial loans and borrowings	-

Emak Group – Consolidated net financial position

Net financial position	30.06.2018	31.12.2017	30.06.2017
A. Cash and cash equivalents	68,078	40,812	39,870
B. Other cash at bank and on hand (held-to-maturity investments)	-	-	-
C. Financial instruments held for trading	-	-	-
D. Liquidity funds (A+B+C)	68,078	40,812	39,870
E. Current financial receivables	2,185	7,549	8,893
F. Current payables to bank	(27,016)	(36,570)	(27,539)
G. Current portion of non current indebtedness	(44,609)	(31,956)	(28,021)
H. Other current financial debts	(5,893)	(10,151)	(8,167)
I. Current financial indebtedness (F+G+H)	(77,518)	(78,677)	(63,727)
J. Current financial indebtedness, net (I+E+D)	(7,255)	(30,316)	(14,964)
K. Non-current payables to banks	(104,573)	(80,084)	(64,349)
L. Bonds issued	-	-	-
M. Other non-current financial debts	(14,976)	(15,646)	(7,665)
N. Non-current financial indebtedness (K+L+M)	(119,549)	(95,730)	(72,014)
O. Net indebtedness (J+N)	(126,804)	(126,046)	(86,978)
P. Non current financial receivables	1,538	752	753
Q. Net financial position (O+P)	(125,266)	(125,294)	(86,225)