

Press release

## The Board of Directors approves consolidated results at 30 September 2019

**Net sales of the third quarter: € 93.9 million** - € 88.7 million in the same period 2018

**Net sales of the first nine months: € 337 million** - € 355.1 million in first nine months 2018

**EBITDA adjusted (\*)**: € 39.2 million - € 45.5 million in first nine months 2018

**EBIT**: € 20.4 million - € 33.1 million in first nine months 2018

**Consolidated net income**: € 11.6 million - € 23.3 million in first nine months 2018

**Net negative financial position: € 164.4 million, € 133 million excluding the effect of the accounting principle IFRS 16**, (of which € 17.2 million of debts for future commitments relating to the purchase of residual minority interests), compared to € 117.4 million at 31 December 2018 and € 117.4 million at 30 September 2018.

*Bagnolo in Piano (RE), 14 November 2019* - The Board of Directors of **Emak S.p.A.**, (MTA- STAR), parent company of one of world major groups working in the sectors of outdoor power equipment, pumps and water jetting, and of the related components and accessories has approved the results for the first nine months 2019.

### CONSOLIDATED RESULTS OF FIRST NINE MONTHS 2019

Consolidated sales of the third quarter 2019 is € 93.9 million, in spite of € 88.7 million of the same period of last year, an increase of 5.9%.

Emak Group achieved at 30 September 2019 **consolidated revenues of € 337 million**, compared to € 355.1 million of the same period last year, a decrease of 5.1%. This change is due to the exit from the scope of consolidation of the company Raico S.r.l. for 0.9%, to the positive effect of the exchange rate for 0.7% and to a volume effect for 4.9%

**EBITDA adjusted (\*)** is equal to € 39.2 million (11.6% of sales) compared to € 45.5 million of the same period 2018 (12.8% of sales). The application of the new IFRS 16 principle has resulted in a positive effect on the EBITDA for the first nine months 2019 for € 4.5 million.

**EBIT** amounted to € 20.4 million, in spite of € 33.1 million of the same period of last year. The figure at 30 September 2019 includes depreciations for € 2.1 million.

**Net profit** of the first nine months 2019 stands at € 11.6 million, compared to € 23.3 million for the same period 2018. It should also be noted that the figure for the 2018 period included the recognition of a financial gain for an amount of € 2.5 million.

**Free cash flow from operations (\*)** is € 30 million, compared to € 34.3 million (figure including a financial gain) in the first nine months 2018.

**Investments in tangible and intangible assets** realized during the first nine months 2019 amount to a total of € 14 million.

**Consolidated net equity** at 30 September 2019 is € 210.7 million compared to € 205.8 million at 31 December 2018.

**Net negative financial position** stands at € 164.4 million (of which € 17.2 million of debts for future commitments relating to the purchase of residual minority interests) compared to € 117.4 million at 31 December 2018 and € 117.4 million at 30 September 2018.

The adoption of IFRS 16 accounting standard resulted in the recognition of financial liabilities amounting to € 31.4 million. Net of this effect, the net negative financial position would have been € 133 million. The figure for the period also includes investments greater than the same period of 2018, more dividends distributed and the financial investment of € 2.8 million for the acquisition of 30% of the Brazilian company Agres.

## Outlook

The manufacturing sector in Europe remains in contraction. The external scenario sees a slowdown in the economy and global trade for both emerging and industrialized countries. The third quarter saw a positive turnover trend at a consolidated level with growth of 5.9%, partially recovering the delay accumulated in the first six months.

Based on the order backlog and commercial forecasts, turnover for the last quarter is expected in line with the same period of the previous year.

## Other information

With effect from 1 January 2019 Emak Group has adopted the new accounting standard **IFRS 16 - Leases**, the effects of which are set out in detail in the interim report at 30/09/2019.

## **(\*) Alternative performance indicators**

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

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

The highlights from the consolidated accounts of the Group at 30 September 2019 are attached to the present press release.

Pursuant to the law, the interim report at 30 September 2019 and this press release are available to the public at the Company's registered office, on the company website [www.emakgroup.it](http://www.emakgroup.it), in the "Investor Relations" section and on the storage mechanism eMarket Storage ([www.emarketstorage.com](http://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 nine months 2019

	OUTDOOR POWER EQUIPMENT		PUMPS AND HIGH PRESSURE WATER JETTING		COMPONENTS AND ACCESSORIES		Other not allocated / Netting		Consolidated	
	30.09.2019	30.09.2018	30.09.2019	30.09.2018	30.09.2019	30.09.2018	30.09.2019	30.09.2018	30.09.2019	30.09.2018
€/000										
Sales to third parties	115,145	131,255	140,668	142,332	81,176	81,568			336,989	355,155
Intersegment sales	430	1,462	1,489	1,394	5,396	6,416	(7,315)	(9,272)		
Revenues from sales	115,575	132,717	142,157	143,726	86,572	87,984	(7,315)	(9,272)	336,989	355,155
Ebitda	7,148	11,238	20,654	22,202	12,796	12,619	(1,754)	(1,964)	38,844	44,095
<i>Ebitda/Total Revenues %</i>	6.2%	8.5%	14.5%	15.4%	14.8%	14.3%			11.5%	12.4%
Ebitda before non ordinary expenses	7,198	12,921	20,571	22,199	13,155	12,349	(1,754)	(1,964)	39,170	45,505
<i>Ebitda before non ordinary expenses/Total Revenues %</i>	6.2%	9.7%	14.5%	15.4%	15.2%	14.0%			11.6%	12.8%
Operating result	(500)	6,740	14,643	18,541	8,042	9,820	(1,754)	(1,964)	20,431	33,137
<i>Operating result/Total Revenues %</i>	-0.4%	5.1%	10.3%	12.9%	9.3%	11.2%			6.1%	9.3%
Net financial expenses (1)									(2,894)	(486)
Profit before taxes									17,537	32,651
Income taxes									5,942	9,338
Net profit									11,595	23,313
<i>Net profit/Total Revenues%</i>									3.4%	6.6%

(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	30.09.2019	31.12.2018	30.09.2019	31.12.2018	30.09.2019	31.12.2018	30.09.2019	31.12.2018	30.09.2019	31.12.2018
Net debt	36,566	24,025	104,384	86,597	23,598	7,094	(160)	(289)	164,388	117,427
Shareholders' Equity	173,989	176,750	64,228	56,259	50,046	48,899	(77,575)	(76,088)	210,688	205,820
Total Shareholders' Equity and Net debt	210,555	200,775	168,612	142,856	73,644	55,993	(77,735)	(76,377)	375,076	323,247
Net non-current assets (2)	137,370	134,048	96,101	77,937	30,889	18,557	(75,496)	(75,616)	188,864	154,926
Net working capital	73,185	66,727	72,511	64,919	42,755	37,436	(2,239)	(761)	186,212	168,321
Total net capital employed	210,555	200,775	168,612	142,856	73,644	55,993	(77,735)	(76,377)	375,076	323,247

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

OTHER STATISTICS	30.09.2019	31.12.2018	30.09.2019	31.12.2018	30.09.2019	31.12.2018	30.09.2019	31.12.2018	30.09.2019	31.12.2018
Number of employees at period end	748	764	751	736	528	490	8	9	2,035	1,999

OTHER INFORMATIONS	30.09.2019	30.09.2018	30.09.2019	30.09.2018	30.09.2019	30.09.2018	30.09.2019	30.09.2018	30.09.2019	30.09.2018
Amortization, depreciation and impairment losses	7,648	4,498	6,011	3,661	4,754	2,799			18,413	10,958
Investment in property, plant and equipment and in intangible assets	6,877	4,578	3,073	3,252	4,078	3,147			14,028	10,977

## Emak Group– Consolidated income statement and comprehensive income statement

Thousand of Euro

Year 2018	CONSOLIDATED INCOME STATEMENT	3 Q 2019	3 Q 2018	9 months 2019	9 months 2018
<b>452,825</b>	<b>Revenues from sales</b>	<b>93,948</b>	<b>88,695</b>	<b>336,989</b>	<b>355,155</b>
5,465	Other operating incomes	587	1,392	2,623	4,045
4,621	Change in inventories	(7,787)	4,034	(5,366)	456
(243,182)	Raw materials, consumables and goods	(42,488)	(49,387)	(174,077)	(187,584)
(83,310)	Personnel expenses	(18,177)	(18,277)	(60,683)	(62,442)
(86,970)	Other operating costs and provisions	(17,987)	(19,072)	(60,642)	(65,535)
(15,473)	Amortization, depreciation and impairment losses	(5,552)	(3,712)	(18,413)	(10,958)
<b>33,976</b>	<b>Operating result</b>	<b>2,544</b>	<b>3,673</b>	<b>20,431</b>	<b>33,137</b>
5,316	Financial income	110	24	310	3,278
(4,784)	Financial expenses	(1,355)	(987)	(4,450)	(3,509)
86	Exchange gains and losses	514	301	1,173	(416)
266	Income from/(expenses on) equity investment	126	22	73	161
<b>34,860</b>	<b>Profit before taxes</b>	<b>1,939</b>	<b>3,033</b>	<b>17,537</b>	<b>32,651</b>
(9,213)	Income taxes	(812)	(1,791)	(5,942)	(9,338)
<b>25,647</b>	<b>Net profit (A)</b>	<b>1,127</b>	<b>1,242</b>	<b>11,595</b>	<b>23,313</b>
(250)	(Profit)/loss attributable to non controlling interests	16	(56)	(54)	(192)
<b>25,397</b>	<b>Net profit attributable to the Group</b>	<b>1,143</b>	<b>1,186</b>	<b>11,541</b>	<b>23,121</b>
<b>0.155</b>	<b>Basic earnings per share</b>	<b>0.007</b>	<b>0.007</b>	<b>0.071</b>	<b>0.141</b>
<b>0.155</b>	<b>Diluted earnings per share</b>	<b>0.007</b>	<b>0.007</b>	<b>0.071</b>	<b>0.141</b>

Year 2018	CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME	9 months 2019	9 months 2018
<b>25,647</b>	<b>Net profit (A)</b>	<b>11,595</b>	<b>23,313</b>
(1,041)	Profits/(losses) deriving from the conversion of foreign company accounts	1,628	(2,040)
45	Actuarial profits/(losses) deriving from defined benefit plans (*)	-	-
(13)	Income taxes on OCI (*)	-	-
<b>(1,009)</b>	<b>Total other components to be included in the comprehensive income statement (B)</b>	<b>1,628</b>	<b>(2,040)</b>
<b>24,638</b>	<b>Total comprehensive income for the period (A)+(B)</b>	<b>13,223</b>	<b>21,273</b>
(205)	Comprehensive net profit attributable to non controlling interests	(42)	(122)
24,433	Comprehensive net profit attributable to the Group	13,181	21,151

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

**Emak Group – Consolidated statement of financial position**

Thousand of Euro

31.12.2018	ASSETS	30.09.2019	30.09.2018
	<b>Non-current assets</b>		
75,446	Property, plant and equipment	76,749	72,588
20,195	Intangible assets	20,774	19,469
-	Rights of use	30,946	-
65,773	Goodwill	64,079	65,729
230	Equity investments in other companies	8	230
4,550	Equity investments in associates	7,383	4,445
8,480	Deferred tax assets	8,270	8,024
2,464	Other financial assets	2,421	1,548
65	Other assets	68	60
<b>177,203</b>	<b>Total non-current assets</b>	<b>210,698</b>	<b>172,093</b>
	<b>Current assets</b>		
156,678	Inventories	152,559	151,888
108,328	Trade and other receivables	105,752	107,295
6,043	Current tax receivables	4,300	5,136
554	Other financial assets	444	1,543
283	Derivative financial instruments	343	63
62,602	Cash and cash equivalents	49,701	73,314
<b>334,488</b>	<b>Total current assets</b>	<b>313,099</b>	<b>339,239</b>
<b>511,691</b>	<b>TOTAL ASSETS</b>	<b>523,797</b>	<b>511,332</b>

31.12.2018	SHAREHOLDERS' EQUITY AND LIABILITIES	30.09.2019	30.09.2018
	<b>Shareholders' Equity</b>		
203,744	Shareholders' Equity of the Group	208,754	200,094
2,076	Non-controlling interest	1,934	2,112
<b>205,820</b>	<b>Total Shareholders' Equity</b>	<b>210,688</b>	<b>202,206</b>
	<b>Non-current liabilities</b>		
113,328	Loans and borrowings due to banks and others lenders	109,871	127,471
-	Liabilities for leasing	26,464	-
8,355	Deferred tax liabilities	8,435	9,232
8,764	Employee benefits	8,193	9,123
2,173	Provisions for risks and charges	2,291	2,153
520	Other non-current liabilities	494	534
<b>133,140</b>	<b>Total non-current liabilities</b>	<b>155,748</b>	<b>148,513</b>
	<b>Current liabilities</b>		
95,938	Trade and other payables	69,805	87,492
4,913	Current tax liabilities	4,753	4,979
69,359	Loans and borrowings due to banks and others lenders	74,607	66,048
-	Liabilities for leasing	4,965	-
643	Derivative financial instruments	1,390	340
1,878	Provisions for risks and charges	1,841	1,754
<b>172,731</b>	<b>Total current liabilities</b>	<b>157,361</b>	<b>160,613</b>
<b>511,691</b>	<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>	<b>523,797</b>	<b>511,332</b>

**Emak Group – Consolidated net financial position**

Net financial position	30/09/2019	30.09.2019 NO IFRS 16	31/12/2018	30/09/2018
A. Cash and cash equivalents	49,701	49,701	62,602	73,314
B. Other cash at bank and on hand (held-to-maturity investments)	-	-	-	-
C. Financial instruments held for trading	-	-	-	-
<b>D. Liquidity funds (A+B+C)</b>	<b>49,701</b>	<b>49,701</b>	<b>62,602</b>	<b>73,314</b>
<b>E. Current financial receivables</b>	<b>787</b>	<b>787</b>	<b>837</b>	<b>1,606</b>
F. Current payables to bank	(13,609)	(13,609)	(18,086)	(15,686)
G. Current portion of non current indebtedness	(43,283)	(43,283)	(46,152)	(44,985)
H. Other current financial debts	(24,070)	(19,105)	(5,764)	(5,717)
<b>I. Current financial indebtedness (F+G+H)</b>	<b>(80,962)</b>	<b>(75,997)</b>	<b>(70,002)</b>	<b>(66,388)</b>
<b>J. Current financial indebtedness, net (I+E+D)</b>	<b>(30,474)</b>	<b>(25,509)</b>	<b>(6,563)</b>	<b>8,532</b>
K. Non-current payables to banks	(109,519)	(109,519)	(99,817)	(112,647)
L. Bonds issued	-	-	-	-
M. Other non-current financial debts	(26,816)	(352)	(13,511)	(14,824)
<b>N. Non-current financial indebtedness (K+L+M)</b>	<b>(136,335)</b>	<b>(109,871)</b>	<b>(113,328)</b>	<b>(127,471)</b>
<b>O. Net financial indebtedness (J+N)</b>	<b>(166,809)</b>	<b>(135,380)</b>	<b>(119,891)</b>	<b>(118,939)</b>
P. Non current financial receivables	2,421	2,421	2,464	1,548
<b>Q. Net financial position (O+P)</b>	<b>(164,388)</b>	<b>(132,959)</b>	<b>(117,427)</b>	<b>(117,391)</b>