

Press release

Board of Directors of Emak S.p.A.

Approved consolidated results for the first semester 2020

Significant recovery in turnover in the second quarter (+7.3%)

Revenues from sales: € 247.5 million compared to € 243 million in the first semester 2019

EBITDA adjusted (*): € 33.2 million compared to € 31.1 million in the first semester 2019

EBIT: € 21.8 million compared to € 17.9 million in the first semester 2019

Consolidated net income: € 10.9 million compared to € 10.5 million in the first semester 2019

Net negative financial position: € 149.6 million (€ 120.7 million net of IFRS 16 effect), compared to € 169.1 million at 30 June 2019 (€ 136.3 million net of IFRS 16 effect).

Bagnolo in Piano (RE), 7 August 2020 - The Board of Directors of **Emak S.p.A.**, (MTA– STAR), parent company of one of world major groups working in the sectors of outdoor power equipment, pumps and water jetting, and of the related components and accessories has approved the results for the first semester 2020.

CONSOLIDATED RESULTS OF FIRST SEMESTER 2020

The Emak Group achieved in the first half 2019 **consolidated revenues** from sales equal to **€ 247.5 million**, compared to € 243 million of the same period last year, an increase of 1.8%. This increase is due to the change in the scope of consolidation for 0.4%, from organic growth for 2.3%, partially offset by the negative effect of conversion rates for 0.9%. After the slowdown recorded starting from March and April due to the pandemic, the Group, with the gradual reopening of the distribution network starting from May and in June, recorded significant sales growth in all segments. The sales turnover for the second quarter amounts to € 129.5 million, compared to € 120.7 million in the second quarter 2019, an increase of 7.3%.

EBITDA adjusted (*) amounts to € 33.2 million (13.4% of sales) in spite of € 31.1 million of the corresponding period 2019 (12.8% of sales). The result benefited from higher sales volumes, a more favourable segment mix and interventions promptly put in place in order to contain both personnel costs and operational.

EBIT amounts to € 21.8 million, compared to € 17.9 million in the same period of last year. 2019 figure included devaluations for € 2.1 million.

Net income for the first half 2020 is equal to € 10.9 million, compared to € 10.5 million for the same period 2019. In spite of an improvement in financial management, the result was affected by the negative figure of € 2.2 million (positive value of € 0.6 million in 2019) of currency management due to the unfavourable trend of South American currencies and charges deriving from exercise of some options regarding equity investments, for an amount of € 1.8 million.

Cash flow from operations (*) is € 23.4 million, compared to € 23.3 million in the first half 2019.

Investments in tangible and intangible assets realized in the first half 2020 overall amount to € 8.9 million, of which € 3 million by the subsidiary Speed France for the acquisition of a technology for the production of polyester monofilaments and cables for agricultural applications.

Consolidated nete equity at 30 June 2020 is € 216.9 million compared to € 211.5 million at 31 December 2019.

Net negative financial position stands € 149.6 million compared to € 169.1 million at 30 June 2019 and € 146.9 million at 31 December 2019. Figure at 30 June 2020 includes for € 28.9 million the effect of applying the accounting standard IFRS 16 and for € 13.4 million debts for commitments relating to the purchase of residual minority interests. The figure also includes the effect of the change in the scope of consolidation for €3.5 million related to the acquisition of the company Markusson, as well as the increase in net working capital related to the seasonality of the business. It is also recalled that in order to support the Group's capital solidity and not to preclude the possibility of resorting to the facilitated conditions of access to credit, the Shareholders' Meeting of 29 April 2020 approved the proposals of the Board of Directors to allocate the 2019 operating profit in reserve, while dividends for an amount of € 7.5 million had been distributed in 2019.

Outlook

The second quarter saw a 7.3% increase in turnover, but with an April down 18%, a May up 18% and a June up 28%.

The demand started again vigorously as soon as some anti-Covid-19 containment measures were loosened, driven by new products, favourable weather conditions, by the increase in sales in the online channel and agricultural products and, last but not least, by a greater propensity of customers to take care of the garden and outdoor activities during the lockdown period.

In July, the trend continued with the same dynamics and intensity, with a growth in turnover in order of 20% compared to the same month of the previous year, which, together with a portfolio higher than the same period, suggests a good third quarter.

Based on available information on global economic recovery scenarios following the pandemic, we remain cautious about medium-term forecasts.

(*) Alternative performance indicators

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

- EBITDA: calculated by adding the items "Operating result" plus "Amortization, depreciation and impairment losses".
- Adjusted EBITDA (EBITDA before non ordinary income and expenses): is obtained by deducting at EBITDA the impact of charges and income for litigation, expenses related to M&A transaction, and costs for staff reorganization and restructuring.
- Free cash flow from operations: calculated by adding the items "Net profit" plus "Amortization, depreciation and impairment losses", net of capital gains / losses on the realization of consolidated investments in equity.

The highlights from the consolidated accounts of the Group at 30 June 2020 are attached to the present press release.

Pursuant to the law, the interim report at 30 June 2020 and this press release are available to the public at the Company's registered office, on the company website www.emakgroup.it, in the "Investor Relations" section and on the storage mechanism eMarket Storage (www.emarketstorage.com).

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

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

Highlights of the consolidated financial statement broken down by operating segment for the first half 2020

	OUTDOOR POWER EQUIPMENT		PUMPS AND HIGH PRESSURE WATER JETTING		COMPONENTS AND ACCESSORIES		Other not allocated / Netting		Consolidated	
€/000	30.06.2020	30.06.2019	30.06.2020	30.06.2019	30.06.2020	30.06.2019	30.06.2020	30.06.2019	30.06.2020	30.06.2019
Sales to third parties	85,042	85,088	99,323	100,360	63,131	57,593			247,496	243,041
Intersegment sales	409	988	1,252	1,202	4,465	4,176	(6,126)	(6,366)		
Revenues from sales	85,451	86,076	100,575	101,562	67,596	61,769	(6,126)	(6,366)	247,496	243,041
Ebitda	5,239	7,148	16,191	16,036	12,566	9,386	(1,032)	(1,822)	32,964	30,748
Ebitda/Total Revenues %	6.1%	8.3%	16.1%	15.8%	18.6%	15.2%			13.3%	12.7%
Ebitda before non ordinary expenses	5,323	7,198	16,265	15,953	12,664	9,745	(1,032)	(1,822)	33,220	31,074
Ebitda before non ordinary expenses/Total Revenues %	6.2%	8.4%	16.2%	15.7%	18.7%	15.8%			13.4%	12.8%
Operating result	1,449	1,460	12,146	12,024	9,250	6,225	(1,032)	(1,822)	21,813	17,887
Operating result/Total Revenues %	1.7%	1.7%	12.1%	11.8%	13.7%	10.1%			8.8%	7.4%
Net financial expenses (1)									(6,110)	(2,289)
Profit before taxes									15,703	15,598
Income taxes									(4,791)	(5,130)
Net profit									10,912	10,468
Net profit/Total Revenues%									4.4%	4.3%
(1) Net financial expenses includes the amount of Financial income and expenses, Exchange gains and losses and the amount of the Income from equity investment										
STATEMENT OF FINANCIAL POSITION	30.06.2020	31.12.2019	30.06.2020	31.12.2019	30.06.2020	31.12.2019	30.06.2020	31.12.2019	30.06.2020	31.12.2019
Net debt	30,299	29,304	96,413	98,863	23,123	19,071	(242)	(303)	149,593	146,935
Shareholders' Equity	173,821	176,334	64,668	62,460	55,958	50,295	(77,520)	(77,557)	216,927	211,532
Total Shareholders' Equity and Net debt	204,120	205,638	161,081	161,323	79,081	69,366	(77,762)	(77,860)	366,520	358,467
Net non-current assets (2)	130,691	137,483	89,703	94,433	31,990	30,577	(75,525)	(75,504)	176,859	186,989
Net working capital	73,429	68,155	71,378	66,890	47,091	38,789	(2,237)	(2,356)	189,661	171,478
Total net capital employed	204,120	205,638	161,081	161,323	79,081	69,366	(77,762)	(77,860)	366,520	358,467
(2) The net non-current assets of the Outdoor Power Equipment area includes the amount of Equity investments for 76,074 thousand Euro										
OTHER STATISTICS	30.06.2020	31.12.2019	30.06.2020	31.12.2019	30.06.2020	31.12.2019	30.06.2020	31.12.2019	30.06.2020	31.12.2019
Number of employees at period end	736	743	742	731	524	506	8	8	2,010	1,988
OTHER INFORMATIONS	30.06.2020	30.06.2019	30.06.2020	30.06.2019	30.06.2020	30.06.2019	30.06.2020	30.06.2019	30.06.2020	30.06.2019
Amortization, depreciation and impairment losses	3,790	5,688	4,045	4,012	3,316	3,161			11,151	12,861
Investment in property, plant and equipment and in intangible assets	2,143	4,408	1,823	2,400	4,974	2,537			8,940	9,345

Emak Group– Consolidated income statement and comprehensive income statement

Thousand of Euro

Year 2019	CONSOLIDATED INCOME STATEMENT	Notes	1H 2020	of which to related parties	1H 2019	of which to related parties
433,953	Revenues from sales	9	247,496	465	243,041	276
4,668	Other operating incomes	9	1,096		2,036	
854	Change in inventories		(5,779)		2,421	
(230,213)	Raw materials, consumables and goods	10	(126,507)	(1,608)	(131,589)	(1,789)
(81,106)	Personnel expenses	11	(41,355)		(42,506)	
(82,066)	Other operating costs and provisions	12	(41,987)	(234)	(42,655)	(264)
(24,068)	Amortization, depreciation and impairment losses	13	(11,151)	(849)	(12,861)	(845)
22,022	Operating result		21,813		17,887	
1,370	Financial income	14	161	14	200	
(5,366)	Financial expenses	14	(2,529)	(195)	(3,095)	(142)
766	Exchange gains and losses	14	(2,229)		659	
89	Income from/(expenses on) equity investment	14	(1,513)		(53)	
18,881	Profit before taxes		15,703		15,598	
(5,755)	Income taxes	15	(4,791)		(5,130)	
13,126	Net profit (A)		10,912		10,468	
(177)	(Profit)/loss attributable to non controlling interests		(95)		(70)	
12,949	Net profit attributable to the Group		10,817		10,398	
0.079	Basic earnings per share	16	0.066		0.064	
0.079	Diluted earnings per share	16	0.066		0.064	
Year 2019	CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME	Notes	1H 2020		1H 2019	
13,126	Net profit (A)		10,912		10,468	
989	Profits/(losses) deriving from the conversion of foreign company accounts		(5,517)		823	
(245)	Actuarial profits/(losses) deriving from defined benefit plans (*)		-		-	
68	Income taxes on OCI (*)		-		-	
812	Total other components to be included in the comprehensive income statement (B)		(5,517)		823	
13,938	Total comprehensive income for the period (A)+(B)		5,395		11,291	
(185)	Comprehensive net profit attributable to non controlling interests		84		(80)	
13,753	Comprehensive net profit attributable to the Group		5,479		11,211	

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

Emak Group –Statement of consolidated financial position

Thousand of Euro

31.12.2019	ASSETS	Notes	30.06.2020	of which to related parties	30.06.2019	of which to related parties
	Non-current assets					
76,591	Property, plant and equipment	17	76,641		76,166	
20,498	Intangible assets	18	21,342		20,748	
29,716	Rights of use	19	27,895	11,293	32,161	12,972
63,844	Goodwill	20	62,401	12,556	64,104	12,591
8	Equity investments in other companies	21	8		8	
7,399	Equity investments in associates	21	2,848		7,256	
8,106	Deferred tax assets	30	8,216		8,503	
2,423	Other financial assets	22	2,438	1,223	2,273	1,260
63	Other assets	24	58		261	
208,648	Total non-current assets		201,847	25,072	211,480	26,823
	Current assets					
158,336	Inventories	25	149,247		159,788	
104,304	Trade and other receivables	24	134,190	2,394	129,690	883
5,225	Current tax receivables	30	4,268		4,053	
465	Other financial assets	22	137	37	1,094	37
301	Derivative financial instruments	23	327		151	
47,695	Cash and cash equivalents		85,864		38,194	
316,326	Total current assets		374,033	2,431	332,970	920
524,974	TOTAL ASSETS		575,880	27,503	544,450	27,743

31.12.2019	SHAREHOLDERS' EQUITY AND LIABILITIES	Notes	30.06.2020	of which to related parties	30.06.2019	of which to related parties
	Shareholders' Equity					
209,495	Shareholders' Equity of the Group	26	214,974		206,963	
2,037	Non-controlling interests		1,953		1,972	
211,532	Total shareholders' Equity		216,927		208,935	
	Non-current liabilities					
98,153	Loans and borrowings due to banks and others lenders	28	139,571		88,760	
25,426	Liabilities for leasing	29	23,971	10,066	27,757	11,627
8,337	Deferred tax liabilities	30	8,318		8,358	
8,110	Employee benefits		7,918		8,310	
2,304	Provisions for risks and charges	32	2,337		2,270	
486	Other non-current liabilities	33	3,977		503	
142,816	Total non-current liabilities		186,092	10,066	135,958	
	Current liabilities					
90,477	Trade and other payables	27	89,460	3,243	97,266	4,948
4,174	Current tax liabilities	30	6,961		6,155	
68,373	Loans and borrowings due to banks and others lenders	28	69,088		88,017	
4,959	Liabilities for leasing	29	4,894	1,578	5,010	1,474
908	Derivative financial instruments	23	835		1,246	
1,735	Provisions for risks and charges	32	1,623		1,863	
170,626	Total current liabilities		172,861	4,821	199,557	6,422
524,974	TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		575,880	14,887	544,450	18,049

Emak Group – Consolidated cash flow statement

31.12.2019 (€/000)	Notes	30.06.2020	30.06.2019
Cash flow from operations			
13,126	Net profit for the period	10,912	10,468
24,068	Amortization, depreciation and impairment losses	11,151	12,861
806	Financial expenses from discounting of debts	179	423
(89)	Income from/(expenses on) equity investment	1,513	53
(549)	Financial (income)/ Expenses from adjustment of estimated liabilities for outstanding commitment associates' shares	410	-
(191)	Capital (gains)/losses on disposal of property, plant and equipment	(15)	(169)
5,532	Decreases/(increases) in trade and other receivables	(30,565)	(19,368)
(761)	Decreases/(increases) in inventories	5,812	(2,445)
(6,529)	(Decreases)/increases in trade and other payables	2,247	2,315
(656)	Change in employee benefits	(191)	(455)
(39)	(Decreases)/increases in provisions for risks and charges	52	66
246	Change in derivative financial instruments	(82)	735
34,964	Cash flow from operations	1,423	4,484
Cash flow from investing activities			
(17,732)	Change in property, plant and equipment and intangible assets	(5,884)	(9,015)
(2,405)	(Increases) and decreases in financial assets	3,127	(2,834)
191	Proceeds from disposal of property, plant and equipment	15	169
-	Change in scope of consolidation	(1,228)	-
(19,946)	Cash flow from investing activities	(3,970)	(11,680)
Cash flow from financing activities			
(542)	Change in equity	-	(345)
(15,712)	Change in short and long-term loans and borrowings	41,920	(10,806)
(5,067)	Liabilities for leasing refund	(2,459)	(2,340)
(7,540)	Dividends paid	-	(7,510)
(28,861)	Cash flow from financing activities	39,461	(21,001)
(13,843)	Total cash flow from operations, investing and financing activities	36,914	(28,197)
(274)	Effect of changes from exchange rates and translation reserve	2,568	(438)
(14,117)	INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	39,482	(28,635)
56,106	OPENING CASH AND CASH EQUIVALENTS	41,989	56,106
41,989	CLOSING CASH AND CASH EQUIVALENTS	81,471	27,471
ADDITIONAL INFORMATION ON THE CASH FLOW STATEMENT			
31.12.2019 (€/000)		30.06.2020	30.06.2019
RECONCILIATION OF CASH AND CASH EQUIVALENTS			
56,106	Opening cash and cash equivalents, detailed as follows:	41,989	56,106
62,602	Cash and cash equivalents	47,695	62,602
(6,496)	Overdrafts	(5,706)	(6,496)
41,989	Closing cash and cash equivalents, detailed as follows:	81,471	27,471
47,695	Cash and cash equivalents	85,864	38,194
(5,706)	Overdrafts	(4,393)	(10,723)
Other information:			
(935)	Change in related party receivables and service transactions	(524)	(52)
(2,274)	Change in related party payables and service transactions	1,894	1,325
(963)	Change in related party financial assets	-	(1,000)
(1,948)	Related party liabilities for leasing refund	(976)	(972)

Emak Group – Consolidated net financial position

(€/000)	30.06.2020	31.12.2019	30.06.2019
A. Cash and cash equivalents	85,864	47,695	38,194
B. Other cash at bank and on hand (held-to-maturity investments)	-	-	-
C. Financial instruments held for trading	-	-	-
D. Liquidity funds (A+B+C)	85,864	47,695	38,194
E. Current financial receivables	464	766	1,245
F. Current payables to bank	(11,269)	(13,963)	(20,489)
G. Current portion of non current indebtedness	(46,298)	(38,176)	(49,832)
H. Other current financial debts	(17,250)	(22,101)	(23,952)
I. Current financial indebtedness (F+G+H)	(74,817)	(74,240)	(94,273)
J. Current financial indebtedness, net (I+E+D)	11,511	(25,779)	(54,834)
K. Non-current payables to banks	(137,073)	(97,802)	(88,232)
L. Bonds issued	-	-	-
M. Other non-current financial debts	(26,469)	(25,777)	(28,285)
N. Non-current financial indebtedness (K+L+M)	(163,542)	(123,579)	(116,517)
O. Net indebtedness (ESMA) (J+N)	(152,031)	(149,358)	(171,351)
P. Non current financial receivables	2,438	2,423	2,273
Q. Net financial position (O+P)	(149,593)	(146,935)	(169,078)
Effect IFRS 16	28,865	30,385	32,767
Net financial position without effect IFRS 16	(120,728)	(116,550)	(136,311)