

[Press release](#)

The Board of Directors approves the results for the first semester 2019

Net sales: € 243 million - € 266.5 million in first half 2018

EBITDA adjusted (*): € 31.1 million - € 38.3 million in first half 2018

EBIT: € 17.9 million - € 29.5 million in first half 2018

Consolidated net income: € 10.5 million - € 22.1 million in first half 2018

Net negative financial position: € 169.1 million, € 136.3 million excluding the effect of the accounting principle IFRS 16, (of which € 17.2 million of debts for future commitments relating to the purchase of residual minority interests), compared to € 117.4 million at 31 December 2018 and € 125.3 million at 30 June 2018.

Bagnolo in Piano (RE), 9 August 2019 - The Board of Directors of **Emak S.p.A.**, (MTA– STAR), 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 results for the first semester 2019.

CONSOLIDATED RESULTS OF FIRST SEMESTER 2019

The Emak Group achieved in the first half 2019 consolidated revenues from sales equal to **€ 243 million**, compared to € 266.5 million of the same period last year, a decrease of 8.8%. This change is due to the exit from the scope of consolidation of the company Raico S.r.l. for 1.2%, to the positive effect of the exchange rate for 0.6% and to a volume effect for 8.2%

EBITDA adjusted (*) is equal to € 31.1 million (12.8% of sales) compared to € 38.3 million of the same period 2018 (14.4% of sales). The application of the new IFRS 16 principle has resulted in a positive effect on the EBITDA for the first half 2019 for € 2.9 million.

EBIT amounted to € 17.9 million, in spite of € 29.5 million of the same period of last year. The figure includes depreciations for € 2.1 million.

Net profit of the first semester 2019 stands at € 10.5 million, compared to € 22.1 million for the same period 2018. The result records the improvement in currency management and a worsening of financial management due mainly to the higher charges deriving from the application of the new IFRS 16 standard. It should also be noted that the figure for the 2018 period had benefited from the recognition of a financial gain for an amount of € 2.5 million.

Free cash flow from operations (*) is € 23.3 million, compared to € 29.3 million in the first half 2018 (figure including a financial gain).

Investments in tangible and intangible assets realized during the first semester 2019 amount to a total of € 9.3 million.

Consolidated net equity at June 30, 2019 is € 208.8 million compared to € 205.8 million at December, 31 2018.

Net negative financial position stands at € 169.1 million, € 136.3 million excluding the effect of the accounting principle IFRS 16 (of which € 17.2 million of debts for future commitments relating to the purchase of residual minority interests) compared to € 117.4 million at 31 December 2018 and € 125.3 million at 30 June 2018.

The trend is also influenced by the greater investments made in the period related to new product development projects, the implementation of the new ERP system and the creation of the new Research & Development center at the Parent Company.

Outlook

During the first half of the year, demand was penalized by an unfavourable external context characterized by a delayed start of the sell-out of gardening machines and accessories due to weather conditions, the uncertainty caused by geopolitical tensions and the war of duties, as well as from the general decline in consumer confidence following the economic slowdown.

In a still volatile context, the Group pursues its investment plan in support of innovation and management efficiency.

The forecasts for the remaining part of the year, considering the consolidation on the market of new products and the impulse deriving from more aggressive commercial initiatives, allow to estimate a recovery of a large part of the sales delay accumulated during the first half.

Other information

With effect from 1 January 2019 Emak Group has adopted the new accounting standard **IFRS 16 - Leases**, the effects of which are set out in detail in the half year report.

(*) 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, and costs for staff reorganization and restructuring.
- 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 2019 are attached to the present press release.

Pursuant to the law, the interim report at 30 June 2019 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).

Highlights of the consolidated financial statement broken down by operating segment for the first half 2019

	OUTDOOR POWER EQUIPMENT		PUMPS AND HIGH PRESSURE WATER JETTING		COMPONENTS AND ACCESSORIES		Other not allocated / Netting		Consolidated	
	30.06.2019	30.06.2018	30.06.2019	30.06.2018	30.06.2019	30.06.2018	30.06.2019	30.06.2018	30.06.2019	30.06.2018
€/000										
Sales to third parties	85,088	101,943	100,360	102,870	57,593	61,647			243,041	266,460
Intersegment sales	988	1,236	1,202	988	4,176	4,846	(6,366)	(7,070)		
Revenues from sales	86,076	103,179	101,562	103,858	61,769	66,493	(6,366)	(7,070)	243,041	266,460
Ebitda	7,148	10,250	16,036	17,429	9,386	10,500	(1,822)	(1,469)	30,748	36,710
Ebitda/Total Revenues %	8.3%	9.9%	15.8%	16.8%	15.2%	15.8%			12.7%	13.8%
Ebitda before non ordinary expenses	7,198	11,762	15,953	17,393	9,745	10,613	(1,822)	(1,469)	31,074	38,299
Ebitda before non ordinary expenses/Total Revenues %	8.4%	11.4%	15.7%	16.7%	15.8%	16.0%			12.8%	14.4%
Operating result	1,460	7,215	12,024	15,033	6,225	8,685	(1,822)	(1,469)	17,887	29,464
Operating result/Total Revenues %	1.7%	7.0%	11.8%	14.5%	10.1%	13.1%			7.4%	11.1%
Net financial expenses (1)									(2,289)	154
Profit before taxes									15,598	29,618
Income taxes									(5,130)	(7,547)
Net profit									10,468	22,071
Net profit/Total Revenues%									4.3%	8.3%

(1) Net financial expenses includes the amount of Financial income and expenses, Exchange gains and losses and the amount of the Income from equity investment

STATEMENT OF FINANCIAL POSITION	30.06.2019	31.12.2018	30.06.2019	31.12.2018	30.06.2019	31.12.2018	30.06.2019	31.12.2018	30.06.2019	31.12.2018
Net debt	39,439	24,025	105,513	86,597	24,400	7,094	(274)	(289)	169,078	117,427
Shareholders' Equity	175,118	176,750	62,886	56,259	48,614	48,899	(77,683)	(76,088)	208,935	205,820
Total Shareholders' Equity and Net debt	214,557	200,775	168,399	142,856	73,014	55,993	(77,957)	(76,377)	378,013	323,247
Net non-current assets (2)	137,262	134,048	97,206	77,937	30,744	18,557	(75,445)	(75,616)	189,767	154,926
Net working capital	77,295	66,727	71,193	64,919	42,270	37,436	(2,512)	(761)	188,246	168,321
Total net capital employed	214,557	200,775	168,399	142,856	73,014	55,993	(77,957)	(76,377)	378,013	323,247

(2) The net non-current assets of the Outdoor Power Equipment area includes the amount of Equity investments for 76.074 thousand Euro

OTHER STATISTICS	30.06.2019	31.12.2018	30.06.2019	31.12.2018	30.06.2019	31.12.2018	30.06.2019	31.12.2018	30.06.2019	31.12.2018
Number of employees at period end	758	764	746	736	522	490	7	9	2,033	1,999

OTHER INFORMATIONS	30.06.2019	30.06.2018	30.06.2019	30.06.2018	30.06.2019	30.06.2018	30.06.2019	30.06.2018	30.06.2019	30.06.2018
Amortization, depreciation and impairment losses	5,688	3,035	4,012	2,396	3,161	1,815			12,861	7,246
Investment in property, plant and equipment and in intangible assets	4,408	2,719	2,400	1,969	2,537	2,269			9,345	6,957

Emak Group– Consolidated income statement and comprehensive income statement

Thousand of Euro

Year 2018	CONSOLIDATED INCOME STATEMENT	Notes	1H 2019	of which to related parties	1H 2018	of which to related parties
452,825	Revenues from sales	9	243,041	276	266,460	689
5,465	Other operating incomes	9	2,036		2,653	
4,621	Change in inventories		2,421		(3,578)	
(243,182)	Raw materials, consumables and goods	10	(131,589)	(1,789)	(138,197)	(1,838)
(83,310)	Personnel expenses	11	(42,506)		(44,165)	
(86,970)	Other operating costs and provisions	12	(42,655)	(1,196)	(46,463)	(1,308)
(15,473)	Amortization, depreciation and impairment losses	13	(12,861)		(7,246)	
33,976	Operating result		17,887		29,464	
5,316	Financial income	14	200		3,254	
(4,784)	Financial expenses	14	(3,095)		(2,522)	
86	Exchange gains and losses	14	659		(717)	
266	Income from/(expenses on) equity investment	14	(53)		139	
34,860	Profit before taxes		15,598		29,618	
(9,213)	Income taxes	15	(5,130)		(7,547)	
25,647	Net profit (A)		10,468		22,071	
(250)	(Profit)/loss attributable to non controlling interests		(70)		(136)	
25,397	Net profit attributable to the Group		10,398		21,935	
0.155	Basic earnings per share	16	0.064		0.134	
0.155	Diluted earnings per share	16	0.064		0.134	
Year 2018	CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME	Notes	1H 2019		1H 2018	
25,647	Net profit (A)		10,468		22,071	
(1,041)	Profits/(losses) deriving from the conversion of foreign company accounts		823		(511)	
45	Actuarial profits/(losses) deriving from defined benefit plans (*)		-		-	
(13)	Income taxes on OCI (*)		-		-	
(1,009)	Total other components to be included in the comprehensive income statement (B)		823		(511)	
24,638	Total comprehensive income for the period (A)+(B)		11,291		21,560	
(205)	Comprehensive net profit attributable to non controlling interests		(80)		(106)	
24,433	Comprehensive net profit attributable to the Group		11,211		21,454	

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

Emak Group –Statement of consolidated financial position

Thousand of Euro

31.12.2018	ASSETS	Notes	30.06.2019	of which to related parties	30.06.2018	of which to related parties
	Non-current assets					
75,446	Property, plant and equipment	17	76,166		72,979	
20,195	Intangible assets	18	20,748		19,474	
-	Rights of use	19	32,161		-	
65,773	Goodwill	20	64,104	12,591	65,796	14,700
230	Equity investments in other companies	21	8		230	
4,550	Equity investments in associates	21	7,256		4,423	
8,480	Deferred tax assets	30	8,503		8,032	
2,464	Other financial assets	22	2,273	1,260	1,538	260
65	Other assets	24	261		61	
177,203	Total non-current assets		211,480	13,851	172,533	14,960
	Current assets					
156,678	Inventories	25	159,788		147,430	
108,328	Trade and other receivables	24	129,690	883	141,680	1,551
6,043	Current tax receivables	30	4,053		3,932	
554	Other financial assets	22	1,094	37	2,025	486
283	Derivative financial instruments	23	151		160	
62,602	Cash and cash equivalents		38,194		68,078	
334,488	Total current assets		332,970	920	363,305	2,037
511,691	TOTAL ASSETS		544,450	14,771	535,838	16,997

31.12.2018	SHAREHOLDERS' EQUITY AND LIABILITIES	Notes	30.06.2019	of which to related parties	30.06.2018	of which to related parties
	Shareholders' Equity					
203,744	Shareholders' Equity of the Group	26	206,963		200,749	
2,076	Non-controlling interests		1,972		2,009	
205,820	Total shareholders' Equity		208,935		202,758	
	Non-current liabilities					
113,328	Loans and borrowings due to banks and others lenders	28	88,760		119,549	
-	Liabilities for leasing	29	27,757		-	
8,355	Deferred tax liabilities	30	8,358		8,692	
8,764	Employee benefits	31	8,310		9,365	
2,173	Provisions for risks and charges	32	2,270		2,191	
520	Other non-current liabilities	33	503		534	
133,140	Total non-current liabilities		135,958		140,331	
	Current liabilities					
95,938	Trade and other payables	27	97,266	4,948	105,601	3,866
4,913	Current tax liabilities	30	6,155		7,547	
69,359	Loans and borrowings due to banks and others lenders	28	88,017		77,118	
-	Liabilities for leasing	29	5,010		-	
643	Derivative financial instruments	23	1,246		400	
1,878	Provisions for risks and charges	32	1,863		2,083	
172,731	Total current liabilities		199,557	4,948	192,749	3,866
511,691	TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		544,450	4,948	535,838	3,866

Emak Group – Consolidated cash flow statement

31.12.2018 (€/000)	Notes	30.06.2019	30.06.2018
Cash flow from operations			
25,647	Net profit for the period	10,468	22,071
15,473	Amortization, depreciation and impairment losses	12,861	7,246
1,194	Financial expenses from discounting of debts	423	694
(266)	Income from/(expenses on) equity investment	53	(139)
(2,472)	Capital (gains)/losses from change in scope of consolidation	-	(2,472)
(2,074)	Financial (income)/ Expenses from adjustment of estimated liabilities for outstanding commitment associates' shares	-	(132)
(140)	Capital (gains)/losses on disposal of property, plant and equipment	(169)	(48)
(2,411)	Decreases/(increases) in trade and other receivables	(19,368)	(33,246)
(5,411)	Decreases/(increases) in inventories	(2,445)	3,724
(3,714)	Decreases/(increases) in trade and other payables	2,315	8,789
(905)	Change in employee benefits	(455)	(306)
(628)	Decreases/(increases) in provisions for risks and charges	66	(400)
360	Change in derivative financial instruments	735	239
24,653	Cash flow from operations	4,484	6,020
Cash flow from investing activities			
(18,157)	Change in property, plant and equipment, intangible assets and right of use	(16,085)	(6,819)
4,342	(Increases) and decreases in financial assets	(2,834)	3,734
140	Proceeds from disposal of property, plant and equipment	169	48
5,484	Change in scope of consolidation	-	5,484
(8,191)	Cash flow from investing activities	(18,750)	2,447
Cash flow from financing activities			
(349)	Change in equity	(345)	(395)
18,018	Change in short and long-term loans and borrowings	(10,806)	27,827
-	Change in financial liabilities deriving from leases	4,730	-
(5,942)	Dividends paid	(7,510)	(5,912)
11,727	Cash flow from financing activities	(13,931)	21,520
28,189	Total cash flow from operations, investing and financing activities	(28,197)	29,987
149	Effect of changes from exchange rates and translation reserve	(438)	784
28,338	INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(28,635)	30,771
27,768	OPENING CASH AND CASH EQUIVALENTS	56,106	27,768
56,106	CLOSING CASH AND CASH EQUIVALENTS	27,471	58,539
ADDITIONAL INFORMATION ON THE CASH FLOW STATEMENT			
31.12.2018 (€/000)		30.06.2019	30.06.2018
RECONCILIATION OF CASH AND CASH EQUIVALENTS			
27,768	Opening cash and cash equivalents, detailed as follows:	56,106	27,768
40,812	Cash and cash equivalents	62,602	40,812
(13,044)	Overdrafts	(6,496)	(13,044)
56,106	Closing cash and cash equivalents, detailed as follows:	27,471	58,539
62,602	Cash and cash equivalents	38,194	68,078
(6,496)	Overdrafts	(10,723)	(9,539)
Other information:			
292	Change in related party receivables and service transactions	(52)	(324)
196	Change in related party payables and service transactions	1,325	472
449	Change in related party financial assets	(1,000)	-
-	Change in related party financial loans and borrowings	-	-

Emak Group – Consolidated net financial position

(€/000)	30.06.2019	30.06.2019 NO IFRS 16	31.12.2018	30.06.2018
A. Cash and cash equivalents	38,194	38,194	62,602	68,078
D. Liquidity funds (A+B+C)	38,194	38,194	62,602	68,078
E. Current financial receivables	1,245	1,245	837	2,185
F. Current payables to bank	(20,489)	(20,489)	(18,086)	(27,016)
G. Current portion of non current indebtedness	(49,832)	(49,832)	(46,152)	(44,609)
H. Other current financial debts	(23,952)	(18,942)	(5,764)	(5,893)
I. Current financial indebtedness (F+G+H)	(94,273)	(89,263)	(70,002)	(77,518)
J. Current financial indebtedness, net (I+E+D)	(54,834)	(49,824)	(6,563)	(7,255)
K. Non-current payables to banks	(88,232)	(88,232)	(99,817)	(104,573)
M. Other non-current financial debts	(28,285)	(528)	(13,511)	(14,976)
N. Non-current financial indebtedness (K+L+M)	(116,517)	(88,760)	(113,328)	(119,549)
O. Net indebtedness (J+N)	(171,351)	(138,584)	(119,891)	(126,804)
P. Non current financial receivables	2,273	2,273	2,464	1,538
Q. Net financial position (O+P)	(169,078)	(136,311)	(117,427)	(125,266)