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

# HALF YEAR REPORT AT 30.06.2012

**Emak S.p.A.** Member of the Yama Group • Via Fermi, 4 • 42011 Bagnolo in Piano (Reggio Emilia) ITALY
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## THE EMAK GROUP

### Emak S.p.A. company bodies

On 15 April 2010 the Ordinary General Meeting of the Shareholders of the Parent Company, Emak S.p.A., resolved to appoint the Board of Directors for the financial years 2010-2012; in the same meeting the Board of Auditors was appointed for the same duration.

| | |
|---|---|
| **Board of Directors** | |
| Chairman and Chief Executive Officer | Fausto Bellamico |
| Deputy Chairman | Aimone Burani |
| Executive Directors | Stefano Slanzi |
| Independent Directors | Ivano Accorsi |
| | Andrea Barilli |
| | Gian Luigi Basini |
| Directors | Carlo Baldi |
| | Luigi Bartoli |
| | Paola Becchi |
| | Giuliano Ferrari |
| | Giacomo Ferretti |
| | Vilmo Spaggiari |
| | Guerrino Zambelli |
| ***Audit Committee and Remuneration Committee*** | |
| Chairman | Andrea Barilli |
| | Ivano Accorsi |
| | Gian Luigi Basini |
| **Board of Statutory Auditors** | |
| Chairman | Marco Montanari |
| Acting auditors | Paolo Caselli |
| | Martino Masini |
| Alternate auditors | Mario Venezia |
| | Eugenio Poletti |
| **Independent Auditors** | Fidital Revisione S.r.l. |
| **Financial Reporting Officer** | Aimone Burani |
| **Supervisory Body as per Legislative Decree 231/01** | |
| Chairman | Francesca Baldi |
| Acting members | Roberto Bertuzzi |
| | Guido Ghinazzi |

## Emak Group structure

Emak Group is a leading player in the worldwide production and distribution of machinery, components and accessories for gardening, forestry, agriculture and industry

The Group operates worldwide, offering a wide and complete range of products with recognized trademarks. Among the most important, examples are, for gardening, machines such as lawnmowers, hedge trimmers, garden tractors, sold branded Oleo-Mac and Efco, and components and accessories, such as heads and nylon line branded Tecomec and Speed. In forestry, the most important products are represented by machines such as chain saws, blowers sold branded Oleo-Mac and Efco, and accessories such as electric and manual sharpeners, and other products generally related to the process of sharpening marketed under the brand Tecomec. As for the agriculture sector, the most significant products are the tillers and cultivators branded Bertolini, Nibbi, Staub - this one limited to the French market – and diaphragm pumps branded Comet. Also in the agricultural sector, the Group manufactures and sells accessories and miscellaneous parts for machines for spraying and weeding Geoline branded and multi-brand spare parts for agricultural tractors. Within the industrial sector, the Group is present with power cutters branded Oleo-Mac and Efco, and piston pumps and pressure branded Comet. The Group also manufactures and markets a wide range of accessories and parts for pressure washers and washing machines for high pressure branded Mecline.
The Group's products are directed to a target customer of various kinds, depending on the type and characteristics of each of these products and the accessories of which they can be fitted. The machines, based on the use made thereof, are intended both to private and professional customers. The components and spare parts are intended for two different types of markets: on the one hand, for machine manufacturers, on the other, to the distributors and importers in general, or operators of large distribution specialized in selling products for agriculture, gardening, forestry, agricultural machinery and equipment for high pressure washing.

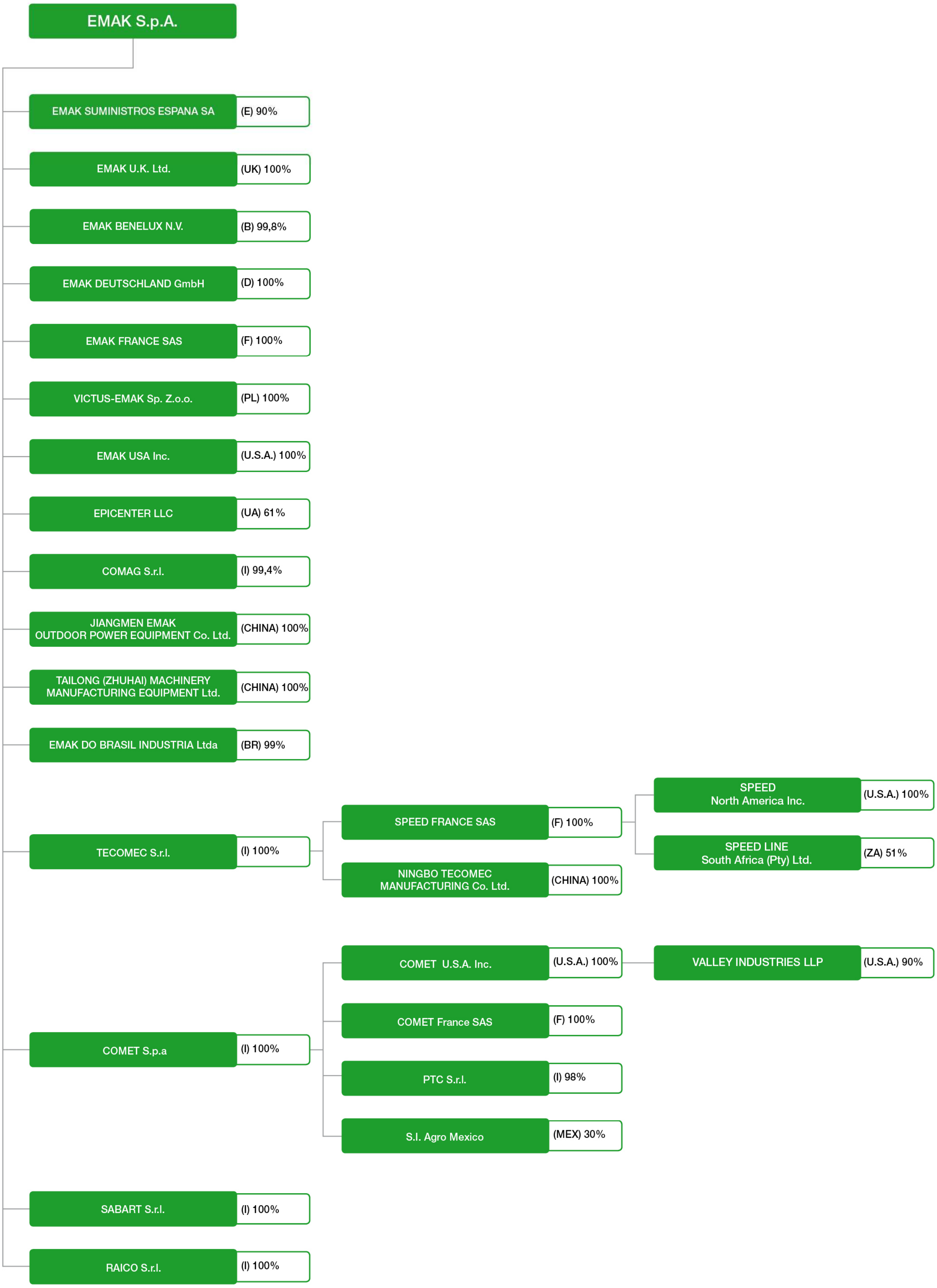
The Group currently manages the distribution in the Italian market and 10 other foreign markets - the United States, France, Germany, UK, Spain, Poland, Benelux, Ukraine, China and South Africa - through subsidiaries.

The commercial subsidiaries have as main objectives the development of sales and the increase of market share by investing in network marketing, the creation of value in terms of profitability on sales; guarantee the autonomy and independence in accordance with the management strategies and business objectives, maximization of customer satisfaction in their respective markets expertise to optimize the critical factors of success.

The Group's production structure is composed of ten plants as shown below:

| Company | Location | Production |
|---|---|---|
| Emak | Bagnolo in Piano (RE) – Italy | Hand held products for the premium segment, cultivators, flailmowers, transporters |
| Comag | Pozzilli (IS) – Italy | Lawnmowers and rotary tillers |
| Emak Tailong | Zhuhai – China | Cylinders |
| Emak Jiangmen | Jiangmen – China | Hand held products for 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 |
| Ningbo | Ningbo – China | Production of accessories and components for high pressure washing and chain saws and brushcutters |
| Comet | Reggio Emilia – Italy | Pumps, motor pumps and control units for agriculture and industry and pressure washers for the cleaning sector |
| PTC | Genova – Italy | Systems and technological applications high-pressure water |
| Valley | Paynesville - Minnesota – Usa | Components and accessories for industry and agriculture sectors |

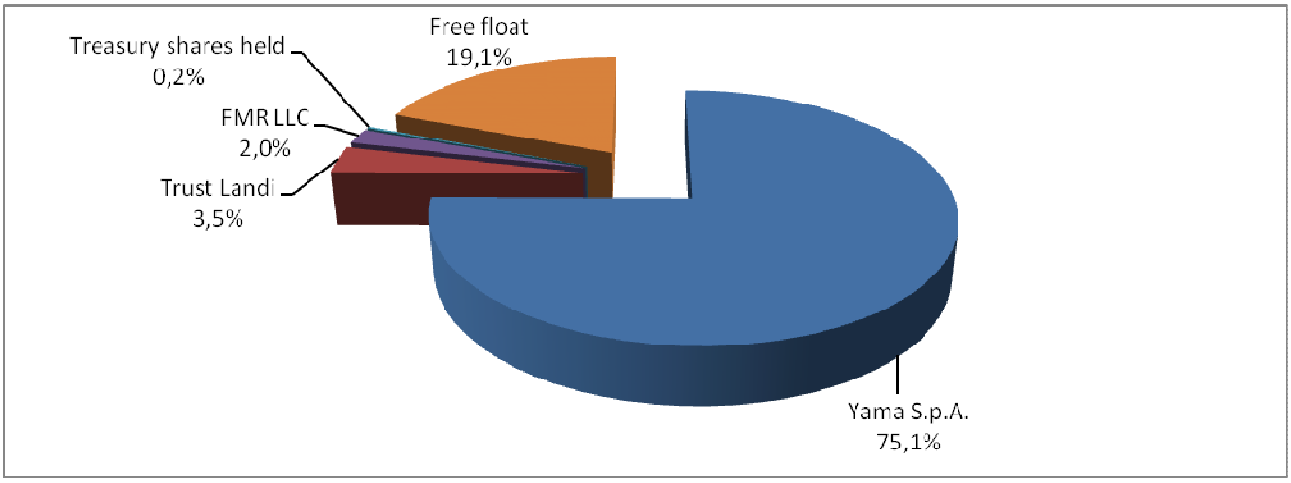
The Emak Group is structured as follows at 30 June 2012



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

The capital of Emak S.p.A. is composed of 163,934,835 shares, with nominal value of € 0.26.

The following summarizes the composition of the company at June 30 2012.



## Main economic and financial figures for the Group

For a better understanding, please note the following regarding the published comparative figures:

-Full year 2011: the figures shown relating to equity and of a financial nature take account of all the acquisitions made during the financial year 2011; economic results do not consider costs and revenues of the companies acquired in the operation Greenfield [(1)];

- 1° half 2011 – 2° quarter 2011: the figures shown relating to equity and of a financial nature and the economic results take account of all the companies included in the scope of consolidation as of 30st June 2011; therefore do not include all the companies acquired in the operation Greenfield, Epicenter LLC and PTC S.r.l. (acquired in the fourth quarter 2011) and Valley LLP (acquired in the first quarter 2012).

**Income statement (€/000)**

| Y 2011 | | 2 Q 2012 | 2 Q 2011 | I H 2012 | I H 2011 |
|---|---|---|---|---|---|
| 204,359 | Net sales | 105,439 | 58,607 | 211,883 | 124,522 |
| 17,517 | EBITDA (1) | 11,925 | 6,396 | 23,333 | 16,539 |
| 10,400 | EBIT | 8,858 | 4,639 | 17,267 | 12,998 |
| 5,767 | Net profit | 5,508 | 2,301 | 9,428 | 6,993 |

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

| Y 2011 | | 2 Q 2012 | 2 Q 2011 | I H 2012 | I H 2011 |
|---|---|---|---|---|---|
| 3,967 | Investment in property, plant and equipment (3) | 1,506 | 1,055 | 3,516 | 1,613 |
| 1,058 | Investment in intangible assets (3) | 445 | 301 | 800 | 458 |
| 12,884 | Free cash flow from operations (2) | 8,575 | 4,058 | 15,494 | 10,534 |

**Balance sheet (€/000)**

| 31.12.2011 | | 30.06.12 | 30.06.11 |
|---|---|---|---|
| 237,439 | Net capital employed | 253,892 | 156,649 |
| (97,298) | Net debt | (106,833) | (41,197) |
| 140,141 | Total equity | 147,059 | 115,452 |

**Other statistics**

| Y 2011 | | 2 Q 2012 | 2 Q 2011 | I H 2012 | I H 2011 |
|---|---|---|---|---|---|
| 8.6% | EBITDA / Net sales (%) | 11.3% | 10.9% | 11.0% | 13.3% |
| 5.1% | EBIT/ Net sales (%) | 8.4% | 7.9% | 8.1% | 10.4% |
| 2.8% | Net profit / Net sales (%) | 5.2% | 3.9% | 4.4% | 5.6% |
| 4.4% | EBIT / Net capital employed (%) | | | 6.8% | 8.3% |
| 0.69 | Debt / Equity | | | 0.73 | 0.36 |
| 1,576 | Number of employees at period end | | | 1,568 | 929 |

**Share information and prices**

| 31.12.2011 | | 30.06.2012 | 30.06.2011 (*) | 30.06.2011 |
|---|---|---|---|---|
| 0.035 | Earnings per share (€) | 0.055 | 0.043 | 0.255 |
| 0.85 | Equity per share (€) (5) | 0.89 | 0.70 | 4.22 |
| 0.49 | Official price (€) | 0.53 | 1.27 | 3.90 |
| 1.49 | Maximum share price in period (€) | 0.64 | 1.49 | 4.60 |
| 0.46 | Minimum share price in period (€) | 0.47 | 1.27 | 3.90 |
| 80 | Stockmarket capitalization (€ / million) | 87 | 108 | 108 |
| 163,537,602 | Average number of outstanding shares | 163,537,602 | 163,537,602 | 27,256,267 |
| 163,934,835 | Number of shares comprising share capital | 163,934,835 | 163,934,835 | 27,653,500 |
| 0.079 | Cash flow per share: net profit + amortization/depreciation (€) (6) | 0.095 | 0.064 | 0.386 |
| 0.025 | Dividend per share (€) | - | - | - |

(1) For more information about the operation "Greenfield" please refer to the prospectus published on 18 November 2011 and to what already described in the 2011 financial report

(2) "Ebit" plus "Amortization, depreciation and impairment losses"

(3) The figure doesn't include investments of the companies acquired during the year

(4) "Net Profit" plus "Amortization, depreciation and impairment losses"

(5) "Group equity" divided by "Number of outstanding shares at period end"

(6) "Group Net Profit + Amortization/depreciation" divided by "Average number of outstanding shares"

(*)The data in this section have been adjusted for a more accurate representation as a consequence of the share capital increase closed during 2011.

## INTERMEDIATE DIRECTORS' REPORT AT 30 JUNE 2012

### 1. Economic situation

After a positive first quarter, the global economy has shown signs of slowing, especially related to the turmoil in financial markets and uncertainty about sovereign debt. In particular, the recovery in the U.S. continues, but less robust than expected, due to the weakness of the labor market that makes the current dynamics of consumption not sustainable. Emerging countries are pulling the world economy, but they also have experienced a slight slowdown. The European economy has been slowed by the turmoil in financial markets linked to uncertainty about the sovereign debt of peripheral countries.

### 2. Industry performance

It is estimated that during the first half of 2012 the market for the Group Emak has increased slightly. The growth was driven by good performance of the North American market and South America, while the European market, and the Italian one in particular, has suffered from the crisis affecting all sectors of the economy.

### 3. Significant events occurring in the period and balances or transactions arising from atypical and unusual, significant and non recurring operations.

**Acquisition of the business activity of LE.MA S.r.l**

On 27th January 2012 the controlled company Raico S.r.l. signed the deed for the acquisition of the business activity of LE.MA S.r.l., with registered office in Siena (Italy), commercializes agricultural spare parts, accessories and tools. In 2011 the company realized a sales turnover of € 623 thousand.

The consideration for the operation, determined at the signing of the minute of delivery, has been fixed in € 228 thousand.

This acquisition determined, in a preliminary allocation phase of the cost of the acquisition, the recognition in the consolidated financial statement of intangible assets with finite useful life for € 87 thousand.

The transaction is part of the Emak Group's growth strategy, since this acquisition will allow Raico to increase its direct presence in the area.

**Acquisition of Valley Industries LLP**

On February 3, 2012 Comet USA, American subsidiary of Comet S.p.A., in turn controlled by Emak S.p.A., has signed an agreement to acquire a 90% share in Valley Industries LLP. The transaction was completed on February 7, 2012.

Founded in 2003 and based in Minnesota (USA), Valley Industries distributes a wide range of products, components and accessories for Industry and Agriculture sectors, including membrane pumps Comet, with a sales network throughout North America. Valley Industries has ended the year 2011 with a turnover of around $19 million, an EBITDA of $ 2.9 million and a net debt of $ 1.9 million.

The transaction is part of the growth strategy of the Emak Group, as this acquisition will accelerate the development of business in the North American market due to the realization of operational and trade synergies not only with regard to Comet, but also for other Emak product lines marketed by the Group as a whole.

The value of Valley Industries has been contractually agreed on $ 16.7 million. Therefore, the price of 90% of the target company has been determined and paid for about $ 14.8 million.
The remaining 10% remains in possession of the General Director and co-founder of the company. The closing of operation occurred on February 7, 2012.

The agreement also provides the stipulation of a "Put and Call Option Agreement" that will allow Savage to exercise an option for the sale of his 10% to Comet U.S.A. at a determined price at the end of the 5th year following the closing. If the abovementioned option won't be exercised there would be a Call option for Comet U.S.A. at the same conditions.

The inclusion of the target company in the scope of consolidation took effect starting from the date of acquisition of control.

**Constitution of a commercial subsidiary in Brazil**

In June 2012 the parent company Emak S.p.A. established Emak do Brasil Industria Ltda, with registered office in Curitiba in the state of Paranà, with register share capital of 200,000 Reais and participation share of 99%; the company will be in charge of the distribution on the Brazilian market of the Emak Group's product branded Oleo-Mac. Moreover, the branch will also commercialize the products of Comet and Tecomec, the companies entered in the Group by the end of 2011. The subsidiary is not yet operational and therefore the respective balance sheet data have not been consolidated since no significant.

**4. Research and development**

Emak considers research and development as a key factor for success. The Group's activity is focused on product innovation, considered not only as the development of new technologies aimed at improving the performance of machines in terms of lower consumption and gas emissions, but also as the improvement of the ergonomic quality of products in terms of comfort and lower vibration. With the aim of keeping up to date and, where possible, anticipating future solutions, for a number of years the Group has been actively collaborating with the academic world, with the aim of developing new technologies to be applied to its products.
The first half of the year saw the consolidation of sales of the new garden tractor designed and manufactured by the Group. Also with regard to the sector Gardening, has been increased the offer of heads for brush cutter with the catalog entry of a new range of top performing products, easy to use and adaptable to the main machine. It was also launched a new professional chain saw designed for professional users, characterized by technical solutions that ensure a great long term reliability. Very important was the introduction of the new range of metal lawnmower, with a design that combines comfort, versatility and aesthetics. Development of the electronics remote control of machines for spraying and weeding continued, with the launch on the market of a new computer for remote management of the main functions of the machines. Finally, two new models of pumps in the area of high pressure piston pumps / flow, a new cold water and high power pressure washer and Several new models of electric pressure washers for industrial and agri-food were launched.
The work has also focused on important news that will be presented in the second half of the year, among which have to be highlighted the new brushcutter, the lightest and most compact on the market, the new medium-professional cold water pressure washer and two new pumps for the large systems for weed control.

## 5. Emak Group – Overview of results

### Summary of economic results

Summary figures from the consolidated income statement for the first half-year of 2012 are shown below:

| €/000 | 1H 2012 | % | 1H 2011 | % |
|---|---|---|---|---|
| Net sales | 211.883 | 100 | 124.522 | 100 |
| EBITDA reported | 23.333 | 11,0 | 16.539 | 13,3 |
| EBITDA adjusted (*) | 26.176 | 12,4 | 17.139 | 13,8 |
| EBIT | 17.267 | 8,1 | 12.998 | 10,4 |
| Profit before taxes | 14.830 | 7,0 | 10.399 | 8,3 |
| Net profit | 9.428 | 4,4 | 6.993 | 5,6 |

(*) Adjusted Ebitda was calculated purging it of the costs which are both significant and non-recurring items related to:

- costs of consulting for the operations of M&A amounting to € 600 thousand for 2011 and 207 thousand for 2012
- the economic effect of the reversal of intercompany margins resulting from enlargement of the scope of consolidation compared to the same period of 2011, fully expensed in the first half of 2012, amounting to €2,636 thousand

### Analysis of sale trends

Consolidated turnover in the second quarter of 2012 was € 105,439 thousand compared to € 58,607 thousand in the same period in the previous financial year.

During the first half-year of 2012 the Emak Group achieved a consolidated turnover of € 211,883 thousand compared to € 124,522 thousand in the same period in the previous financial year.
The contribution, in terms of sales, of the companies entered in the scope of consolidation amounts to € 99,746 thousand. Therefore, under the same scope of consolidation the turnover would have decreased by 13.7%..ù

In order to give a better representation of the sales performance, considering the significant dimension of the operation Greenfield, it states the comparison between the turnover of the first quarter 2012 and the adjusted turnover of the same period 2011.

The adjusted turnover represents consolidated net sales that the Group would have achieved in the first quarter 2011 in the operation Greenfield would have been concluded starting from 1st January 2011.
Sales of the companies Ptc Srl, Valley LLP and Epicenter LLC were not included in the adjusted 2011 figure, while for the first half 2012, their contribution to the consolidated turnover amounts to € 15,600 thousand.

The following table shows the breakdown by product line of the sales in the first quarter 2012, compared to the turnover adjusted and in the same period of the previous year.

| €/000 | 30.06.2012 | % | 30.06.2011 Adj | % | Var. % | 30.06.2011 | % |
|---|---|---|---|---|---|---|---|
| Agriculture & Forestry | 83.887 | 39,6% | 79.898 | 37,4% | 5,0% | 44.056 | 35% |
| Construction & Industry | 35.820 | 16,9% | 33.986 | 15,9% | 5,4% | 6.093 | 4,9% |
| Lawn & Garden | 92.175 | 43,5% | 100.023 | 46,8% | -7,8% | 74.374 | 59,7% |
| **Total** | **211.883** | **100%** | **213.907** | **100%** | **-0,9%** | **124.522** | **100%** |

In order to give a more appropriate representation of sales analysis the product line “Spare parts and accessories” has been reclassified in the other lines.

Please note that the change in the scope of consolidation has determined a significant variation in the weight of product lines in which Group sales are divided, mitigating the risks deriving from the seasonality and the cyclicity. Especially, the incidence of the lines “Agriculture&Forestry” and “Construction&Industry” has increased.

Comparing the results by product line with the adjusted same period of the previous year, it has to be pointed out that the sales increase for “Construction&Industry” and “Agriculture&Forestry” was determined by the inclusion of  Valley LLP and Ptc Srl in the scope of consolidation.

Sales of Gardening products were penalized by the high level of stock in the distribution network at beginning of year.

The following table shows the breakdown by geographic area of the sales in the first half 2012, compared to the turnover adjusted and in the same period of the previous year.

| €/000 | 30.06.2012 | % | 30.06.2011 Adj | % | Var. % | 30.06.2011 | % |
|---|---|---|---|---|---|---|---|
| Europe | 145.625 | 68,7% | 158.330 | 74,0% | -8,0% | 98.184 | 78,8% |
| Americas | 37.593 | 17,7% | 23.359 | 10,9% | 60,9% | 6.324 | 5,1% |
| Asia, Africa and Oceania | 28.665 | 13,5% | 32.218 | 15,1% | -11,0% | 20.014 | 16,1% |
| **Total** | **211.883** | **100%** | **213.907** | **100%** | **-0,9%** | **124.522** | **100%** |

In order to give a more appropriate representation of sales analysis by area the Group adopted a new segmentation compared to the previous reports.

Please note that the inclusion in the scope of consolidation of the companies acquired in the operation Greenfield has determined a significant variation in the weight of the markets in which the Group operates. Especially the entering in the scope of consolidation of Comet Group and Tecomec Group determined a sales increase in the North American market.

Comparing the results by geographic area with the adjusted same period of the previous year, it has to be pointed out that the sales showed a good performance in the North American market. Instead, sales decrease was mainly concentrated in the European markets, which suffered the most the economic crisis, and in some countries of the Middle East.

**Analysis of results**

**EBITDA**

In the second quarter of 2012, Ebitda amounted to € 11,925 thousand against € 6,396 thousand in the corresponding quarter in the last financial year.

In the first half of 2012, Ebitda amounted to € 23,333 thousand against € 16,539 thousand in the corresponding period in the last financial year. The contribution deriving from the change in the scope of consolidation amounts to € 12,658 thousand.

Note that the income statement of the first half 2012 is negatively affected by the reversal of intercompany margins resulting from enlargement of the scope of consolidation compared to the same period of 2011, amounting to €2,636 thousand. Moreover, at 30 June 2012 costs were incurred for consulting M&A amounting to €207 thousand (€600 thousand at 30 June 2011). Therefore, excluding significant and non-recurring items, Ebitda would have increased from €17,139 thousand to €26,176 thousand.

Ebitda as a percentage of revenues has moved from 13.3% at 30 June 2011 to 11% at 30 June 2012 (from 13.8% to 12.4% excluding non-recurring items).

The Group’s average number of employees and temporary workers in the first half of 2012 was 1,731, while it was 1,065 in the first half of 2011, mostly due to the change in the scope of consolidation.

**EBIT**

In the second quarter of 2012, Ebit amounted to € 8,858 thousand against € 4,639 thousand in the corresponding quarter in the last financial year.

In the first half-year of 2012, Ebit amounted to € 17,267 thousand against € 12,998 thousand in the corresponding period of last year. The contribution deriving from the change in scope of consolidation amounts to € 10,336 thousand.

Ebit as a percentage of sales moves from 10.4 at 30 June 2011, to 8.2% at 30 June 2012.

Non-annualized Ebit as a percentage of net invested capital has moved from 8.3% at 30 June 2010, to 6.8% at 30 June 2011.

Amortization and depreciation provisions amount to € 6,066 thousand, compared to € 3,541 thousand at 30 June 2011. The increase is due to the change in the scope of consolidation for € 2,322 thousand.

## Net profit

Net profit for the second quarter 2012 is € 5,508 million, against € 2,301 million for the same quarter of the previous year.

Net profit for the first half of 2012 amounted to € 9,428 thousand against € 6,993 thousand for the same period of last year. The contribution deriving from the change in the scope of consolidation amounts to € 6,044 thousand.

Financial management is affected by the increase of the net negative financial position, of the interest rates and by the valuation “mark to market” of hedging instruments for interest rate risks.

Foreign exchange management is negative for € 142 thousand compared to a negative result for € 2,047 thousand for the same period in the previous year.

The tax rate of 36.4% has increased compared to 32.8% for the same period in the previous financial year, due to the different distribution of taxable income between Group companies and the higher incidence of taxable IRAP.

## Highlights from the consolidated balance sheet

| 31.12.2011 | €/000 | 30.06.2012 | 30.06.2011 |
|---|---|---|---|
| 79.939 | Net non-current assets | 90.394 | 55.869 |
| 157.500 | Net working capital | 163.499 | 100.780 |
| **237.439** | **Total net capital employed** | **253.893** | **156.649** |
| 140.141 | Equity | 147.060 | 115.452 |
| (97.298) | Net financial position | (106.833) | (41.197) |

## Net non-current assets

During the first half of 2012 Emak Group invested € 4,316 thousand in property, plant and equipment and intangible assets, as follows:

- € 1,473 thousand for product innovation;
- € 1,389 thousand for adjustment of production capacity and for process innovation;
- € 887 thousand for upgrading the computer network system;
- € 182 thousand for adjustment of industrial buildings;
- € 385 thousand for other managerial working investments.

Investments broken down by geographical area are as follows:

- € 3,151 thousand in Italy;
- € 502 thousand in Europe;
- € 662 thousand in the Rest of the World.

### Capitale circolante netto

Net working capital was € 5,999 thousand higher than at the end of December 2011, moving from € 157,500 thousand to € 163,499 thousand.

| €/000 | 1H 2012 | 1H 2011 |
|---|---|---|
| **Net working capital at 01 January** | **157,500** | **83,747** |
| increase/(decrease) in inventories | (6,877) | (565) |
| increase/(decrease) in trade receivables | 22,804 | 7,662 |
| (Increase)/decrease in trade payables | (7,600) | 4,029 |
| Change in the scope of consolidation Valley LLP | 4,078 | 61,880 |
| Change for acquisition of business activity LE.MA | 147 | - |
| Other changes | (6,553) | (747) |
| **Net working capital at 30 June** | **163,499** | **157,500** |

The increase in net working capital at 30 June 2012 is mainly due to the sales seasonality and the change in the scope of consolidation.

### Equity

Consolidated net equity stands at € 147,059 million, compared to €140,141 million as of 31st December 2011. Earnings per share as of 30 June 2012 are € 0.055 compared to € 0.043 for the same period of the previous year (recalculated in a manner consistent with the number of shares outstanding at June 30, 2012)

### Net financial position

Net debt increased from € 97,298 thousand at 31.12.2011 to € 106,833 thousand at 30.06.2012. The increase is mainly due to the rise in net working capital and to the cost of acquisition of Valley LLP.

Free cash flow from operations was € 15,594 thousand after tax, compared with € 10,534 thousand in the same period of last year.

The net financial position is made up as follows:

| €/000 | 30.06.2012 | 31.12.2011 | 30.06.2011 |
|---|---|---|---|
| Cash and banks | 19,972 | 10,901 | 9,799 |
| Securities and derivative financial instruments | 52 | 174 | 14 |
| Other financial assets | 1 | 1 | 0 |
| Financial liabilities | (79,609) | (65,866) | (36,538) |
| Derivative financial instruments | (1,293) | (1,156) | (694) |
| **Short-term net debt** | **(60,877)** | **(55,946)** | **(27,419)** |
| | | | |
| Other financial assets | 124 | 136 | 0 |
| Financial liabilities | (45,990) | (41,398) | (13,688) |
| Derivative financial instruments | (90) | (90) | (90) |
| **Long-term net debt** | **(45,956)** | **(41,352)** | **(13,778)** |
| | | | |
| Cash and banks | 19,972 | 10,901 | 9,799 |
| Securities and derivative financial instruments | 52 | 174 | 14 |
| Other financial assets | 125 | 137 | 0 |
| Financial liabilities | (125,599) | (107,264) | (50,226) |
| Derivative financial instruments | (1,383) | (1,246) | (784) |
| **Total net debt** | **(106,833)** | **(97,298)** | **(41,197)** |

At December 31 2011 the net financial position includes the actualized debt to the parent Yama S.p.A. for an amount of € 11,292 thousand, to the related company Sabart S.p.A. for an amount of € 2,822 thousand due to the deferral of the price of Operation Greenfield, and other financial debts for € 1,075 thousand to other related parties

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 financial payables mainly consist of:
- overdrafts;
- loan repayments falling due by 30.06.2013;
- amounts due to other providers of finance falling due by 30.06.2013.

The following table shows the movements in the net financial position of the first half of 2012:

| **€/000** | |
|---|---|
| **Opening NFP at 1/1/2012** | **(97,298)** |
| Cash flow from operations, excl. changes in operating assets and liabilities | 15,494 |
| Changes in operating assets and liabilities | (2,265) |
| **Cash flow from operations** | **13,229** |
| **Cash flow from investments and disinvestments** | **(5,677)** |
| **Other equity changes** | **(2,510)** |
| **Change in the scope of consolidation** | **(14,349)** |
| **Acquisition of business unit Le.Ma** | **(228)** |
| **Closing NFP at 30/06/12** | **(106,833)** |

### 6. Dealings with related parties

Emak S.p.A. is controlled by Yama S.p.A.. The transactions made by Emak with related parties as defined by IAS 24, "Information about related parties", mainly regard the exchange of goods and service, with other companies controlled by Yama S.p.A.. All the transactions fall within the ordinary management of the company, are regulated under market conditions, thus the same conditions that would be applied between independent parties, and in the interest of the companies of the Emak Group.

Such transactions, responding to a compelling rationale and industrial and commercial purpose, are governed by specific and analytical procedures and by programmatic documents, approved by the Board of Directors, with the assistance and consent of the independent directors, meeting in Control and Risks Committee. Evidence of such operations are regularly and systematically examined for aggregates by the Board of Directors.
Other correlations of a financial nature and usual nature arise from the liquidation of tax by the subsidiaries Comet SpA, Tecomec Srl Sabart Srl and Raico S.r.l. in the form of consolidated tax lag with Yama SpA as for Articles. 117 et seq., TUIR.
The criteria and procedures for the settlement of such relationships are established and formalized in agreements of consolidation, based on equal treatment of participants.

Directors, Auditors, General manager and the managers with strategic responsibilities annually declare the conclusion of deals with Emak S.p.A. and its controlled companies, also if conducted through a third person or by subjects referable to them as prescribed by IAS 24 and the internal procedure called "Procedures regarding operations with related parties", which was approved by the Board of Directors on 12.11.2010 and is available on the Company website http://www.emak.it in the section Corporate Governance.

The subsidiaries, according to a methodology from time to time appropriately proportioned, have similar procedures.

The determination of the remuneration of Directors, Statutory Auditors, General Managers and Executives with strategic responsibilities is also governed by proper procedures, and, as for the parent company, is shown to shareholders and to the public with the report under Art. 123-ter of Legislative Decree 58/98, available at www.emak.it.

### 7. Buy back of Emak S.p.A. shares

At 31.12.2010 Emak S.p.A. held 397,233 treasury shares, worth € 2,029 thousand.

On 23 April 2012, the Shareholders Meeting renewed authorisation for the acquisition and disposal of treasury shares for the purposes it defined. No treasury shares were purchased or sold during the first half of 2012, and therefore the total holding and the relative value of treasury shares are unchanged compared to the beginning of the financial period

### 8. Outstanding disputes

There are no outstanding disputes as discussed in note n. 26 of the consolidated financial statements.

### 9. Forecast operating trends, main risks and uncertainties

The second quarter saw a slight recovery in sales of the Group compared to that recorded in the first months of the year. Despite the macroeconomic scenario still presents strong signs of uncertainty that make it difficult predicting the future, it is estimated that the positive sales trend to continue into the second half of the year, considering the balance of stocks held by the distribution network and the introduction of important new products on the market.

### 10. Subsequent events

There are no significant events.

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Bagnolo in Piano (RE), 10 August 2012

On behalf of the Board of Directors

The Chairman

Fausto Bellamico

## Emak Group– Consolidated financial statements and explanatory notes at 30 June 2012

## Consolidated Financial Statements

### Consolidated income statement

| Y 2011 | €/000 | Notes | I H 2012 | of which related parties | I H 2011 | of which related parties |
|---|---|---|---|---|---|---|
| 204.359 | Sales | 8 | 211.883 | 2.156 | 124.522 | 1.838 |
| 1.485 | Other operating incomes | 8 | 1.183 | | 637 | |
| (1.230) | Change in inventories | | (7.468) | | 471 | |
| (116.257) | Raw and consumable materials and goods | | (113.352) | (2.260) | (71.522) | (4.866) |
| (32.288) | Salaries and employee benefits | 9 | (32.554) | | (17.695) | |
| (38.552) | Other operating costs | 10 | (36.359) | (944) | (19.874) | (3) |
| (7.117) | Amortization, depreciation and impairment losses | 11 | (6.066) | | (3.541) | |
| **10.400** | **Ebit** | | **17.267** | | **12.998** | |
| 791 | Financial income | 12 | 228 | | 299 | |
| (1.777) | Financial expenses | 12 | (2.523) | (344) | (851) | |
| (370) | Exchange gains and losses | | (142) | | (2.047) | |
| **9.044** | **EBT** | | **14.830** | | **10.399** | |
| (3.277) | Income taxes | 13 | (5.402) | | (3.406) | |
| **5.767** | **Net profit** | | **9.428** | | **6.993** | |
| **(12)** | **(Profit)/loss attributable to minority interests** | | **(387)** | | **(37)** | |
| **5.755** | **Net profit attributable to the group** | | **9.041** | | **6.956** | |
| **0,035** | **Basic earnings per share** | 14 | **0,055** | | **0,043** | |
| **0,035** | **Diluted earnings per share** | 14 | **0,055** | | **0,043** | |

**Comprehensive income statement**

| Y 2011 | Figures in thousands of euros | Notes | I H 2012 | I H 2011 |
|---|---|---|---|---|
| **5.767** | **Net profit (A)** | | **9.428** | **6.993** |
| **349** | Profits/(losses) deriving from the conversion of foreign company accounts | | **1.415** | **(1.175)** |
| **349** | **Total other components to be included in the comprehensive income statement (B):** | | **1.415** | **(1.175)** |
| **6.116** | **Comprehensive net profit (A)+(B)** | | **10.843** | **5.818** |
| **(44)** | **Comprehensive net profit attributable to minority interests** | | **(387)** | **(37)** |
| **6.072** | **Comprehensive net profit attributable to the group** | | **10.456** | **5.781** |

## Schedule showing consolidated assets-liabilities-financial situation

**ASSETS**

| 31.12.2011 | €/000 | Notes | 30.06.2012 | of which related parties | 30.06.2011 | of which related parties |
|---|---|---|---|---|---|---|
| | **Non-current assets** | | | | | |
| 62,526 | Property, plant and equipment | 15 | 61,385 | | 47,509 | |
| 5,108 | Intangible assets other than goodwill | 16 | 5,221 | | 3,320 | |
| 20,492 | Goodwill | 17 | 31,215 | | 10,409 | |
| 18 | Equity investments in related company | | 18 | | 0 | |
| 231 | Equity investments | | 310 | | 224 | |
| 7,151 | Deferred tax assets | 24 | 7,753 | | 3,563 | |
| 136 | Other non current financial assets | | 131 | | 0 | |
| 907 | Other receivables | 19 | 903 | | 901 | |
| **96,569** | **Total** | | **106,936** | | **65,926** | |
| | **Current assets** | | | | | |
| 125,474 | Inventories | 20 | 123,213 | | 70,515 | |
| 103,521 | Trade and other receivables | 19 | 129,315 | 1,545 | 74,849 | 1,097 |
| 4,140 | Current tax assets | 24 | 2,354 | | 1,030 | |
| 1 | Other financial assets | | 1 | | 0 | |
| 174 | Derivative financial instruments | 18 | 52 | | 14 | |
| 10,901 | Cash and cash equivalents | | 19,972 | | 9,799 | |
| **244,211** | **Total** | | **274,907** | **1,545** | **156,207** | **1,097** |
| **340,780** | **TOTAL ASSETS** | | **381,843** | **1,545** | **222,133** | **1,097** |

**EQUITY AND LIABILITIES**

| 31.12.2011 | €/000 | Notes | 30.06.2012 | | 30.06.2011 | |
|---|---|---|---|---|---|---|
| | **Capital and reserves** | | | | | |
| 138,408 | Total Group | 21 | 144,796 | | 114,895 | |
| 1,733 | Minority interests | | 2,263 | | 557 | |
| **140,141** | **Total equity** | | **147,059** | | **115,452** | |
| | **Non-current liabilities** | | | | | |
| 41,398 | Loans and borrowings | 23 | 45,990 | 12,745 | 13,688 | |
| 90 | Derivative financial instruments | 18 | 90 | | 90 | |
| 4,514 | Deferred tax liabilities | 24 | 4,337 | | 3,100 | |
| 8,856 | Provisions for employee benefits | | 9,012 | | 4,880 | |
| 1,836 | Provisions | 26 | 1,808 | | 674 | |
| 1,288 | Other non-current liabilities | 27 | 1,262 | | 1,402 | |
| **57,982** | **Total** | | **62,499** | **12,745** | **23,834** | **0** |
| | **Current liabilities** | | | | | |
| 70,780 | Trade and other payables | 22 | 84,004 | 1,399 | 40,705 | 1,793 |
| 2,845 | Current tax liabilities | 24 | 4,929 | | 4,154 | |
| 65,866 | Loans and borrowings | 23 | 79,608 | 2,444 | 36,538 | |
| 1,156 | Derivative financial instruments | 18 | 1,293 | | 694 | |
| 2,010 | Provisions | 26 | 2,451 | | 756 | |
| **142,657** | **Total** | | **172,285** | **3,843** | **82,847** | **1,793** |
| **340,780** | **TOTAL EQUITY AND LIABILITIES** | | **381,843** | **16,588** | **222,133** | **1,793** |

## Statement of changes in consolidated equity at 30.06.2011

| €/000 | Share capital | Share premium | OTHER RESERVES | | | | RETAINED EARNINGS | | TOTAL GROUP | EQUITY ATTRIBUTABLE TO MINORITY INTERESTS | TOTAL |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | Legal reserve | Revaluation reserve | Cumulative translation adjustment | Other reserves | Retained earnings | Net profit of the period | | | |
| **Balance at 31.12.2010** | **5.161** | **21.047** | **1.438** | **1.138** | **1.602** | **27.733** | **43.786** | **11.570** | **113.475** | **555** | **114.030** |
| | | | | | | | | | | | |
| **Change in treasury shares** | | | | | | | | | **0** | | **0** |
| **Profit reclassification** | | | | | | | 7.209 | (11.570) | **(4.361)** | (35) | **(4.396)** |
| **Other changes** | | | | | | | | | **0** | | **0** |
| **Net profit** | | | | | (1.175) | | | 6.956 | **5.781** | 37 | **5.818** |
| | | | | | | | | | | | |
| **Balance at 30.06.2011** | **5.161** | **21.047** | **1.438** | **1.138** | **427** | **27.733** | **50.995** | **6.956** | **114.895** | **557** | **115.452** |

* The share capital at 30.06.2011 of € 7,190 thousand is shown net of treasury shares of a value € 2,029 thousand.

Emak
our power, your passion

## Statement of changes in consolidated equity at 31.12.2010 and at 30.06.2012

| €/000 | Share capital | Share premium | OTHER RESERVES | | | | RETAINED EARNINGS | | TOTAL GROUP | EQUITY ATTRIBUTABLE TO MINORITY INTERESTS | TOTAL |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | Legal reserve | Revaluation reserve | Cumulative translation adjustment | Other reserves | Retained earnings | Net profit of the period | | | |
| **Balance at 31.12.2010** | **5.161** | **21.047** | **1.438** | **1.138** | **1.602** | **27.733** | **43.786** | **11.570** | **113.475** | **555** | **114.030** |
| | | | | | | | | | | | |
| **Share capital increase** | 35.433 | 22.504 | | | | | | | **57.937** | | **57.937** |
| **Charges for capital increase** | | (1.097) | | | | | | | **(1.097)** | | **(1.097)** |
| **Change in treasury shares** | | | | | | | | | **0** | | **0** |
| **Profit reclassification** | | | | | | | 7.209 | (11.570) | **(4.361)** | (35) | **(4.396)** |
| **Other changes** | | | | | | | | | **0** | 1.169 | **1.169** |
| **Change in scope of consolidation as for Opi 1** | | | | | | | (33.618) | | **(33.618)** | | **(33.618)** |
| **Net profit for the period** | | | | | 317 | | | 5.755 | **6.072** | 44 | **6.116** |
| | | | | | | | | | | | |
| **Balance at 31.12.2011** | **40.594** | **42.454** | **1.438** | **1.138** | **1.919** | **27.733** | **17.377** | **5.755** | **138.408** | **1.733** | **140.141** |
| | | | | | | | | | | | |
| **Change in treasury shares** | | | | | | | | | **0** | | **0** |
| **Profit reclassification** | | | 262 | | | | 1.405 | (5.755) | **(4.088)** | (159) | **(4.247)** |
| **Other changes** | | | | | | | 20 | | **20** | 302 | **322** |
| **Net profit for the period** | | | | | 1.415 | | | 9.041 | **10.456** | 387 | **10.843** |
| | | | | | | | | | | | |
| **Balance at 30.06.2012** | **40.594** | **42.454** | **1.700** | **1.138** | **3.334** | **27.733** | **18.802** | **9.041** | **144.796** | **2.263** | **147.059** |

*the share capital at 31.12.11 of € 42,623 is shown net of treasury shares of a value of € 2,029 thousand


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## Consolidated cash flow statement

| 31.12.2011 | (€/000) | Notes | 30.06.2012 | 30.06.2011 |
|---|---|---|---|---|
| | **Cash flow from operations** | | | |
| **5,767** | **Net profit for the period** | | **9,428** | **6,993** |
| 7,117 | Amortization, depreciation and impairment losses | 11 | 6,066 | 3,541 |
| 10 | Capital (gains)/losses on disposal of property, plant and equipment | | 8 | 5 |
| (7,812) | Decreases/(increases) in trade and other receivables | | (22,523) | (16,173) |
| 846 | Decreases/(increases) in inventories | | 6,663 | 150 |
| (7,675) | (Decreases)/increases in trade and other payables | | 12,843 | (1,925) |
| (168) | Change in provision for employee benefits | | 136 | (22) |
| 1,284 | Decreases/increases in provisions for liabilities | 26 | 413 | 27 |
| 706 | Decreases/increases in derivative financial instruments | | 259 | 1,107 |
| **75** | **Net cash generated by operations** | | **13,293** | **(6,297)** |
| | **Cash flow from investment activities** | | | |
| (4,756) | Increases in property, plant and equipment and intangible assets | | (5,396) | (822) |
| 122 | (Increases) and decreases in financial assets | | (67) | 0 |
| (10) | Proceeds from disposal of property, plant and equipment | | (8) | (5) |
| (64,752) | Change in scope of consolidation | | (12,875) | 0 |
| 0 | Variation in acquisition of business branch Le.Ma. | | (228) | 0 |
| **(69,396)** | **Net cash absorbed by investment activities** | | **(18,574)** | **(827)** |
| | **Cash flow from financial activities** | | | |
| 0 | Change in equity | | 287 | 0 |
| 56,840 | Share capital increase | | 0 | 0 |
| 7,086 | Change in short and long-term loans and borrowings | | 22,544 | 4,293 |
| (492) | Change in finance leases | | (169) | (247) |
| (4,396) | Dividends paid | | (4,247) | (4,396) |
| 349 | Change in translation reserve | | 1,451 | (1,175) |
| **59,387** | **Net cash absorbed by financial activities** | | **19,866** | **(1,525)** |
| **(9,934)** | **NET INCREASE IN CASH AND CASH EQUIVALENTS** | | **14,585** | **(8,649)** |
| **6,061** | **OPENING CASH AND CASH EQUIVALENTS** | | **(3,873)** | **6,061** |
| **(3,873)** | **CLOSING CASH AND CASH EQUIVALENTS** | | **10,712** | **(2,588)** |

**ADDITIONAL INFORMATION ON THE CASH FLOW STATEMENT**

| 31.12.2011 | (€/000) | 30.06.2012 | 30.06.2011 |
|---|---|---|---|
| | **RECONCILIATION OF CASH AND CASH EQUIVALENTS** | | |
| **6,061** | **Opening cash and cash equivalents, detailed as follows:** | **(3,874)** | **6,061** |
| 7,339 | Cash and cash equivalents | 10,901 | 7,339 |
| (1,278) | Overdrafts | (14,775) | (1,278) |
| **(3,874)** | **Closing cash and cash equivalents, detailed as follows:** | **10,712** | **(2,588)** |
| 10,901 | Cash and cash equivalents | 19,972 | 9,799 |
| (14,775) | Overdrafts | (9,260) | (12,387) |
| | **Other information:** | | |
| (115) | Change in related party receivables and service transactions | 192 | 522 |
| 416 | Change in related party payables and service transactions | (770) | (10) |
| 13,799 | Change in related party financial liabilities | 1,390 | 0 |

**Explanatory notes to the consolidated financial statements of the Emak Group.**

**<u>Notes to the consolidated financial statements - Contents</u>**

## 1. General information

The Board of Directors approved the consolidated financial statements of Emak S.p.A. for at 30 June 20112 on 10 August 2012 and summarized its contents in a specific press release of the same date.

Emak S.p.A. (hereinafter "Emak" or the "Parent Company") is a public company, listed on the STAR segment of the Italian stock market, with registered offices in Via Fermi, 4 to Bagnolo in Piano (RE). It is one of the leading manufacturers in the European outdoor power equipment, small-scale farming and forestry activities, such as chainsaws, lawnmowers, hedge trimmers, tillers, power cutters and a vast assortment of accessories.

Emak S.p.A. is controlled by Yama S.p.A., an industrial holding company, which firmly holds the majority of its capital and designate, in accordance with law and statute, the majority of the members of its governing bodies. The group of companies headed by Yama operates primarily in the allied sectors of production and marketing of small machines for agriculture, gardening, construction and industry, and forestry. 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.

In accordance with legal requirements, EMAK S.p.A. has set up specific procedures for regulating decisions that place certain Directors in positions of conflict of interest and for the carrying out of related party transactions. These procedures are aimed at an improved safeguarding of the company and of its assets. Reference is also made to them in paragraph 31 below.

Usual transactions entertained with related parties, improved at market conditions and falling within ordinary course of business, are governed by the framework resolutions, that identify and define their nature and terms of conduct. These operations are referred in the subsequent § 31.

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

The financial statements and consolidated financial statements, approved by the Board of Directors of Emak S.p.A. at its meeting of August 10 2012, are subject to statutory audit by Fidital Revisione S.r.l.
This audit is significantly less extensive than that of a complete audit carried out according to established auditing standards.

## 2 Summary of principal accounting policies

The principal accounting policies used for preparing the abbreviated consolidated financial statements for the half-year are in line with those applied for the annual consolidated financial statements at 31 December 2011 and are briefly discussed below.

### 2.1 General methods of preparation

The abbreviated consolidated half-year report of the Emak Group at 30 June 2012 has been prepared in accordance with the IAS 34 accounting standard (Interim Financial Reporting), with art. 154-*ter* (financial reports) of the Consolidated Finance Act and with Consob regulations and resolutions in force.
Specifically, the half-year report at 30 June 2011 has been prepared in abbreviated form and does not contain all the information and notes required for annual consolidated financial statements and must therefore be read with reference to the annual consolidated financial statements at 31 December 2011.
The consolidated half-year report includes the balance sheet, the consolidated income statement, the statement of consolidated comprehensive income, the statement of changes in consolidated equity, the statement of cash flows and notes to the accounts, in accordance with the requirements provided for by IFRS.

The abbreviated consolidated half-year report has been drawn-up in compliance with the IFRS's 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 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 4.

It is also to be noted that some valuation procedures, in particular the more complex such as the determination of any impairment of non-current assets, are generally carried out only in the preparation of annual financial statements, when all necessary information are available, except in cases where there are indications that an immediate assessment of any impairment is required. Even the actuarial valuations for the calculation of provisions for employee benefits are normally processed on the occasion of the annual financial statement. Income tax is recognized based on the best estimate of the weighted average rate forecasted for the entire year.

### 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. The subsidiary Jiangmen Emak Outdoor Power Equipment Co. Ltd. has been consolidated as a wholly-owned subsidiary in view of the commitment to buy back the 49% interest held by Simest S.p.A.. Subsidiaries are consolidated line-by-line from the date that the Group obtains control.

The acquisition of subsidiaries is accounted for using the purchase method, except for those acquired in 2011 from Yama Group for which you can refer in 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.

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.

The transactions, balances and unrealized gains on transactions between Group companies are eliminated. Unrealized losses are eliminated in the same way, unless the operation detects a loss of the asset transferred. The financial statements of companies included in the scope of consolidation have been adjusted, where necessary, to align the accounting policies adopted by the Group.

*Associated companies*

Associated companies are companies in which the Group exercises significant influence, as defined by IAS 28 - *Investments in Associates,* but not control lover 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.

Compared to 31 December 2011, Valley LLP (USA) has entered in the scope of consolidation. Its assets and liabilities and their economic effects have therefore been included in this abbreviated financial report with effect January 1, 2012. The details of the transaction are described in note 3.
Compared to 30 June 2011, the companies acquired in the operation “Greenfield” (Raico Srl, Sabart Srl, Gruppo Comet, Gruppo Tecomec), Epicenter LLC, P.T.C. Srl and Valley LLP have been included in scope of consolidation of the Group
In June 2012 Emak do Brasil Industria Ltda was incorporated; the company is not yet operational and therefore the respective balance sheet data have not been consolidated because they are not significant.

The scope of consolidation at June 30 2012 following the acquisitions already mentioned above includes the following companies:

| Name | Head office | Share capital | Currency | % consolidation | Held by | % interest held |
|---|---|---|---|---|---|---|
| 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 Benelux NV | Meer (B) | 130,000 | € | 99.999 | Emak S.p.A. | 99.800 |
| | | | | | Comag S.r.l. | 0.200 |
| Emak France SAS | Rixheim (F) | 2,000,000 | € | 100.000 | Emak S.p.A. | 100.000 |
| Jiangmen Emak Outdoor Power Equipment Co.Ltd (1) | 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 |
| Emak USA Inc. | Wooster-Ohio (USA) | 50,000 | USD | 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) | 181,090 | USD | 100.000 | Comet S.p.A. | 100.000 |
| Ptc S.r.l. | Genova (I) | 50,000 | € | 98.000 | Comet S.p.A. | 98.000 |
| Valley Industries LLP | Paynesville Minnesota | 0 | USD | 90.000 | Comet Usa Inc | 90.000 |

(1) The share in Jiangmen Emak Outdoor Power Equipment Co. Ltd. for the Group's holding comprises Simest S.p.A., equal to 49%. Under the contract signed in December 2004 and subsequent amendments, the interest owned by Simest S.p.A. is subject to mandatory repurchase by Emak S.p.A. as of June 30, 2013.

### 2.3 Criteria for defining business segments

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 identified, following the “management approach” a single segment of activity: production and distribution of agriculture, forestry and gardening machinery.

## 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 using the exchange rates at the dates of the transactions. Gains and losses arising from foreign exchange receipts and payments in foreign currency and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in income. Gains and losses realized on cash flow hedges whose hedged items are still unrealized are deferred in equity.
Gains and losses realized on instruments for hedging flows for which has not yet made the transaction being hedged are deferred in 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 translated as follows:
(i) assets and liabilities are translated at the closing rate on the balance sheet date;
(ii) income and expenses are translated at the average rate for the period;
(iii) all translation differences are recognized as a separate reserve under equity ("cumulative translation adjustment").

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

| Amount of currency corresponding to € 1 | AVG 1H 2012 | 30.06.2012 | AVG 1H 2011 | 30.06.2011 |
|---|---|---|---|---|
| Sterlina (UK) | 0,82 | 0,81 | 0,87 | 0,90 |
| Renminbi (China) | 8,19 | 7,87 | 9,18 | 9,36 |
| Zloty (Poland) | 4,25 | 4,25 | 3,95 | 3,99 |
| Dollari (USA) | 1,30 | 1,26 | 1,40 | 1,45 |
| Zar (South Africa) | 10,29 | 10,37 | - | - |
| Uah (Ukraine) | 10,40 | 10,17 | - | - |

## 2.5 Description of accounting policies applied to individual items

Details of the accounting policies applied to individual items within the financial statements can be found in sections 2.5 to 2.26 of the explanatory notes to the consolidated financial statements at 31 December 2011.

## 2.6. New accounting standards

With reference to the description of recently issued accounting standards, during 2012 the IASB has issued the following standards which are not yet effective, and in the event their application is permitted, they have not been adopted by the Group in advance and consequently have had no effect on the financial statements of the Group.
The new standards and/or modifications to existing standards are as follows:

- Revised version of IAS 19 Employee Benefits. It will compulsorily come into effect from 1 January 2013 but its application is permitted from 30 June 2012.
- Modification of IAS 1 Presentation of Items of Other Comprehensive Income (OCI). The changes will come into force from 1 July 2012.
- IFRS 10 Consolidated Financial Statements. It will come into force from 1 January 2013 but application in advance is permitted.

- IFRS 11 Joint Arrangements. It will come into force from 1 January 2013 but application in advance is permitted.
- IFRS 12 Disclosure of Interests in Other Entities. It will come into force from 1 January 2013 but application in advance is permitted.
- IFRS 13 Fair Value Measurement. It will come into force from 1 January 2013 but application in advance is permitted.

### 3. Capital and financial risk management

Details can be found in the explanatory notes to the consolidated financial statements at 31 December 2011

### 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 potential assets and liabilities at the balance sheet date. Actual results could differ from these estimates. Estimates are used for recording provisions for doubtful accounts and inventory obsolescence, amortization and depreciation, writedowns to assets, employee benefits, taxes and other provisions. Estimates and assumptions are reviewed periodically and the effects of any change are immediately reflected in the income statement.

In this context, it should be noted that the situation caused by the persistent difficulties of the economic and financial scenario, in particular in the Euro zone, 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.

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

#### Acquisition of the business activity LE.MA S.r.l.

On 27th January 2012 the controlled company Raico S.r.l. signed the deed for the acquisition of the business activity of LE.MA S.r.l., with registered office in Siena (Italy), commercializes agricultural spare parts, accessories and tools. In 2011 the company realized a sales turnover of € 623 thousand.

The consideration for the operation, determined at the signing of the minute of delivery, has been fixed in € 228 thousand.

This acquisition determined, in a preliminary allocation phase of the cost of the acquisition, the recognition in the consolidated financial statement of intangible assets with finite useful life for €87 thousand.

The transaction is part of the Emak Group’s growth strategy, since this acquisition will allow Raico to increase it’s direct presence in the area.

The fair value of assets and liabilities object of aggregation with effect from 1 February 2012, the price paid and the financial cost are detailed below:

| €/000 | Book values | Fair Value adjustments | Fair value of acquired assets |
|---|---|---|---|
| **Non-current assets** | | | |
| Tangible fixed assets | 13 | | 13 |
| Intangible fixed assets | | 87 | 87 |
| **Current assets** | | | |
| Inventories | 214 | - | 214 |
| **Non-current liabilities** | | | |
| Post-emplyment benefits | (19) | - | (19) |
| **Current liabilities** | | | |
| Trade and other liabilities | (67) | - | (67) |
| **Total net assets acquired** | **141** | **87** | **228** |
| **% interest held** | | | **100%** |
| **Net equity acquired** | | | **228** |
| **Goodwill** | | | **0** |
| **Acquisition price entirely paid by bank transfer** | | | **228** |
| Cash and cash equivalent | | | - |
| **Net cash outflow** | | | **228** |

**Acquisition of Valley Industries LLP**

On February 3, 2012 Comet USA, American subsidiary of Comet S.p.A., in turn controlled by Emak S.p.A., has signed an agreement to acquire a 90% share in Valley Industries LLP. The transaction was completed on February 7, 2012.

Founded in 2003 and based in Minnesota (USA), Valley Industries distributes a wide range of products, components and accessories for Industry and Agriculture sectors, including membrane pumps Comet, with a sales network throughout North America. Valley Industries has ended the year 2011 with a turnover of around $19 million, an EBITDA of $ 2.9 million and a net debt of $ 1.9 million..

The transaction is part of the growth strategy of the Emak Group, as this acquisition will accelerate the development of business in the North American market due to the realization of operational and trade synergies not only with regard to Comet, but also for other Emak product lines marketed by the Group as a whole.

The value of Valley Industries has been contractually agreed on $ 16.7 million. Therefore, the price of 90% of the target company is about $ 15 million. The remaining 10%, regulated by a put and call option, remains in possession of the General Director and co-founder of the company. The transaction was completed on February 7, 2012. At the closing was made a payment equal to 95% of the price as defined above.
The agreement also provides the stipulation of a “Put and Call Option Agreement” that will allow Savage to exercise an option for the sale of his 10% to Comet U.S.A. at a determined price at the end of the 5th year following the closing. If the abovementioned option won’t be exercised there would be a Call option for Comet U.S.A. at the same conditions.
The inclusion of the target company in the scope of consolidation took effect starting from the date of acquisition of control.

The fair value of assets and liabilities object of aggregation with effect from 1 January 2012, the price paid and the financial cost are detailed below:

| €/000 | Book values | Fair Value adjustments | Fair value of acquired assets |
|---|---|---|---|
| **Non-current assets** | | | |
| Tangible fixed assets | 134 | - | 134 |
| Intangible fixed assets | 60 | - | 60 |
| | | | |
| **Current assets** | | | |
| Inventories | 4,402 | - | 4,402 |
| Trade and other receivables | 1,870 | - | 1,870 |
| Cash and cash equivalents | 47 | - | 47 |
| | | | |
| **Non-current liabilities** | | | |
| Loans and borrowings | (6) | - | (6) |
| | | | |
| **Current liabilities** | | | |
| Trade and other payables | (2,188) | - | (2,188) |
| Current tax liabilities | (6) | - | (6) |
| Loans and borrowings | (1,468) | - | (1,468) |
| | | | |
| **Total net assets acquired** | **2,845** | **-** | **2,845** |
| **% interest held** | | | **90%** |
| **Net equity acquired** | | | **2,560** |
| **Goodwill** | **( a )** | | **9,042** |
| **Post closing acquisition price** | | | **11,603** |
| **Post closing price adjustments** | | | **(197)** |
| **Acquisition price paid to vendors** | | | **11,406** |
| Cash and cash equivalent | | | 47 |
| **Net cash outflow** | | | **11,359** |
| | | | |
| **Goodwill related to 10% acquired through discounted defferred price** | **( b )** | | **1,035** |
| | | | |
| **Total goodwill** | **( a ) + ( b )** | | **10,077** |

The additional goodwill of €1,035 thousand relates to the discounted consideration provided in the updated "put and call option agreement" that will allow the seller shareholder to exercise an option selling its 10% in 2017.

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

No atypical or unusual transactions took place in the first half of 2012.

## 7 Net financial position

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

| €/000 | 30.06.2012 | 31.12.2011 | 30.06.2011 |
|---|---|---|---|
| Cash and banks | 19,972 | 10,901 | 9,799 |
| Securities and derivative financial instruments | 52 | 174 | 14 |
| Other financial assets | 1 | 1 | 0 |
| Financial liabilities | (79,609) | (65,866) | (36,538) |
| Derivative financial instruments | (1,293) | (1,156) | (694) |
| **Short-term net debt** | **(60,877)** | **(55,946)** | **(27,419)** |
| | | | |
| Other financial assets | 124 | 136 | 0 |
| Financial liabilities | (45,990) | (41,398) | (13,688) |
| Derivative financial instruments | (90) | (90) | (90) |
| **Long-term net debt** | **(45,956)** | **(41,352)** | **(13,778)** |
| | | | |
| Cash and banks | 19,972 | 10,901 | 9,799 |
| Securities and derivative financial instruments | 52 | 174 | 14 |
| Other financial assets | 125 | 137 | 0 |
| Financial liabilities | (125,599) | (107,264) | (50,226) |
| Derivative financial instruments | (1,383) | (1,246) | (784) |
| **Total net debt** | **(106,833)** | **(97,298)** | **(41,197)** |

At June 30 2012 the net financial position includes the debt to the parent Yama S.p.A. for an amount of € 11,292 thousand and with the related company Sabart S.p.A. for an amount of € 2,822 thousand as a result of the postponement of price of Operation Greenfield, besides € 1,075 thousand from other related parties (note 31).

## 8. Sales and other operating income

In comparing the patterns of economic variables presented in the consolidated financial statements at 30 June 2012 and 30 June 2011, it has to be considered that the comparative results in 2011 refer to the Emak Group as it was previously to the acquisitions that occurred after 30 June 2011; therefore the increase in economic performance over the first half of 2011 is justified mainly by the change in scope of consolidation.

Details of sales are as follows:

| €/000 | 1H 2012 | 1H 2011 |
|---|---|---|
| Net sales revenues (net of discounts and rebates) | 210.694 | 124.020 |
| Revenues from recharged transport costs | 1.664 | 906 |
| Returns | (475) | (404) |
| **Total** | **211.883** | **124.522** |

Other operating income is analyzed as follows:

| €/000 | 1H 2012 | 1H 2011 |
|---|---|---|
| Capital gains on disposal of property, plant and equip | 21 | 12 |
| Government grants | 99 | 175 |
| Advertising reimbursement | 172 | 196 |
| Assurance reimbursement | 107 | 23 |
| Other operating income | 784 | 231 |
| **Total** | **1.183** | **637** |

## 9. Salaries and employee benefits

Details of these costs are as follows:

| €/000 | 1H 2012 | 1H 2011 |
|---|---|---|
| Wages and salaries | 23.032 | 11.896 |
| Social security charges | 6.791 | 3.480 |
| Employee terminationn indemnities | 1.098 | 609 |
| Other costs | 563 | 469 |
| Directors' emoluments | 409 | 295 |
| Temporary staff | 661 | 946 |
| **Total payroll costs** | **32.554** | **17.695** |

## 10. Other operating costs

Details of these costs are as follows:

| €/000 | 1H 2012 | 1H 2011 |
|---|---|---|
| | 7.572 | 3.527 |
| Subcontract work | 1.779 | 922 |
| Maintenance | 7.668 | 5.041 |
| Transportation | 1.704 | 1.647 |
| Advertising and promotions | 3.011 | 1.226 |
| Commissions | 1.119 | 573 |
| Travel | 1.681 | 757 |
| Consulting fees | 6.285 | 3.427 |
| Other services | **30.819** | **17.120** |
| **Services** | | |
| | **3.357** | **1.723** |
| **Rents, rentals and the enjoyment of third party assets** | | |
| | **565** | **62** |
| **Increases in provisions (note 26)** | | |
| | **1.618** | **969** |
| **Other costs** | **36.359** | **19.874** |
| **Total** | | |

## 11. Amortization and depreciation

Details of these amounts are as follows:

| €/000 | 1H 2012 | 1H 2011 |
|---|---|---|
| Amortization of intagible assets (note 16) | 873 | 434 |
| Depreciation of property, plant and equipment (note 15) | 5.193 | 3.107 |
| **Total** | **6.066** | **3.541** |

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

Details are as follows:

| €/000 | 1H 2012 | 1H 2011 |
|---|---|---|
| Proceeds from adjustment to fair value of derived instruments for hedging interest rate risk | 83 | 193 |
| Interest on bank and postal current accounts | 40 | 34 |
| Other financial income | 105 | 72 |
| **Financial income** | **228** | **299** |

| €/000 | 1H 2012 | 1H 2011 |
|---|---|---|
| Interest on long-term bank loans and borrowings | 778 | 345 |
| Interest on short-term bank loans and borrowings | 812 | 163 |
| Interest expense and discounts given | 375 | 224 |
| Costs from adjustment to fair value and closure of derived instruments for hedging interest rate risk | 132 | 75 |
| Financial charges from valuing employee termination indemnities (note 25) | 344 | - |
| Other financial costs | 82 | 44 |
| **Financial expenses** | **2.523** | **851** |

## 13. Taxes on income

The estimated charge for current tax and changes in deferred tax assets and liabilities in the first half of 2012 is € 5,402 thousand (€ 3,406 thousand in the corresponding prior year period).

The tax rate in the first half of 2012 was 36.4%, higher than the 32.8% for the same period in the previous financial year.

The increase is mainly due to the different distribution of taxable income between Group companies and the higher incidence of taxable IRAP.

## 14. Earnings per share

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

The earnings per share shown in the following table has been calculated on the basis of homogeneous data, considering also for the first half of 2012, the same number of shares, taking into account the subscribed issue of increase in share capital on December 20, 2011.

| €/000 | 1H 2012 | 1H 2011 |
|---|---|---|
| Net profit attributable to ordinary shareholders in the parent company (€/000) | 9.041 | 6.956 |
| Weighted average number of ordinary shares outstanding | 163.537.602 | 163.537.602 |
| **Basic earnings per share (€)** | **0,055** | **0,043** |

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

## 15. Property, plant and equipment

Changes in property, plant and equipment are shown below:

| €/000 | 31.12.2011 | Change in cons. area | Increm. | Decrem. | Recl. | Exchange difference | 30.06.2012 |
|---|---|---|---|---|---|---|---|
| Land and buildings | 42.812 | - | 51 | (1) | 391 | 327 | 43.580 |
| Accumulated depreciation | (10.969) | - | (608) | - | - | (38) | (11.615) |
| **Land and buildings** | **31.843** | **-** | **(557)** | **(1)** | **391** | **289** | **31.965** |
| Plant and machinery | 63.803 | 380 | 905 | (236) | (537) | 325 | 64.640 |
| Accumulated depreciation | (46.078) | (243) | (2.194) | 218 | 380 | (188) | (48.105) |
| **Plant and machinery** | **17.725** | **137** | **(1.289)** | **(18)** | **(157)** | **137** | **16.535** |
| Other assets | 78.898 | 26 | 1.803 | (283) | 1.327 | 234 | 82.005 |
| Accumulated depreciation | (67.711) | (16) | (2.391) | 245 | (380) | (187) | (70.440) |
| **Other assets** | **11.187** | **10** | **(588)** | **(38)** | **947** | **47** | **11.565** |
| **Advances and fixed assets in progress** | **1.771** | **-** | **757** | **(41)** | **(1.181)** | **14** | **1.320** |
| **Cost** | **187.284** | **406** | **3.516** | **(561)** | **-** | **900** | **191.545** |
| **Accumulated depreciation (nota 11)** | **(124.758)** | **(259)** | **(5.193)** | **463** | **-** | **(413)** | **(130.160)** |
| **Net book value** | **62.526** | **147** | **(1.677)** | **(98)** | **-** | **487** | **61.385** |

## 16. Intangible assets

Intangible assets report the following changes:

| €/000 | 31.12.2011 | Change cons. area | Increase. | Other variations | Exchange difference | 30.06.2012 |
|---|---|---|---|---|---|---|
| Development costs | 2.039 | - | 19 | - | 4 | 2.062 |
| Accumulated amortization | (1.142) | - | (124) | - | (3) | (1.269) |
| **Development costs** | **897** | **-** | **(105)** | **-** | **1** | **793** |
| Patents and intellectual property rights | 11.012 | 12 | 552 | 5 | 29 | 11.610 |
| Accumulated amortization | (9.112) | (1) | (493) | (1) | (22) | (9.629) |
| **Patents and intellectual property rights** | **1.900** | **11** | **59** | **4** | **7** | **1.981** |
| Concessions, licences and trademarks | 1.973 | - | 39 | - | 30 | 2.042 |
| Accumulated amortization | (1.185) | - | (117) | - | (28) | (1.330) |
| **Concessions, licences and trademarks** | **788** | - | **(78)** | - | **2** | **712** |
| Other intangible assets | 2.586 | 141 | 30 | - | 49 | 2.806 |
| Accumulated amortization | (1.290) | (5) | (139) | (2) | (17) | (1.453) |
| **Other intangible assets** | **1.296** | **136** | **(109)** | **(2)** | **32** | **1.353** |
| **Advances** | **227** | **-** | **160** | **-** | **(5)** | **382** |
| **Cost** | **17.837** | **153** | **800** | **5** | **107** | **18.902** |
| **Accumulated amortization (nota 11)** | **(12.729)** | **(6)** | **(873)** | **(3)** | **(70)** | **(13.681)** |
| **Net book value** | **5.108** | **147** | **(73)** | **2** | **37** | **5.221** |

All the intangible assets have a finite residual life and are amortized on a straight-line basis over the remaining useful life.

## 17. Goodwill

The goodwill of € 30,151 thousand reported at 30 June 2012is shown below:

| | 31.12.2010 | Ch. In scope of consolidation | Exchance difference | 31.12.2011 |
|---|---|---|---|---|
| Goodwill from the acquisition of Victus-Emak Sp. z o.o. | 836 | - | 40 | 876 |
| Goodwill from the acquisition of the company branch Victus IT | 4623 | - | 228 | 4851 |
| Goodwill of Bertolini S.p.A. | 2074 | - | - | 2074 |
| Goodwill from the acquisition of Tailong Machinery Ltd. | 2565 | - | 95 | 2660 |
| Goodwill from the acquisition of Epicenter LLC | 120 | - | 3 | 123 |
| Goodwill from the acquisition of Tecomec Group | 2807 | - | - | 2807 |
| Goodwill from the acquisition of Comet Group | 2279 | - | - | 2279 |
| Goodwill from the acquisition of Speed France | 2854 | - | - | 2854 |
| Goodwill of HPP | 1974 | - | - | 1974 |
| Goodwill from transfer of the business PTC | 360 | - | - | 360 |
| Goodwill from the acquisition of Valley LLP | - | 10,077 | 280 | 10357 |
| **Total** | **20,492** | **10,077** | **646** | **31,215** |

- goodwill for the acquisition of Victus Emak Sp. z.o.o. for € 876 thousand refers to the difference between the acquisition price for 100% of the company regulated by Polish law, Victus Emak Sp. z.o.o., and its net worth at the date of acquisition. € 4,851 thousand, on the other hand, refers to the acquisition of the company branch of Victus International Trading SA; both acquisition go back 2005.

- The amount of € 2,074 thousand refers to the positive difference further to the acquisition and subsequent absorption of the company Bertolini S.p.A. into Emak S.p.A.;

- the amount of € 2,660 thousand refers to the difference between the cost of 100% of the company regulated by Chinese law, Tailong (Zhuhai) Ltd, and its net worth at the date of acquisition;

- the amount of € 123 thousand relates to the acquisition of the company Epicenter LLC by Emak S.p.A., which is the resulting difference between the purchase price of 61% of Ukrainian law firm Epicenter LLC and its shareholders' equity at acquisition date (30 September 2011);

- goodwill relating to the acquisition of the Tecomec Group, the Comet Group and of the Speed France Group on the part of Tecomec S.r.l respectively for € 2,807 thousand, € 2,279 thousand and € 2,854 thousand arise from the Greenfield Operation (for details on the operation, reference should be made to note 7 of the Notes to the annual 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.;

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

- The amount of €10,077 thousand relates to the positive difference emerged following the acquisition of Valley LLP, a Comet Group company.

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

## 18. Derivative financial instruments

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

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

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

At 30 June 2012 there were outstanding forward currency agreements for the purchase of

| | Company | | Notional value /000 | AVG term interest rate | Term date |
|---|---|---|---|---|---|
| **Forward currency purchase** | | | | | |
| Euro/pound | Emak UK Ltd. | € | 588 | 0.82 | by october 2012 |
| Euro/Zloty | Victus-Emak Sp. Zo.o. | € | 1,650 | 4.34 | by august 2012 |
| Dollar/Euro | Sabart S.r.l. | Usd | 1,714 | 1.31 | by june 2012 |
| Euro/Dollar | Comet USA Inc. | € | 2,360 | 1.31 | by may 2013 |
| **Forward currency sale** | | | | | |
| Dollar/Euro | Comet S.p.A. | Usd | 1,800 | 1.31 | by december 2012 |
| Dollar/Euro | Emak S.p.A. | Usd | 1,100 | 1.37 | by July 2012 |

Accounting for the overexposed instruments is at fair value. The value of these contracts overall amounts to a positive fair value of € 52 thousand and a negative fair value of € 224 thousand. According to the IFRS principles these effects were accounted in the income statement of the current year.

Finally, on 30 June 2012 result also outstanding IRS contracts and options on interest rates with the aim of covering the risk of variability of interest rates on loans:

The Parent Emak S.p.A. and the subsidiaries Tecomec S.r.l. and Comet S.p.A. have signed IRS contracts and options on interest rates for a total notional value of € 43,117 thousand; the expiration of the instruments is so detailed

| Bank | Company | Notional value (€/000) | Operation date | Term date |
|---|---|---|---|---|
| Intesa San Paolo | Emak S.p.A. | 5,000 | 11/5/09 | 7/11/13 |
| Banca Popolare di Verona | Emak S.p.A. | 3,678 | 10/2/09 | 31/3/14 |
| Cassa di Risparmio in Bologna | Emak S.p.A. | 3,200 | 19/7/11 | 15/6/16 |
| Banca Popolare dell'Emilia Romagna | Emak S.p.A. | 1,500 | 20/1/10 | 31/12/16 |
| Banca Nazionale del Lavoro | Emak S.p.A. | 3,750 | 3/5/12 | 20/4/16 |
| Banca Nazionale del Lavoro | Emak S.p.A. | 3,125 | 27/6/12 | 20/4/16 |
| Banca Popolare Comm. Industria | Comet S.p.A. | 2,000 | 23/10/09 | 31/10/14 |
| Banca Popolare di Verona | Comet S.p.A. | 1,000 | 22/9/10 | 24/9/15 |
| Banca Popolare Comm. Industria | Comet S.p.A. | 2,000 | 10/10/11 | 12/10/16 |
| Banca Popolare Comm. Industria | Comet S.p.A. | 2,000 | 9/5/12 | 28/4/17 |
| Banca Popolare di Verona | Tecomec Srl | 5,000 | 30/7/09 | 30/7/14 |
| Banca Nazionale del Lavoro | Tecomec Srl | 5,000 | 4/8/09 | 6/8/14 |
| Banca Popolare di Verona | Tecomec Srl | 3,000 | 11/5/10 | 11/5/15 |
| UniCredit | Tecomec Srl | 2,864 | 11/4/12 | 31/7/17 |
| **Total** | | **43,117** | | |

The average interest rate resulting from the instruments is equal to 2.55%.

The value of these contracts at June 30 2012 appears to be totaling to a negative fair value of € 1,069 thousand.

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.

Were also recorded long term derivative financial instruments for € 90 thousand related to higher interest expense resulting from the reimbursement at 30 June 2013 of the participation share of Simest in the company Jiangmen Emak Outdoor Power Equipment Co. Ltd

## 19. Trade and other receivables

| €/000 | 30.06.2012 | 31.12.2011 |
|---|---|---|
| Trade receivables | 126.316 | 101.321 |
| Provision for doubtful accounts | (3.429) | (3.285) |
| **Net trade receivables** | **122.887** | **98.036** |
| Receivables from related parties (Note 31) | 1.545 | 1.734 |
| Prepaid expenxses and accrued income | 1.185 | 756 |
| Other receivables | 2.795 | 2.995 |
| **Total current portion** | **128.412** | **103.521** |
| Other non current receivables | 903 | 907 |
| **Total non-current portion** | **903** | **907** |

All non-current receivables fall due within 5 years.

## 20. Inventories

Inventories are detailed as follows:

| €/000 | 30.06.2012 | 31.12.2011 |
|---|---|---|
| Raw, ancillary and consumable materials | 37.926 | 41.731 |
| Work in progress and semifinished products | 19.205 | 15.551 |
| Finished products and goods for resale | 66.082 | 68.192 |
| **Total** | **123.213** | **125.474** |

Inventories at 30 June 2012 are stated net of provisions amounting to € 4,748 thousand (€7,738 thousand at 31 December 2011) 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. The deterioration of the economic and financial situation could cause an adjustment of the obsolescence indices.

## 21. Equity

### Share capital

Share capital is fully paid up at 30 June 2012 and amounts to € 42,623 thousand and consists of 163,934,835 ordinary shares of par value €0,26 each.
All shares are fully paid.

### Treasury shares

The adjustment of € 2,029 thousand to equity for the purchase of treasury shares, unchanged compared to 31 December 2009, represents the overall consideration paid on the market by Emak S.p.A. to buy the treasury shares held on 30 June 2012
With regards to the sale and purchase of treasury shares carried out during the period, reference should be made to the appropriate section in the Directors' Report.

### Dividends

On 23.04.12 the Shareholders' Meeting resolved the distribution of dividends relating to the 2011 financial year for a total of € 4,088 thousand. These dividends have been fully paid

### Share premium reserve

At 30 June 2012 the share premium reserve is € 42,454 thousand. It has increased due to the greater amount subscribed by shareholders compared to the nominal value of the shares: this increase also includes the amount arising from the sale of non-opted rights of € 17 thousand. The reserve is shown net of legal costs for the increase in capital of € 1,598 thousand and net of the relative tax effect of € 501 thousand.

### Legal reserve

At 30 June 2012 the legal reserve is at € 1,700 thousand, (at 31 December 2011 was at € 1,1438 thousand)

### Revaluation reserve

The revaluation reserve at 30 June 2012 includes the reserves arising from revaluations under Law 72/83 for €371 thousand and under Law 413/91 for € 767 thousand.

### Other reserves:

At 30 June 2012 the extraordinary reserve amounted to €27,088 thousand, including all allocations of earnings in prior years.

At 30 June 2012 reserves subject to tax on distribution refer to tax-related provisions for grants and donations for €129 thousand, merger surplus reserves for €394 thousand and reserves from capital grants deriving from the merger of Bertolini S.p.A. for € 122 thousand.
These reserves have remained unchanged since the previous financial period.

At 30 June 2012 the reserve for conversion differences for the amount of € 3,334 thousand is entirely attributable to the differences generated from the translation of balances into the Group's reporting currency.

### 22. Trade and other payables

| €/000 | 30.06.2012 | 31.12.2011 |
|---|---|---|
| Trade payables | 68.816 | 58.245 |
| Payables due to related parties (note 31) | 1.399 | 2.165 |
| Payables due to staff and social security institutions | 10.036 | 8.285 |
| Accruals and payables | 618 | 560 |
| Other payables | 3.135 | 1.525 |
| **Total** | **84.004** | **70.780** |

### 23. Financial liabilities

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

| €/000 | 30.06.2012 | 31.12.2011 |
|---|---|---|
| Overdrafts | 9.260 | 14.775 |
| Bank loans | 64.961 | 50.223 |
| Lease finance | 803 | 552 |
| Loans from related parties (note 31) | 2.444 | 29 |
| Financial accrued expenses and deferred income | 327 | 209 |
| Other loans | 1.813 | 78 |
| **Total current portion** | **79.608** | **65.866** |

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

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

| €/000 | 30.06.2012 | 31.12.2011 |
|---|---|---|
| Bank loans | 32.873 | 25.578 |
| Finance leases | 182 | 602 |
| Loans from related parties (note 31) | 12.745 | 13.770 |
| Other loans | 190 | 1.448 |
| **Total current portion** | **45.990** | **41.398** |

The loans that fall beyond 5 years amount to €715 thousand.

The parent company has entered during the year into some medium/long term loans that are subject to covenants which require the application of interest rates linked to the performance of the ratio NFP / EBITDA and NFP / Equity.

## 24. Tax assets and liabilities

**Deferred tax assets** are detailed below:

| €/000 | 30.06.2012 | 31.12.2011 |
|---|---|---|
| Deferred tax on impairment of assets | 1.090 | 1.111 |
| Reversal of unrealized intercompany gains | 1.705 | 1.378 |
| Provision for inventory obsolescence | 1.040 | 1.041 |
| Losses in past financial periods | 743 | 986 |
| Provisions for bad debts | 129 | 130 |
| Other deferred tax assets | 3.046 | 2.505 |
| **Total** | **7.753** | **7.151** |

The utilisation of losses in past financial periods has no time restriction except for the subsidiary Emak Usa Inc., for which the benefits deriving from the tax credit will start to be lost from the financial year 2026.

The balance of "other deferred tax assets" refers primarily to the tax effect of provisions for risks and charges.

Details of **deferred tax liabilities** are as follows:

| €/000 | 30.06.2012 | 31.12.2011 |
|---|---|---|
| Deferred tax on prpopery (IAS 17) | 1.312 | 1.511 |
| Valuation of provision for employee termination indemnities under IAS 19 | 337 | 327 |
| Taxation on capital gains | 313 | 457 |
| Other deferred tax liabilities | 2.375 | 2.219 |
| **Total** | **4.337** | **4.514** |

“Other deferred tax liabilities” refers mainly to revenues that will be fiscally recognised in future financial periods.

The tax credits amount at 30 June 2012 to €2,354 thousand, against € 4,140 thousand at December 31 2011, refer to VAT credits, surplus payments on account of direct tax and other tax credits.

Tax liabilities amount to € 4,929 thousand at 30 June 2012 compared with € 2,845 at 31 December 2011, and refer to payables for direct tax for the period, to VAT liabilities and withholding taxes.

## 25. Long-term post-employment benefits

Liabilities refer mainly to amounts payable for employment termination indemnity falling due at the end of an employee’s working life, equal to € 8,675 thousand.
The valuation of the indemnity leaving fund (TFR) at the closing date, carried out according to the nominal debt method in force would be € 9,744 thousand.

The principal economic and financial assumptions used to calculate the fund are the same as those used at the close of the 2011 financial year.

## 26. Provisions for liabilities and charges

Movements in these provisions are detailed below:

| €/000 | 31.12.2011 | Incr. | Decr. | Exchange difference | 30.06.2012 |
|---|---|---|---|---|---|
| Provision for agents' termination indemnity | 1.813 | 74 | (102) | 0 | 1.785 |
| Other provisions | 23 | 0 | 0 | 0 | 23 |
| **Total non-current portion** | **1.836** | **74** | **(102)** | **0** | **1.808** |
| Provision for product warranties | 304 | 124 | 0 | 2 | 430 |
| Other provisions | 1.706 | 367 | (52) | 0 | 2.021 |
| **Total current portion** | **2.010** | **491** | **(52)** | **2** | **2.451** |

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 relating to future costs to be incurred, equal to € 23 thousand (unchanged compared to the previous financial year), 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 (the last one on 24/1/2011 passed by the Provincial Tax Commission of Reggio Emilia) have been in favour of EMAK S.p.A. and it is expected that the outcome of the proceedings will be favourable also in the last resort.

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 al location is based on estimates extrapolated from the historic trend.

The “Other current provisions” heading refers to the best possible estimation of probable liabilities taking into consideration:

- a number of claims relating to disputes arising during the previous financial year for around €353 thousand

- Of that amount, a portion of approximately €176 thousand relates to liabilities of probable occurrence in the hands of companies acquired in the transaction "Greenfield", a matter prior to the date of acquisition. Based on the warranty provisions provided in favor of the buyer Emak SpA, an equal amount was also recorded in "other revenues" because, if and to the extent that such liabilities will actually be defined and ultimately, they will be promptly and fully compensated by the ceding company Yama SpA.

- of the probable charges of a fiscal nature an amount currently estimated at 60 thousand, as a result of verification at Tecomec by the Inland Revenue of Reggio Emilia on tax years 2008, 2009 and 2010. The verification process was completed as per the inspection report dated February 29, 2012. The Company has timely filed briefs and urged the Office, in a debate ongoing at the appropriate depth.

- It is emphasized that, also in this case, as well as in that shown in the previous paragraph, each liability that may possibly be defined will be integral to recast Emak by Yama SpA, alienating the totalitarian participation of Tecomec. For these reasons, the attribution to the fund in return, is recorded as "other revenues" an equal amount of 60 thousand

## 27. Other non-current liabilities

The amount reported on 30 June 2012 equal to € 1,262 thousand, compared to €1,288 thousand at 31 December 2011 refers to the capital grant received by Comag under Law 488/92 which is being recognized over future years. The portion of the grant recognizable this year is classified under current liabilities as other payables (note 22) and amounts to € 228 thousand.

## 28. Potential liabilities

On 30 June 2011 the Group had no disputes in progress other than those already 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 provided for in the accounts.

## 29. Information on financial risks

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

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

The Group's exposure to financial risks, also considering the change in the scope of consolidation, has not undergone significant changes compared to 31 December 2011.

## 30. Commitments and guarantees given

### Fixed asset purchases

The Group has commitments for fixed assets acquisitions, not included in the accounts at 30 June 2012 for €480 (€ 568 thousand at 31 December 2011).

## 31. Related party transactions

Emak S.p.A. is controller by Yama S.p.A. whichhas a stable holding of 75.185% of its share capital and which is the parent company of a larger group of companies, engaged principally in the areas of machinery and equipment for agriculture and gardening, components for engines and for real estate.

Following the redrawing of the group structure, completed in late 2011, which led the company Comet, Tecomec, Sabart Srl. and Raico under the direct control and coordination of EMAK, the amount of usual transactions with related parties outside the group was significantly reduced, as the most significant transactions with related parties, the same that suggested the integration project , is now falling within it.

Among the companies that remained under the direct control of YAMA SpA, few have provided to Emak Group components and materials during the first half 2012. By contrast certain companies of the Yama Group have purchased from Emak products for the completion of their respective range of commercial offer

All the transactions fall within the ordinary management of the company, are regulated under market conditions, thus the same conditions that would be applied between independent parties, and in the interest of the companies of the Emak Group.

The amounts of commercial and other nature transactions with related parties for the first half 2011 are shown below. The nature of most relavant transactions are shown as well.

Sale of goods and services and receivables:

| Related parties (€/000) | Net sales | Receivables |
|---|---|---|
| Agro D.o.o. | 243 | 118 |
| Euro Reflex D.o.o. | 391 | 373 |
| Garmec S.p.A. | 132 | 81 |
| Mac Sardegna S.r.l. | 355 | 374 |
| Sabart S.p.A. | 4 | - |
| Selettra S.r.l. | 3 | 1 |
| Unigreen S.p.A. | 545 | 596 |
| **Total Yama Group** | **1,673** | **1,543** |
| **Other related parties** | **483** | **2** |
| **Total (note 23)** | **2,156** | **1,545** |

Purchase of goods and services and payables:

| Companies belonging to the Yama Group (€/000) | Purchase of raw materials and finished products | Other costs | Commercial and other Payables | | financial charges | Non-current financial liabilities | Current financial liabilities |
|---|---|---|---|---|---|---|---|
| Agro D.o.o. | 9 | - | 3 | | - | - | - |
| Cofima S.r.l. | 353 | 80 | 384 | | - | - | - |
| Euro Reflex D.o.o. | 1,127 | 7 | 237 | | - | - | - |
| Garmec S.p.A. | 96 | - | 72 | | - | - | - |
| Mac Sardegna S.r.l. | - | 2 | 1 | | - | - | - |
| Meccanica Veneta S.r.l. | 50 | - | 24 | | - | - | - |
| Netribe S.r.l. | - | - | 11 | | - | - | - |
| Sabart S.p.A | 8 | 80 | - | | 69 | 486 | 2,336 |
| Selettra S.r.l. | 403 | - | 259 | | - | - | - |
| Unigreen S.p.A. | 192 | 1 | 176 | | - | - | - |
| Yama Immobiliare S.r.l. | - | 740 | - | | - | - | - |
| Yama S.p.A. | - | - | 232 | | 275 | 1,947 | 9,345 |
| **Total Yama Group** | **2,238** | **910** | **1,399** | | **344** | **2,433** | **11,681** |
| **Other related parties** | **22** | **34** | **-** | | **-** | **11** | **1,064** |
| **Total (note 27)** | **2,260** | **944** | **1,399** | | **344** | **2,444** | **12,745** |

Non-current financial liabilities are the only transactions of an extraordinary nature shown here; they correspond to the discounted residual debt of the acquisitions of 22 December 2011 (the “Greenfield” acquisition).
The "Trade payables and other current liabilities" includes, in addition, liabilities arising from the relationship of tax consolidation in place between the parent Yama SpA and its subsidiaries Tecomec Srl, Comet SpA, Sabart Srl and Raico S.r.l. ("Consolidated taxation").

### 32. Subsequent events

Please refer to what described in paragraph 10 of the Directors’ Report.

**Declaration on the abbreviated half-year Accounts in accordance with art. 154 bis comma 5 of Legislative Decree 58/98**

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

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

   - the effective application

of administrative and accounting procedures for the preparation of the individual financial statements and the consolidated financial statements for the financial period 1 January 2012 - 30 June 2012.

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

3. It is hereby declared, moreover, that:

3.1 the abbreviated half-year accounts:

a) have been drawn up in compliance with applicable international accounting principles recognised by the European Community in accordance with (EC) regulation no. 1606/2002 issued by the European Parliament and Council on 19 July 2002;

b) correspond to the accounting records and entries;

c) are appropriate for giving a true and fair view of the assets, liabilities, economic and financial situation of the issuer and of the companies included in the consolidation;

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

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

Date: 10 August 2012

Delegated officers of the administrative bodies:

Fausto Bellamico

The Financial Reporting Officer:

Aimone Burani