

## Quarterly report at 31.03.2014

## Emak Group financial highlights

### Income statement (€/000)

Year 2013		1Q 2014	1Q 2013
355,033	Net sales	105,829	102,654
34,196	EBITDA (1)	13,346	12,526
22,375	EBIT	10,577	9,738
10,533	Net profit	5,878	6,501

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

Year 2013		1Q 2014	1Q 2013
7,396	Investment in property, plant and equipment	2,267	1,520
1,701	Investment in intangible assets	349	369
22,354	Free cash flow from operations (2)	8,647	9,289

### Balance sheet (€/000)

31.12.2013		31.03.14	31.03.13
227,175	Net capital employed	260,670	262,380
(76,381)	Net debt	(104,464)	(110,185)
150,794	Total equity	156,206	152,195

### Other statistics

Year 2013		1Q 2014	1Q 2013
9.6%	EBITDA / Net sales (%)	12.6%	12.2%
6.3%	EBIT/ Net sales (%)	10.0%	9.5%
3.0%	Net profit / Net sales (%)	5.6%	6.3%
9.8%	EBIT / Net capital employed (%)	4.1%	3.7%
0.51	Debt / Equity	0.67	0.72
1,576	Number of employees at period end	1,576	1,587

### Share information

Year 2013		3 Months 2014	3 Months 2013
0.063	Earnings per share (€)	0.037	0.039
163,934,835	Number of shares comprising share capital	163,934,835	163,934,835
163,537,602	Average number of outstanding shares	163,537,602	163,537,602

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

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

## Consolidated financial statements

## CONSOLIDATED INCOME STATEMENT

FY 2013	€/000	1 Q 2014	1 Q 2013
355,033	Sales	105,829	102,654
2,405	Other operating incomes	513	438
(1,019)	Change in inventories	7,144	5,960
(193,162)	Raw and consumable materials and goods	(64,266)	(61,800)
(62,746)	Salaries and employee benefits	(17,418)	(16,442)
(66,315)	Other operating costs	(18,456)	(18,284)
(11,821)	Amortization, depreciation and impairment losses	(2,769)	(2,788)
<b>22,375</b>	<b>Ebit</b>	<b>10,577</b>	<b>9,738</b>
917	Financial income	129	217
(4,472)	Financial expenses	(942)	(1,049)
(1,393)	Exchange gains and losses	(545)	620
<b>17,427</b>	<b>EBT</b>	<b>9,219</b>	<b>9,526</b>
(6,894)	Income taxes	(3,341)	(3,025)
<b>10,533</b>	<b>Net profit</b>	<b>5,878</b>	<b>6,501</b>
(207)	(Profit)/loss attributable to minority interests	223	(66)
<b>10,326</b>	<b>Net profit attributable to the group</b>	<b>6,101</b>	<b>6,435</b>
<b>0.063</b>	<b>Basic earnings per share</b>	<b>0.037</b>	<b>0.039</b>
<b>0.063</b>	<b>Diluted earnings per share</b>	<b>0.037</b>	<b>0.039</b>

## Comprehensive income statement

FY 2013	€/000	1 Q 2014	1 Q 2013
<b>10,533</b>	<b>Net profit (A)</b>	<b>5,878</b>	<b>6,501</b>
(1,080)	Profits/(losses) deriving from the conversion of foreign company accounts	(1,079)	653
(782)	Profits/(losses) deriving from the transfer of treasury shares in portfolio (*)	0	0
214	Tax effect relating to other components (*)	0	0
(1,648)	<b>Total other components to be included in the comprehensive income statement (B):</b>	<b>(1,079)</b>	<b>653</b>
<b>8,885</b>	<b>Comprehensive net profit (A)+(B)</b>	<b>4,799</b>	<b>7,154</b>
(62)	Comprehensive net profit attributable to minority interests	450	(65)
<b>8,823</b>	<b>Comprehensive net profit attributable to the group</b>	<b>5,249</b>	<b>7,089</b>

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

## Schedule showing consolidated assets-liabilities-financial situation

### ASSETS

31.12.2013	€/000	31.03.2014	31.03.2013
<b>Non-current assets</b>			
56,079	Property, plant and equipment	55,620	58,386
4,555	Intangible assets other than goodwill	5,748	5,071
30,229	Goodwill	33,153	31,047
230	Equity investments	230	232
18	Equity investments in related company	-	18
7,621	Deferred tax assets	7,822	7,941
178	Other non current financial assets	176	210
2,464	Other receivables	2,463	2,501
<b>101,374</b>	<b>Total</b>	<b>105,212</b>	<b>105,406</b>
<b>Current assets</b>			
118,515	Inventories	125,766	127,424
98,541	Trade and other receivables	135,657	136,692
4,805	Current tax assets	4,715	5,590
1,503	Other financial assets	2	1
101	Derivative financial instruments	65	65
15,122	Cash and cash equivalents	9,774	10,919
<b>238,587</b>	<b>Total</b>	<b>275,979</b>	<b>280,691</b>
<b>339,961</b>	<b>TOTAL ASSETS</b>	<b>381,191</b>	<b>386,097</b>

### EQUITY AND LIABILITIES

31.12.2013	€/000	31.03.2014	31.03.2013
<b>Capital and reserves</b>			
149,041	Total Group	154,299	150,315
1,753	Minorities interest	1,907	1,880
<b>150,794</b>	<b>Total equity</b>	<b>156,206</b>	<b>152,195</b>
<b>Non-current liabilities</b>			
51,240	Loans and borrowings	49,139	51,262
3,881	Deferred tax liabilities	3,763	4,215
9,490	Provisions for employee benefits	9,433	8,993
1,762	Provisions	1,765	1,732
1,039	Other non-current liabilities	1,009	1,122
<b>67,412</b>	<b>Total</b>	<b>65,109</b>	<b>67,324</b>
<b>Current liabilities</b>			
74,699	Trade and other payables	86,744	90,323
3,419	Current tax liabilities	6,208	4,872
41,197	Loans and borrowings	64,592	68,953
848	Derivative financial instruments	750	1,165
1,592	Provisions	1,582	1,265
<b>121,755</b>	<b>Total</b>	<b>159,876</b>	<b>166,578</b>
<b>339,961</b>	<b>TOTAL EQUITY AND LIABILITIES</b>	<b>381,191</b>	<b>386,097</b>

## Consolidated net financial position

( €/000)	31.03.2014	31.12.2013	31.03.2013	31.12.2012
Cash and banks	9,774	15,122	10,919	16,229
Securities and derivative financial instruments	65	101	65	61
Other financial assets	2	1,503	1	2
Financial liabilities	(64,592)	(41,197)	(68,953)	(80,822)
Derivative financial instruments	(750)	(848)	(1,165)	(1,330)
<b>Short-term net debt</b>	<b>(55,501)</b>	<b>(25,319)</b>	<b>(59,133)</b>	<b>(65,860)</b>
Other financial assets	176	178	210	320
Financial liabilities	(49,139)	(51,240)	(51,262)	(34,326)
<b>Long-term net debt</b>	<b>(48,963)</b>	<b>(51,062)</b>	<b>(51,052)</b>	<b>(34,006)</b>
Cash and banks	9,774	15,122	10,919	16,229
Securities and derivative financial instruments	65	101	65	61
Other financial assets	178	1,681	211	322
Financial liabilities	(113,731)	(92,437)	(120,215)	(115,148)
Derivative financial instruments	(750)	(848)	(1,165)	(1,330)
<b>Total net debt</b>	<b>(104,464)</b>	<b>(76,381)</b>	<b>(110,185)</b>	<b>(99,866)</b>

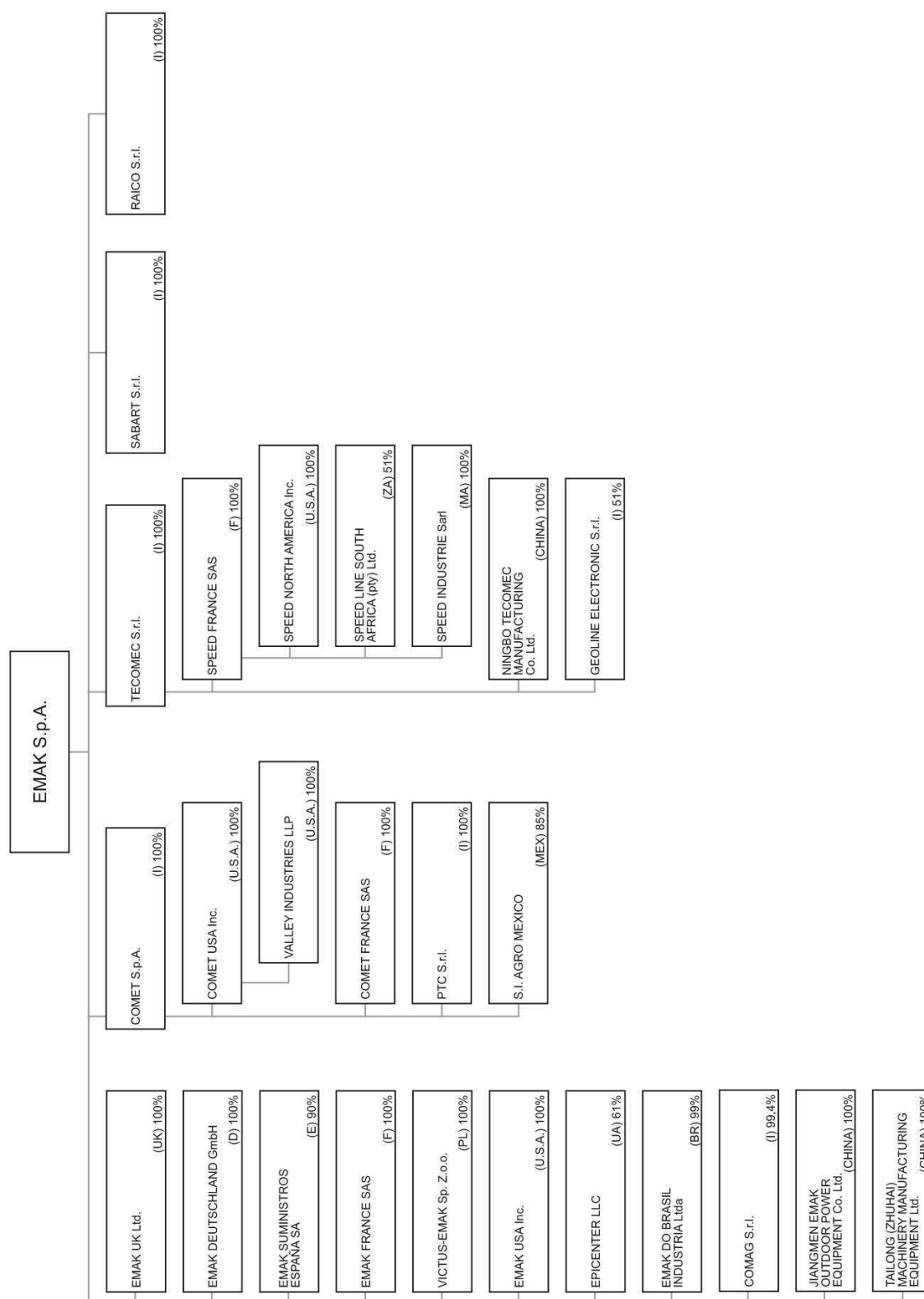
Financial liabilities at 31 March 2014 include debts for the purchase of equity investments for an amount of € 3,814 thousand.

## Changes in consolidated equity

The following table reports changes in consolidated equity between 31<sup>st</sup> December 2013 and 31<sup>st</sup> March 2014.

Euro/000	Share capital	Share premium	OTHER RESERVES					RETAINED EARNINGS		TOTAL GROUP	EQUITY ATTRIBUTABLE TO MINORITY INTERESTS	TOTAL
			Legal reserve	Revaluation reserve	Cumulative translation adjustment	Reserve las 19	Other reserves	Retained earnings	Net profit of the period			
Balance at 31.12.2012	40,594	42,454	1,700	1,138	2,111	(214)	27,733	19,289	8,421	143,226	1,815	145,041
Change in treasury shares												
Profit reclassification			224					4,926	(8,421)	(3,271)	(106)	(3,377)
Other changes								263		263	(18)	245
Net profit for the period												
Balance at 31.12.2013	40,594	42,454	1,924	1,138	1,176	(782)	27,733	24,478	10,326	149,041	1,753	150,794
Change in treasury shares												
Profit reclassification								10,326	(10,326)			
Other changes								9		9	604	613
Net profit for the period					(852)				6,101	5,249	(450)	4,799
Balance at 31.03.2014	40,594	42,454	1,924	1,138	324	(782)	27,733	34,813	6,101	154,299	1,907	156,206

\*the share capital at 31.12.13 of € 42,623 is shown net of treasury shares of a value of € 2,029 thousand

Emak Group structure as of 31<sup>st</sup> March 2014

The company Jiangmen Emak Outdoor Power Equipment Co. Ltd. is controlled by Emak SpA 100% due the contract signed in December 2004 and subsequent amendments which provide for the obligation to repurchase the stake of 49% from Simest SpA on the date of 30.06.2014.

The participation in Valley Industries LLP is equal to 100% as a result of the "Put and Call Option Agreement" that governs the acquisition of the remaining 10% ownership of the company's General Manager.

## **Comments on the financial statements**

This quarterly consolidated report has been prepared in accordance with International Financial Reporting Standards (IFRS) and in compliance with article 154-*ter* ("Financial Reports") of the Consolidated Finance Act, introduced by legislative decree 195/2007.

The accounting standards and policies adopted by the group for preparing the quarterly consolidated financial statements are the same as those used for the consolidated financial statements at 31 December 2013.

In this interim report IAS 19 is not applied as far as the quantification of changes in actuarial gains accrued in the period is concerned.

It should be noted that:

- when it has not been possible to obtain invoices from suppliers for the provision of consulting and other services, a reasonable estimate of these costs has been made on the basis of the stage of completion of the work;
- current and deferred taxes have been calculated using the tax rates applied in the current year in the individual countries of operation;
- the quarterly report is not subject to audit;
- all amounts are expressed in thousands of euros, unless otherwise specified.

## **Scope of consolidation**

Compared to 31 December 2013 companies S.I. Agro Mexico, Geoline Electronic S.r.l. and Speed Industries Sarl have been included in the scope of consolidation. Their assets and liabilities and their financial effects have therefore been included in this interim financial report with effect from 1 January 2014. The details of the operations are described in the next paragraph.

## **Significant, non-recurring transactions or atypical, unusual transactions**

### **1 Geoline Electronic**

On 28 January 2014 the subsidiary Tecomec S.r.l. finalized the agreement for the acquisition of 51% of the company Geoline Electronic Srl, a company newly established by Dinamica Generale S.p.A., concerning the development and production of electronic control systems for applications in Agriculture.

The transaction is part of the growth strategy of the Group, giving life to a project of technical and commercial development of electronic products to be commercialized under the brand name Geoline.

The operation will allow Tecomec S.r.l. to complete its product range, thereby increasing the value of its offer, extend its customer base, exploit cross-selling opportunities through the distribution of products already available in the Dinamica Generale S.p.A. portfolio and, as a whole, to strengthen its position on the market. In addition, Emak Group is going to acquire specific know-how in the electronics field, capable of developing not only the Geoline business, but also that of other product families.

The transaction involves an investment for the Group of € 2,700 thousand, of which € 1,500 thousand already settled; the deferred portion of the price, amounting to € 1,200 thousand, will be adjusted in two instalments worth € 600 thousand each, respectively January 10, 2015 and January 10, 2016.

On the basis of IFRS 3, the difference between the price paid and the relevant share of net assets has been provisionally recorded as goodwill.

### **2 Acquisition of Caj Tech sarl Au (now Speed Industrie Sarl)**

With effect from January 1, 2014 Speed France SAS, the French subsidiary of Tecomec S.r.l., acquired 100% of the company Caj Tech Sarl Au, subsequently renamed Speed Industries Sarl.

The company, founded in 2012, is headquartered in Mohammedia (Morocco) and mainly carries out packaging for Speed France; the transaction will enable the company to supervise directly the costs of certain stages of the production process resulting in a reduction of process costs. The price of Caj Tech Sarl Au was determined contractually in 269,000 dirhams, or approximately € 24 thousand, adjusted entirely January 2, 2014.

The parent company Speed France has subscribed and paid at the same time, as an increase of the share capital of the acquired company, an amount of 1,345 thousand dirhams, or approximately € 120 thousand.

The turnover of the company to 31 March 2014 amounted to about € 620 thousand.

### **3 Acquisition of control of S.I. Agro Mexico**

On 9 January 2014 the subsidiary Comet S.p.A. acquired control of the distribution company Siagro, with registered office in Guadalajara in Mexico, taking its shareholding from 30% to 85%. The additional stake was acquired from the family of the founder and chief executive officer of the company who, after the operation, will remain involved as a minority shareholder and responsible for operating management.

Siagro, a company incorporated in 2010 and of which Comet has been a shareholder since the beginning, carries on the activity of the commercialization on the local market of components, accessories and spare parts in the Agriculture segment, and of machines and spare parts, such as pressure washers and pumps, for the segment Construction and Industry, selling the following brands of the Group: Comet, Valley, Geoline and Mecline.

The turnover of the company to 31 March 2014 amounted to about € 600 thousand.

The operation forms part of Emak Group's growth strategy, allowing it to strengthen its overall presence in an important market with significant margins for development such as Mexico.

The consideration for the operation amounts to around € 1,000 thousand: € 694 thousand, the fixed part, has already been paid; € 300 thousand, the variable part, will be paid on the basis of results obtained in the 2014-2015 period.

Side agreements relating to the acquisition provide for a call option in favour of Comet for the acquisition of the remaining 15% of share capital at the end of the 5th year after closing the deal, at a price linked to Ebitda performance.



## DIRECTORS' REPORT

### Income Statement

#### 1. Sales

The consolidated turnover for the first quarter 2014 amounted to € 105,829 thousand compared to € 102,654 thousand for the same period of the previous year, an increase of 3.1%.

The following table shows the breakdown by segment of the sales in the first quarter 2014 and in the same period of the previous year.

€/000	31.03.2014	%	31.03.2013	%	Var. %
Agriculture & Forestry	40,795	38.5%	42,047	41.0%	-3.0%
Construction & Industry	18,055	17.1%	18,501	18.0%	-2.4%
Lawn & Garden	46,979	44.4%	42,106	41.0%	11.6%
<b>Total</b>	<b>105,829</b>	<b>100%</b>	<b>102,654</b>	<b>100%</b>	<b>3.1%</b>

The result of the segment "Agriculture and Forestry" was determined by lower sales related to the disposal of the business unit of spare parts for chain saws destined for after market sold in the last quarter of last year. The turnover of the segment "Construction and Industry" was affected by the postponement of some sales in the second quarter. The segment "Lawn and Garden" has benefited from the premature start of the season, with an increase in sales of both cars parts, accessories and spare parts.

The following table shows the breakdown by geographic area of the sales in the first quarter 2014, compared to the same period of the previous year.

€/000	31.03.2014	%	31.03.2013	%	Var. %
Europe	80,581	76.1%	73,010	71.1%	10.4%
Americas	16,566	15.7%	18,959	18.5%	-12.6%
Asia, Africa and Oceania	8,682	8.2%	10,685	10.4%	-18.7%
<b>Total</b>	<b>105,829</b>	<b>100%</b>	<b>102,654</b>	<b>100%</b>	<b>3.1%</b>

Total sales in the European market benefited from the good season for gardening products. The growth was driven by the markets where the Group operates through its subsidiaries, in particular Italy and the countries of Western Europe.

The decrease in sales in the "Americas" is due mostly to the crisis that is affecting Venezuela, where political instability makes it difficult for distributors of the Group to obtain import licenses. In contrast to what was recorded in Europe, the weather conditions have negatively impacted sales in the North American market.

The result of the "Asia, Africa and Oceania" was penalized by the lack of sales related to the business sold by the Group in the fourth quarter of last year, the persistent weakness of the Turkish market and the decline in the Indian market. To note the good performance in the Chinese market, which continues the positive trend of the previous year.

## **2. EBITDA**

EBITDA for the first quarter 2014 amounts to € 13,346 thousand, compared to € 12,526 thousand for the corresponding quarter of the previous year, an increase of 6.5%.

The result was positively affected by:

- higher sales volumes;
- a more favorable product mix;
- efficiencies achieved regarding the purchase of direct materials.

The increase in personnel costs is due to the increase in production volumes and the widening of the scope of consolidation. The average number of employees in the workforce, including temporary workers, has increased in some plants of the Group, amounting to 1,839 against the 1,776 in the same period of the previous year. During the quarter, some companies of the Group made use of social welfare.

Ebitda as a percentage of revenues was 12.6% (at constant exchange rates to 12.9%), compared to 12.2% in the same period last year.

## **3. EBIT**

EBIT for the first quarter 2014 is € 10,577 thousand, compared to € 9,738 million for the same quarter of last year.

Depreciation and amortization are € 2,769 thousand, compared to € 2,788 thousand in the same period of the previous year.

EBIT as a percentage of sales stands at 10% compared to 9.5% of the first quarter 2013.

Non-annualized EBIT as a percentage of net invested capital is 4.1% compared to 3.7% in the same period of the previous year.

## **4. Net profit**

Net profit for the first quarter 2014 is € 5,878 million, against € 6,501 million for the same quarter of the previous year.

The financial management improves coherently with the decrease in the net financial position compared to the same period last year.

The management of currency is negative for € 545 thousand, compared to net income of € 620 thousand in the same period. The result for the first quarter was affected by the devaluation of the Ukraine currency as a result of political tensions in the reference area

The tax rate of 36.2% increased compared to 31.7% in the same period of the previous year, due mainly to the higher incidence of taxable IRAP and the different distribution of taxable income between countries where the Group operates.

## Balance sheet and financial position

### 1. Net non-current assets

During the first quarter 2014 Emak Group invested € 2,616 thousand in property, plant and equipment and intangible assets, as follows:

- € 1,692 thousand for product innovation;
- € 329 thousand for adjustment of production capacity and for process innovation;
- € 256 thousand for upgrading the computer network;
- € 66 thousand for adjustment of industrial buildings;
- € 273 thousand for other managerial working investments.

Investments broken down by geographical area are as follows:

- € 1,367 thousand in Italy;
- € 324 thousand in Europe;
- € 925 thousand in the Rest of the World.

### 2. Net working capital

The net working capital, compared to December 31, 2013, increased of € 29,392 thousand, going from € 142,212 thousand to € 171,604 thousand. The following movements are shown in detail below:

€/000	1Q 2014	1Q 2013
<b>Net working capital at 01 January 2014</b>	<b>142,212</b>	<b>155,922</b>
increase/(decrease) in inventories	6,539	6,466
increase/(decrease) in trade receivables	36,078	32,357
(increase)/decrease in trade payables	(9,170)	(19,349)
change in scope of consolidation	(6)	0
other changes	(4,049)	(2,152)
<b>Net working capital at 31 March 2014</b>	<b>171,604</b>	<b>173,244</b>

The trend in net working capital at March 31, 2014 is mainly explained by the seasonal sales and in part by the different dynamics of payments to suppliers over the same period.

### 3. Equity

Consolidated net equity stands at € 156,206 million, compared to € 150,794 million as of 31<sup>st</sup> December 2013. Earnings per share as of 31<sup>st</sup> March 2014 are € 0.037 compared to € 0.039 for the same period of the previous year.

At 31.12.2013 Emak S.p.A. held 397,233 treasury shares, worth € 2,029 thousand.

From 01.01.2014 to 31.03.2014 no treasury shares were purchased or sold by Emak S.p.A., and therefore its total holding and the relative value are unchanged compared to 31 December 2013.

### 4. Net financial position

Net negative financial position increased from € 76,381 thousand at 31.12.2013 to € 104,464 thousand at 31.03.2014. The increase is mainly attributable to the increase in net working capital and financial investments due to the acquisitions made in the period.

The incidence of the debt position in the medium to long term on the total net debt stood at 46.9% compared to 66.9% at December 31, 2013 and 46.3% in the same period last year.

Free cash flow from operations after tax is € 8,647 thousand, compared with € 9,289 thousand in the same period of last year.

The following table shows the movements in the net financial position of the quarter:

€/000	1Q 2013	1Q 2013
<b>Opening NFP</b>	<b>(76,381)</b>	<b>(99,866)</b>
Cash flow from operations, excl. changes in operating assets and liabilities	8,647	9,289
Changes in operating assets and liabilities	(30,068)	(17,773)
<b>Cash flow from operations</b>	<b>(21,421)</b>	<b>(8,484)</b>
<b>Cash flow from investments and disinvestments</b>	<b>(2,031)</b>	<b>(2,488)</b>
<b>Other equity changes</b>	<b>(900)</b>	<b>654</b>
<b>Change in consolidation area</b>	<b>(3,731)</b>	<b>0</b>
<b>Closing NFP</b>	<b>(104,464)</b>	<b>(110,184)</b>

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 31.03.2015;
- amounts due to other providers of finance falling due by 31.03.2015.

### Business outlook

The first quarter benefited from positive trend in demand, supported by favorable weather conditions. The expectations for the second quarter, considering the backlog and sales forecasts, are to confirm the trend of the results obtained so far.

### Subsequent events

There are no significant events.

Bagnolo in Piano (RE), 15 May 2014

On behalf of the Board of Directors

Chairman

**Fausto Bellamico**

STATEMENT

Subject: Quarterly report at 31<sup>st</sup> March 2014.

I, the undersigned, Aimone Burani, the executive in charge of preparing the accounting statements of EMAK S.p.A. hereby

CERTIFY,

in accordance with the second paragraph of Art. 154-bis, of Italian Legislative Decree No. 58 of 24 February 1998

that, to the best of my knowledge, the Quarterly Report at 31<sup>st</sup> March 2014, examined and approved today by the Board of Directors of the company, corresponds with the accounting documents, ledgers and records,

Yours faithfully,

Bagnolo in Piano (RE), 15 May 2014

Aimone Burani  
Executive in charge  
of preparing the accounting statements