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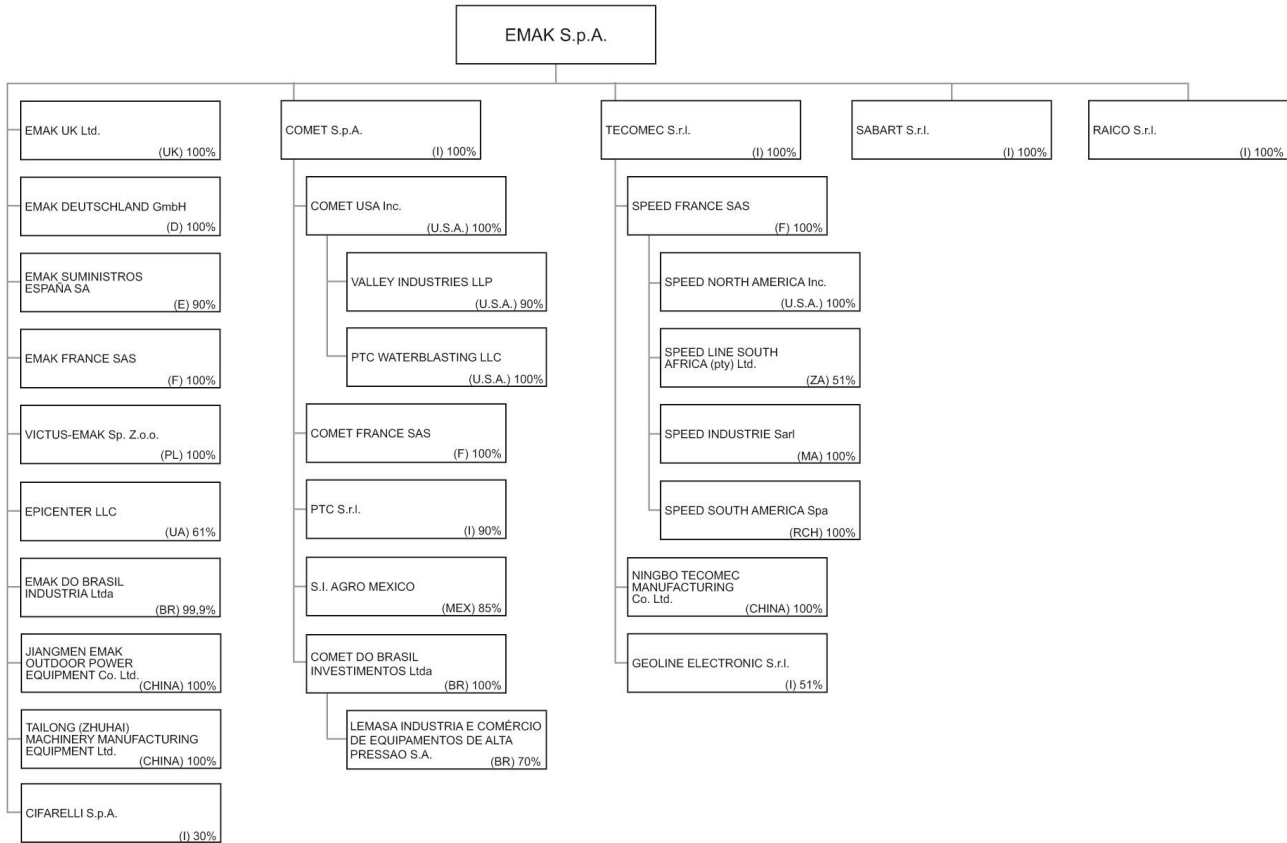
## Interim report at 31.03.2017

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## Organizational chart of Emak Group



Valley Industries LLP is consolidated at 100% as a results of the "Put and Call Option Agreement" that governs the purchase of the 10% remaining.

Lemasa is consolidated at 100% as a results of the "Put and Call Option Agreement" that governs the purchase of the 30% remaining.

P.T.C. S.r.l. is consolidated at 100% as a results of the "Put and Call Option Agreement" that governs the purchase of the 10% remaining.

Comet do Brasil Investimentos Ltda is owned for 99.63% by Comet S.p.A .and 0.37% by P.T.C. S.r.l.

## Corporate Bodies of Emak S.p.A.

The Ordinary General Meeting of the Shareholders of the Parent Company, Emak S.p.A. on 22 April 2016 appointed the Board of Directors and the Board of Statutory Auditors for the financial years 2016-2018 and conferred also the engagement for the independent audit for the financial years 2016-2024.

### Board of Directors

|   |                         |
|---|-------------------------|
| <u>Chairman and Chief Executive Officer</u> | <u>Fausto Bellamico</u> |
| <u>Deputy Chairman</u>                      | <u>Aimone Burani</u>    |
| <u>Executive Director</u>                   | <u>Stefano Slanzi</u>   |
| Lead Independent Director                   | Massimo Livatino        |
| Independent Directors                       | Alessandra Lanza        |
|   | Elena Iotti             |
| Directors                                   | Francesca Baldi         |
|   | Ariello Bartoli         |
|   | Luigi Bartoli           |
|   | Paola Becchi            |
|   | Giuliano Ferrari        |
|   | Vilmo Spaggiari         |
|   | Guerrino Zambelli       |
|   | Marzia Salsapariglia    |

### Audit Committee and Remuneration Committee

|                 |                         |
|-----------------|-------------------------|
| <u>Chairman</u> | <u>Massimo Livatino</u> |
| Components      | Alessandra Lanza        |
|                 | Elena Iotti             |

### Board of Statutory Auditors

|                   |                        |
|-------------------|------------------------|
| <u>Chairman</u>   | <u>Paolo Caselli</u>   |
| Acting auditors   | Gianluca Bartoli       |
|                   | Francesca Benassi      |
| Alternate auditor | Maria Cristina Mescoli |
|                   | Federico Cattini       |

|                            |                          |
|----------------------------|--------------------------|
| <b>Independent Auditor</b> | Deloitte & Touche S.p.A. |
|----------------------------|--------------------------|

|                                    |               |
|------------------------------------|---------------|
| <b>Financial Reporting Officer</b> | Aimone Burani |
|------------------------------------|---------------|

### Supervisory Body as per Legislative Decree 231/01

|                 |                  |
|-----------------|------------------|
| <u>Chairman</u> | Sara Mandelli    |
| Acting member   | Roberto Bertuzzi |

## Main economic and financial figures for the Group

### Income statement (€/000)

| Year 2016 |   | 1Q 2017 | 1Q 2016 |
|-----------|---|---------|---------|
| 391,879   | Revenues from sales                     | 119,204 | 114,271 |
| 40,479    | EBITDA before non ordinary expenses (*) | 17,291  | 15,743  |
| 39,469    | EBITDA (*)                              | 17,291  | 15,743  |
| 21,869    | EBIT                                    | 14,241  | 12,742  |
| 17,683    | Net profit                              | 9,250   | 7,322   |

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

| Year 2016 |   | 1Q 2017 | 1Q 2016 |
|-----------|---|---------|---------|
| 12,159    | Investment in property, plant and equipment | 3,478   | 2,910   |
| 2,386     | Investment in intangible assets             | 674     | 475     |
| 35,283    | Free cash flow from operations (*)          | 12,300  | 10,323  |

### Statement of financial position (€/000)

| 31.12.2016 |                      | 31.03.2017 | 31.03.2016 |
|------------|----------------------|------------|------------|
| 261,751    | Net capital employed | 292,018    | 298,952    |
| (80,083)   | Net debt             | (100,896)  | (125,081)  |
| 181,668    | Total equity         | 191,122    | 173,871    |

### Other statistics

| Year 2016 |                                   | 1Q 2017 | 1Q 2016 |
|-----------|-----------------------------------|---------|---------|
| 10.1%     | EBITDA / Net sales (%)            | 14.5%   | 13.8%   |
| 5.6%      | EBIT / Net sales (%)              | 11.9%   | 11.2%   |
| 4.5%      | Net profit / Net sales (%)        | 7.8%    | 6.4%    |
| 8.4%      | EBIT / Net capital employed (%)   | 4.9%    | 4.3%    |
| 0.44      | Debt / Equity                     | 0.53    | 0.72    |
| 1,686     | Number of employees at period end | 1,716   | 1,694   |

### Share information

| Year 2016   |   | 1Q 2017     | 1Q 2016     |
|-------------|---|-------------|-------------|
| 0.108       | Earnings per share (€)                    | 0.056       | 0.045       |
| 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 |

(\*) See section "Definitions of alternative performance indicators"

## Directors' report

### Comments on economic figures

#### *Revenues from sales*

Emak Group achieved a consolidated turnover of € 119,204 thousand in the first quarter, compared to € 114,271 thousand of last year, an increase of 4.3%. The improvement is due to organic growth for 3.5% and positive currency effect for 0.8%.

#### *EBITDA*

EBITDA for the first quarter 2017 amounts to € 17,291 thousand (14.5% of sales), compared to € 15,743 thousand (13.8 % of sales) for the corresponding quarter of the previous year, increasing by 9.8%.

The increase in the result for the period is mainly due to the growth in turnover that generated a positive operating leverage. Personnel and operating costs are in line with the same period of the previous year. The average number of employees in the workforce of the Group was 1,886, substantially in line compared to 1,888 in the first quarter of 2016.

#### *EBIT*

EBIT for the first quarter 2017 is € 14,241 thousand with an incidence of 11.9% of revenues, compared to € 12,742 thousand (11.2% of sales) for the same quarter of last year.

Depreciation and amortization are € 3,050 thousand, compared to € 3,001 thousand in the same period of the previous year.

Non-annualized EBIT as a percentage of net invested capital is 4.9%, compared to 4.3% of the same period of the previous year.

#### *Net profit*

Net profit for the first quarter 2017 is € 9,250 thousand, against € 7,322 thousand for the same quarter of the previous year, increasing by 26.3%.

The result of financial management benefited from the decrease in the expenses associated with the Group's lower debt compared to the same period of the previous year. In the first quarter of 2016, higher fees were booked for € 360 thousand relating to the price adjustment for the acquisition of S.I. Agro Mexico.

Currency management in the first quarter 2017 was negative for € 371 thousand, in line with negative balance of € 363 thousand for the same period last year.

The tax rate amounted to 29.8%, decreased compared to 32% in the same period last year, influenced by the reduction of the tax rate to 24% IRES for Italian companies, in force from 2017.

## Statement of financial position analysis

| 31.12.2016     | Thousand of Euro                                 | 31.03.2017     | 31.03.2016     |
|----------------|--|----------------|----------------|
| 116,128        | Net non-current assets (*)                       | 118,823        | 113,418        |
| 145,623        | Net working capital (*)                          | 173,195        | 185,534        |
| <b>261,751</b> | <b>Total net capital employed</b>                | <b>292,018</b> | <b>298,952</b> |
| 180,173        | Equity attributable to the Group                 | 189,554        | 172,490        |
| 1,495          | Equity attributable to non controlling interests | 1,568          | 1,381          |
| (80,083)       | Net debt   | (100,896)      | (125,081)      |

(\*) See section "Definitions of alternative performance indicators"

### Net non-current assets

During first nine month of 2017 Emak Group invested € 4,152 thousand in property, plant and equipment and intangible assets, as follows:

- € 947 thousand for product innovation;
- € 1,403 thousand for adjustment of production capacity and for process innovation;
- € 723 thousand for upgrading the computer network system;
- € 999 thousand for construction of the new parent company's R&D center and modernization of industrial buildings;
- € 80 thousand for other investments in operating activities.

Investments broken down by geographical area are as follows:

- € 2,655 thousand in Italy;
- € 473 thousand in Europe;
- € 537 thousand in the Americas;
- € 487 thousand in the Rest of the World.

### Net working capital

Net working capital, compared to 31 December 2016, increases by € 27,572 thousand, from € 145,623 thousand to € 173,195 thousand.

The following table shows the change in net working capital of the first quarter of 2017 compared with the same period last year:

| €/000   | 3M 2017        | 3M 2016        |
|---|----------------|----------------|
| <b>Net working capital at 01 January 2017</b>                       | <b>145,623</b> | <b>154,508</b> |
| Increase/(decrease) in inventories                                  | 1,748          | 6,492          |
| Increase/(decrease) in trade receivables                            | 36,836         | 33,393         |
| (Increase)/decrease in trade payables                               | (6,893)        | (6,110)        |
| Change for acquisition of company branch A1 Mist Sprayers Resources | 58             | 0              |
| Other changes   | (4,177)        | (2,749)        |
| <b>Net working capital at 31 March 2017</b>                         | <b>173,195</b> | <b>185,534</b> |

The increase in net working capital compared to December 31, 2016 is consistent with the seasonality of sales of the Group, concentrated mostly in the first six months of the year. Compared to the same period of the previous financial year there is a decrease mainly due to more efficient inventory management.

### **Net financial position**

The net financial position amounts to 100,896 thousand Euro at March 31, 2016 against 80,083 thousand Euro at December 31, 2016.

Below are the movements in net debt in the three months of 2017 compared with the same period last year:

| €/000   | 1Q 2017          | 1Q 2016          |
|---|------------------|------------------|
| <b>Opening NFP</b>  | <b>(80,083)</b>  | <b>(99,383)</b>  |
| Ebitda  | 17,291           | 15,743           |
| Financial income and expenses   | (739)            | (1,618)          |
| Income from/(expenses on) equity investment   | 46               | 0                |
| Exchange gains and losses   | (371)            | (363)            |
| Income taxes  | (3,927)          | (3,439)          |
| <b>Cash flow from operations, excluding changes in operating assets and liabilities</b> | <b>12,300</b>    | <b>10,323</b>    |
| Changes in operating assets and liabilities   | (27,522)         | (31,715)         |
| <b>Cash flow from operations</b>  | <b>(15,222)</b>  | <b>(21,392)</b>  |
| <b>Changes in tangible and intangible assets</b>  | <b>(3,597)</b>   | <b>(3,831)</b>   |
| <b>Other equity changes</b>   | <b>(67)</b>      | <b>(123)</b>     |
| <b>Changes from exchange rates and translation reserve</b>                              | <b>(54)</b>      | <b>(352)</b>     |
| <b>Change for acquisition of business A1 Mist Sprayers Resources</b>                    | <b>(1,873)</b>   | <b>0</b>         |
| <b>Closing NFP</b>  | <b>(100,896)</b> | <b>(125,081)</b> |

Cash flow from operations net of taxes amounted to € 12,300 thousand in the quarter, an increase compared to € 10,323 thousand for the same period last year. Cash flow from operations was negative for € 15,222 thousand compared to a negative value of € 21,392 thousand in the same period of the previous financial year. Value, although decreasing, is affected by the seasonality of the Group's business, which implies an increase in net working capital at the beginning of the year.



The net financial position is made up as follows:

| Net financial position   | 31/03/2017       | 31/12/2016      | 31/03/2016       |
|--|------------------|-----------------|------------------|
| A. Cash  | 21,439           | 32,545          | 22,050           |
| 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>21,439</b>    | <b>32,545</b>   | <b>22,050</b>    |
| <b>E. Current financial receivables</b>                          | <b>525</b>       | <b>545</b>      | <b>811</b>       |
| F. Current payables to banks                                     | (28,582)         | (11,833)        | (27,189)         |
| G. Current portion of non current indebtedness                   | (31,415)         | (32,862)        | (37,559)         |
| H. Other current financial debts                                 | (2,998)          | (2,469)         | (1,848)          |
| <b>I. Current financial indebtness (F+G+H)</b>                   | <b>(62,995)</b>  | <b>(47,164)</b> | <b>(66,596)</b>  |
| <b>J. Current financial indebtness, net (I+E+D)</b>              | <b>(41,031)</b>  | <b>(14,074)</b> | <b>(43,735)</b>  |
| K. Non-current payables to banks                                 | (55,271)         | (63,249)        | (73,383)         |
| L. Bonds issued  | -                | -               | -                |
| M. Other non-current financial debts                             | (13,771)         | (12,858)        | (16,026)         |
| <b>N. Non-current financial indebtness (K+L+M)</b>               | <b>(69,042)</b>  | <b>(76,107)</b> | <b>(89,409)</b>  |
| <b>O. Net indebtness (J+N)</b>                                   | <b>(110,073)</b> | <b>(90,181)</b> | <b>(133,144)</b> |
| P. Non current financial receivables                             | 9,177            | 10,098          | 8,063            |
| <b>Q. Net financial position (O+P)</b>                           | <b>(100,896)</b> | <b>(80,083)</b> | <b>(125,081)</b> |

The net financial position includes financial liabilities for the purchase of the remaining shares of the minority investments and for the adjustment of acquisition transactions with deferred payment subject to contractual restrictions, in the amount of € 14,139 thousand related to the following companies:

- Valley LLP for € 1,537 thousand;
- P.T.C S.r.l for € 203 thousand;
- Lemasa for € 12,306 thousand;
- Company branch A1 Mist Sprayers Resources for € 93 thousand.

Short-term financial payables mainly consist of:

- account payables and account advances;
- loan repayments falling due by 31.03.2018;
- amounts due to other providers of finance falling due by 31.03.2018;
- debt for equity investments in the amount of € 1,630 thousand.

### Equity

Total equity is equal to 191,122 thousand Euro against 181,668 thousand Euro at 31 December 2016. Earnings per share at 31 March 2017 is equal to 0.056 Euro compared to Euro 0.045 Euro in the previous year.

On 31 December 2016 the company held 397,233 treasury shares in portfolio number for the equivalent of € 2,029 thousand Euro.

From 1 January 2017 to 31 March 2017 Emak S.p.A. did not buy or sell treasury shares, for which the inventory and value are unchanged from December 31, 2016.

## Highlights of the consolidated financial statement broken down by operating segment for the first quarter 2017

|                                   | OUTDOOR POWER EQUIPMENT |            | PUMPS AND HIGH PRESSURE WATER JETTING |            | COMPONENTS AND ACCESSORIES |            |            | Other not allocated / Netting |            | Consolidated |         |         |
|-----------------------------------|-------------------------|------------|---------------------------------------|------------|----------------------------|------------|------------|-------------------------------|------------|--------------|---------|---------|
|                                   | 31.03.2017              | 31.03.2016 | 31.03.2017                            | 31.03.2016 | 31.03.2017                 | 31.03.2016 | 31.03.2017 | 31.03.2016                    | 31.03.2017 | 31.03.2016   |         |         |
| €/000                             |                         |            |                                       |            |                            |            |            |                               |            |              |         |         |
| Sales to third parties            | 52,468                  | 53,435     | 30,195                                | 28,508     | 36,541                     | 32,328     | -          | -                             | -          | -            | 119,204 | 114,271 |
| Intersegment sales                | 457                     | 386        | 546                                   | 557        | 2,398                      | 2,022      | -          | 3,401                         | -          | 2,965        | -       | -       |
| Revenues from sales               | 52,925                  | 53,821     | 30,741                                | 29,065     | 38,939                     | 34,350     | -          | 3,401                         | -          | 2,965        | 119,204 | 114,271 |
| Ebitda                            | 4,883                   | 5,858      | 5,234                                 | 4,652      | 8,058                      | 6,010      | -          | 884                           | -          | 777          | 17,291  | 15,743  |
| Ebitda/Total Revenues %           | 9.2%                    | 10.9%      | 17.0%                                 | 16.0%      | 20.7%                      | 17.5%      | -          | -                             | -          | -            | 14.5%   | 13.8%   |
| Operating profit                  | 3,472                   | 4,373      | 4,493                                 | 3,980      | 7,160                      | 5,166      | -          | 884                           | -          | 777          | 14,241  | 12,742  |
| Operating profit/Total Revenues % | 6.6%                    | 8.1%       | 14.6%                                 | 13.7%      | 18.4%                      | 15.0%      | -          | -                             | -          | -            | 11.9%   | 11.2%   |
| Net financial expenses            |                         |            |                                       |            |                            |            |            |                               |            |              | -       | 739     |
| Profit before tax                 |                         |            |                                       |            |                            |            |            |                               |            |              | 13,177  | 10,761  |
| Income taxes                      |                         |            |                                       |            |                            |            |            |                               |            |              | 3,927   | 3,439   |
| Net profit                        |                         |            |                                       |            |                            |            |            |                               |            |              | 9,250   | 7,322   |
| Net profit/Total Revenues%        |                         |            |                                       |            |                            |            |            |                               |            |              | 7.8%    | 6.4%    |

### STATEMENT OF FINANCIAL POSITION

|   |         |         |        |        |        |        |   |        |   |        |         |         |
|---|---------|---------|--------|--------|--------|--------|---|--------|---|--------|---------|---------|
| Net debt                                | 36,852  | 50,355  | 52,646 | 56,428 | 12,191 | 19,133 | - | 793    | - | 835    | 100,896 | 125,081 |
| Shareholders' Equity                    | 182,412 | 180,723 | 41,102 | 32,606 | 50,222 | 43,123 | - | 82,614 | - | 82,581 | 191,122 | 173,871 |
| Total Shareholders' Equity and Net debt | 219,264 | 231,078 | 93,748 | 89,034 | 62,413 | 62,256 | - | 83,407 | - | 83,416 | 292,018 | 298,952 |
| Net non-current assets (*)              | 133,163 | 129,262 | 47,299 | 46,389 | 19,722 | 19,135 | - | 81,361 | - | 81,368 | 118,823 | 113,418 |
| Net working capital                     | 86,101  | 101,816 | 46,449 | 42,645 | 42,691 | 43,121 | - | 2,046  | - | 2,048  | 173,195 | 185,534 |
| Total net capital employed              | 219,264 | 231,078 | 93,748 | 89,034 | 62,413 | 62,256 | - | 83,407 | - | 83,416 | 292,018 | 298,952 |

(\*) The net non-current assets of the Outdoor Power Equipment area includes the amount of Equity investments for 81,150 thousand Euro

### OTHER STATISTICS

|                                   |     |     |     |     |     |     |   |   |   |   |       |       |
|-----------------------------------|-----|-----|-----|-----|-----|-----|---|---|---|---|-------|-------|
| Number of employees at period end | 799 | 801 | 392 | 381 | 518 | 505 | 7 | 7 | 7 | 7 | 1,716 | 1,694 |
|-----------------------------------|-----|-----|-----|-----|-----|-----|---|---|---|---|-------|-------|

### OTHER INFORMATIONS

|  |       |       |       |       |       |     |  |  |  |  |       |       |
|--|-------|-------|-------|-------|-------|-----|--|--|--|--|-------|-------|
| Amortization, depreciation and impairment losses                     | 1,411 | 1,485 | 741   | 672   | 898   | 844 |  |  |  |  | 3,050 | 3,001 |
| Investment in property, plant and equipment and in intangible assets | 1,382 | 970   | 1,224 | 1,483 | 1,546 | 932 |  |  |  |  | 4,152 | 3,385 |

Note: Starting with the 2016 Annual Financial Report, the Group reports its results by analyzing data by business area. In order to make the comparison with the previous year homogeneous, revenues were reclassified on the basis of individual business units

## Comments on interim results by operating segment

The table below shows the breakdown of "sales to third parties" in the first nine months in 2017 by business sector and geographic area, compared with the same period last year.

|                          | OUTDOOR POWER EQUIPMENT |               |              | PUMPS AND HIGH PRESSURE WATER JETTING |               |             | COMPONENTS AND ACCESSORIES |               |              | TOTAL          |                |             |
|--------------------------|-------------------------|---------------|--------------|---------------------------------------|---------------|-------------|----------------------------|---------------|--------------|----------------|----------------|-------------|
|                          | 1Q 2017                 | 1Q 2016       | Var. %       | 1Q 2017                               | 1Q 2016       | Var. %      | 1Q 2017                    | 1Q 2016       | Var. %       | 1Q 2017        | 1Q 2016        | Var. %      |
| Europe                   | 44,489                  | 44,435        | 0.1%         | 13,470                                | 12,819        | 5.1%        | 24,402                     | 20,652        | 18.2%        | 82,361         | 77,906         | 5.7%        |
| Americas                 | 2,992                   | 2,426         | 23.3%        | 13,877                                | 13,110        | 5.9%        | 8,598                      | 8,048         | 6.8%         | 25,467         | 23,584         | 8.0%        |
| Asia, Africa and Oceania | 4,987                   | 6,574         | -24.1%       | 2,848                                 | 2,579         | 10.4%       | 3,541                      | 3,628         | -2.4%        | 11,376         | 12,781         | -11.0%      |
| <b>Total</b>             | <b>52,468</b>           | <b>53,435</b> | <b>-1.8%</b> | <b>30,195</b>                         | <b>28,508</b> | <b>5.9%</b> | <b>36,541</b>              | <b>32,328</b> | <b>13.0%</b> | <b>119,204</b> | <b>114,271</b> | <b>4.3%</b> |

## Outdoor Power Equipment

The sales on the European market are in line with the same period last year, with markets of Eastern Europe that offset the decline in Western European countries. The result recorded in the Americas area reflects the growth in Latin American markets. The result recorded in Asia, Africa and Oceania was mainly due to lower sales in the Middle East markets.

EBITDA was affected by lower sales volumes and an unfavorable product-market mix. Personnel costs and other operating costs were overall in line with the same period of the previous year.

## **Pumps and High Pressure Water Jetting**

The increase in sales in Italy and in Western European countries has contributed to the good result of the European area. Sales growth in the Americas area was driven by good results on the Brazilian and Mexican markets.

The Asia, Africa and Oceania region saw the good performance of Asian and North African markets.

EBITDA benefited from the increase in sales and the reduction in operating costs and an increase in margins resulting from a favorable mix effect on sales.

## **Components and Accessories**

Europe has seen a general growth in sales, especially in Western European countries. In the Americas there was an increase in the US market mainly due to sales of accessories for brushcutters. In South America there was good growth thanks to good sales performance of agricultural components and accessories. In Asia, Africa and Oceania, sales were in line with the same period.

EBITDA improvement in the segment is linked to the leverage resulting from the increase in sales.

## **Business outlook**

Given the good overall results achieved in the quarter, the Group estimates organic growth of the year-end turnover of 3% -4%, with the positive contribution of all sectors. The Group will also continue to implement useful activities for more efficient business management, including the ERP transformation project. Particular attention will be given to the integration of upcoming acquisition of Lavorwash, which will be consolidated from the closing date.

## **Subsequent events**

### **Acquisizione dell'83,1% del Gruppo Lavorwash**

On May 10, 2017 the subsidiary Comet S.p.A. signed a binding contract for the acquisition of 83.1% of the Lavorwash Group by Zenith S.p.A. (of the Lanfredi family) and the Migliari family.

Lavorwash, headquartered in Pegognaga (MN), is a Group active in the design, production and marketing of a wide range of both hobby and professional machines for the cleaning sector such as high pressure washers, vacuum cleaners, floor scrubbers. Lavorwash Group has manufacturing facilities in Italy, China and Brazil, and distributing subsidiaries in Spain, France, Great Britain, Poland and China. In 2016, based on the due diligence, Lavorwash Group had a turnover of € 70 million, with an adjusted EBITDA of € 9.5 million and a net profit of € 5.8 million. By the end of 2016 the company had a positive net financial position of around € 17 million.

Payment of the consideration for the acquisition of 83.1% of the capital will take place at the closing, scheduled for July 3, 2017, on the basis of a provisional price determined at € 54.8 million, which will be corrected on the basis of the results achieved on June 30, 2017.

A further 14.7% stake held by Zenith S.p.A. and Migliari family is regulated by a put and call option agreement to be exercised in 2020, at a price calculated on the basis of the results obtained in the period 2018-2019. The remaining 2.2% will remain in the possession of the current Lavorwash minority shareholders.

Lavorwash Group's activity is strongly complementary to the activities of the Emak Group's Pump and High-Pressure Water Jetting segment.

The operation sees, as a fundamental aspect for future value creation for the Emak Group, the implementation of a commercial and productive synergy plan that Comet and Lavorwash have identified and intend to jointly develop from closing.

This acquisition will accelerate the growth of the Group in the Pump and High Pressure Water Jetting segment thanks to the expansion and completion of the range of products in the cleaning sector, offering greater opportunities to consolidate market shares on historic customers and acquire new ones. "

In the medium-long term, the acquisition will enable to optimize the productive structure of the division Pumps and High Pressure Water Jetting, through the reorganization of the factories on the basis of the type of product, making the plants more efficient and focused.

### **Put&Call Option extension minority purchase Valley Industries LLP**

On May 5, 2017 has been extended for 12 months, the agreement with the minority shareholders "Savage Investments" for the deferment of the exercise of the put and call options on the remaining minority stake of 10%, due in the first half of 2017.

## Others informations

### Significant operations: derogation from disclosure obligations

The Company has resolved to make use, with effect from 31 January 2013, of the right to derogate from the obligation to publish the informative documents prescribed in the event of significant merger, demerger, share capital increase through the transfer of goods in kind, acquisition and disposal operations, pursuant to art. 70, paragraph 8, and art. 71, paragraph 1-bis of Consob Issuers Regulations, approved with resolution no. 11971 of 4/5/1999 and subsequent modifications and integrations.

## Definitions of alternative performance indicators

Below are reported, in accordance with recommendation CESR/05-178b published on November 3, 2005, the criteria used for the construction of key performance indicators that management considers necessary to the monitoring the Group performance.

- EBITDA before non ordinary expenses: is obtained by deducting at EBITDA the impact of charges for litigation, expenses related to M&A transaction, and revenue for government grants and restructuring charges.
- EBITDA: calculated by adding the items "Net profit" plus "Amortization, depreciation and impairment losses".
- FREE CASH FLOW FROM OPERATIONS: calculated by adding the items "Net profit" plus "Amortization, depreciation and impairment losses".
- NET WORKING CAPITAL: include items "Trade receivables", "Inventories", current non financial "other receivables" net of "Trade payables" and current non financial "other payables".
- NET NON-CURRENT ASSETS: include non-financial "Non current assets" net of non-financial "Non-current liabilities"

## Consolidated Financial Statements

### Consolidated Income Statement

Thousand of Euro

| FY 2016        | CONSOLIDATED INCOME STATEMENT  | 1 Q 2017       | 1 Q 2016       |
|----------------|--|----------------|----------------|
| <b>391,879</b> | <b>Revenues from sales</b>   | <b>119,204</b> | <b>114,271</b> |
| 2,589          | Other operating incomes  | 618            | 600            |
| (12,116)       | Change in inventories  | 1,719          | 7,579          |
| (198,172)      | Raw materials, consumable and goods  | (64,842)       | (67,670)       |
| (73,039)       | Personnel expenses   | (19,819)       | (19,401)       |
| (71,672)       | Other operating costs and provisions   | (19,589)       | (19,636)       |
| (17,600)       | Amortization, depreciation and impairment losses                                       | (3,050)        | (3,001)        |
| <b>21,869</b>  | <b>Operating profit</b>  | <b>14,241</b>  | <b>12,742</b>  |
| 7,105          | Financial income   | 460            | 342            |
| (6,056)        | Financial expenses   | (1,199)        | (1,960)        |
| 3,407          | Exchange gains and losses  | (371)          | (363)          |
| 205            | Income from/(expenses on) equity investment  | 46             | -              |
| <b>26,530</b>  | <b>Profit before taxes</b>   | <b>13,177</b>  | <b>10,761</b>  |
| (8,847)        | Income taxes   | (3,927)        | (3,439)        |
| <b>17,683</b>  | <b>Net profit (A)</b>  | <b>9,250</b>   | <b>7,322</b>   |
| (88)           | (Profit)/loss attributable to non controlling interests                                | (125)          | (13)           |
| <b>17,595</b>  | <b>Net profit attributable to the Group</b>  | <b>9,125</b>   | <b>7,309</b>   |
| <b>0.108</b>   | <b>Basic earnings per share</b>  | <b>0.056</b>   | <b>0.045</b>   |
| <b>0.108</b>   | <b>Diluted earnings per share</b>  | <b>0.056</b>   | <b>0.045</b>   |
| FY 2016        | CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME                                   | 1 Q 2017       | 1 Q 2016       |
| <b>17,683</b>  | <b>Net profit (A)</b>  | <b>9,250</b>   | <b>7,322</b>   |
| (190)          | Profits/(losses) deriving from the conversion of foreign company accounts              | 271            | (1,877)        |
| (137)          | Actuarial profits/(losses) deriving from defined benefit plans (*)                     | 0              | 0              |
| 1              | Income taxes on OCI (*)  | 0              | 0              |
| <b>(326)</b>   | <b>Total other components to be included in the comprehensive income statement (B)</b> | <b>271</b>     | <b>(1,877)</b> |
| <b>17,357</b>  | <b>Total comprehensive income for the period (A)+(B)</b>                               | <b>9,521</b>   | <b>5,445</b>   |
| (88)           | Comprehensive net profit attributable to non controlling interests                     | (140)          | 47             |
| 17,269         | Comprehensive net profit attributable to the Group                                     | 9,381          | 5,492          |

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

## Statement of consolidated financial position

Thousand of Euro

| 31.12.2016     | ASSETS                                | 31.03.2017     | 31.03.2016     |
|----------------|---------------------------------------|----------------|----------------|
|                | <b>Non-current assets</b>             |                |                |
| 61,651         | Property, plant and equipment         | 62,444         | 60,128         |
| 8,380          | Intangible assets                     | 8,509          | 8,142          |
| 52,241         | Goodwill                              | 53,977         | 53,248         |
| 230            | Equity investments in other companies | 230            | 730            |
| 3,955          | Equity investments in associates      | 4,001          | -              |
| 7,370          | Deferred tax assets                   | 6,889          | 8,203          |
| 10,098         | Other non current financial assets    | 9,177          | 8,063          |
| 63             | Other receivables                     | 63             | 72             |
| <b>143,988</b> | <b>Total non-current assets</b>       | <b>145,290</b> | <b>138,586</b> |
|                | <b>Current assets</b>                 |                |                |
| 127,362        | Inventories                           | 129,205        | 144,852        |
| 96,940         | Trade and other receivables           | 134,992        | 131,885        |
| 4,791          | Current tax assets                    | 3,634          | 4,103          |
| 468            | Other financial assets                | 510            | 658            |
| 77             | Derivative financial instruments      | 15             | 153            |
| 32,545         | Cash and cash equivalents             | 21,439         | 22,050         |
| <b>262,183</b> | <b>Total current assets</b>           | <b>289,795</b> | <b>303,701</b> |
| <b>406,171</b> | <b>TOTAL ASSETS</b>                   | <b>435,085</b> | <b>442,287</b> |

| 31.12.2016     | SHAREHOLDERS' EQUITY AND LIABILITIES                | 31.03.2017     | 31.03.2016     |
|----------------|---|----------------|----------------|
|                | <b>Shareholders' Equity</b>                         |                |                |
| 180,173        | Shareholders' Equity of the Group                   | 189,554        | 172,490        |
| 1,495          | Non-controlling interest                            | 1,568          | 1,381          |
| <b>181,668</b> | <b>Total Shareholders' Equity</b>                   | <b>191,122</b> | <b>173,871</b> |
|                | <b>Non-current liabilities</b>                      |                |                |
| 76,107         | Loans and borrowings due to banks and other lenders | 69,042         | 89,409         |
| 6,391          | Deferred tax liabilities                            | 6,195          | 5,639          |
| 9,137          | Employee benefits                                   | 8,912          | 8,944          |
| 1,566          | Provisions for risks and charges                    | 1,604          | 1,612          |
| 668            | Other non-current liabilities                       | 579            | 912            |
| <b>93,869</b>  | <b>Total non-current liabilities</b>                | <b>86,332</b>  | <b>106,516</b> |
|                | <b>Current liabilities</b>                          |                |                |
| 77,849         | Trade and other payables                            | 86,465         | 87,948         |
| 4,184          | Current tax liabilities                             | 7,380          | 5,704          |
| 46,770         | Loans and borrowings due to banks and other lenders | 62,388         | 65,796         |
| 394            | Derivative financial instruments                    | 607            | 800            |
| 1,437          | Provisions for risks and charges                    | 791            | 1,652          |
| <b>130,634</b> | <b>Total current liabilities</b>                    | <b>157,631</b> | <b>161,900</b> |
| <b>406,171</b> | <b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>   | <b>435,085</b> | <b>442,287</b> |

## Statement of change in consolidated equity between 31st December 2016 and 31st March 2017.

| Thousand of Euro          | SHARE CAPITAL | SHARE PREMIUM | OTHER RESERVES |                     |                                   |                |                | RETAINED EARNINGS |                          | TOTAL GROUP | EQUITY ATTRIBUTABLE TO MINORITY INTERESTS | TOTAL   |
|---------------------------|---------------|---------------|----------------|---------------------|-----------------------------------|----------------|----------------|-------------------|--------------------------|-------------|---|---------|
|                           |               |               | Legal reserve  | Revaluation reserve | Cumulative translation adjustment | Reserve IAS 19 | Other reserves | Retained earnings | Net profit of the period |             |   |         |
| Balance at 31.12.2015     | 42,519        | 40,529        | 2,361          | 1,138               | 6,882                             | (832)          | 30,900         | 34,649            | 8,846                    | 166,992     | 1,496                                     | 168,488 |
| Profit reclassification   |               |               | 348            |                     |                                   |                |                | 4,410             | (8,846)                  | (4,088)     | (89)                                      | (4,177) |
| Other changes             |               |               |                |                     |                                   |                |                |                   |                          |             |   |         |
| Net profit for the period |               |               |                |                     | (190)                             | (136)          |                |                   | 17,595                   | 17,269      | 88  | 17,357  |
| Balance at 31.12.2016     | 42,519        | 40,529        | 2,709          | 1,138               | 6,692                             | (968)          | 30,900         | 39,059            | 17,595                   | 180,173     | 1,495                                     | 181,668 |
| Profit reclassification   |               |               |                |                     |                                   |                |                | 17,595            | (17,595)                 | 0           | (67)                                      | (67)    |
| Other changes             |               |               |                |                     |                                   |                |                |                   |                          |             |   | 0       |
| Net profit for the period |               |               |                |                     | 256                               |                |                |                   | 9,125                    | 9,381       | 140                                       | 9,521   |
| Balance at 31.03.2017     | 42,519        | 40,529        | 2,709          | 1,138               | 6,948                             | (968)          | 30,900         | 56,654            | 9,125                    | 189,554     | 1,568                                     | 191,122 |

The share capital is shown net of the nominal value of treasury shares in the portfolio amounted to € 104 thousand

The share premium reserve is stated net of the premium value of treasury shares amounting to € 1,925 thousand

## Comments on the financial statements

This interim report has been prepared under disclosure continuity, comparability, international best practice and transparency to the market. Despite the lack of legal obligation, the Board of Directors of Emak S.p.A. has in fact decided, also because of his membership in the STAR segment of the MTA, to continue in drafting and systematic publication of quarterly reports, in compliance with art. 2.2.3, paragraph 3, letter. a) of the Regulation of Markets organized and managed by Borsa Italiana S.p.A. . The reports are made available to the public in the usual forms of deposit at the registered office, the company website and the "eMarket Storage storage mechanism". What above as of now complies with the imminent entry into force of the provisions laid down in the amended Article. 82-ter of CONSOB Regulation for Issuers resolutions no. And No. 11971/1999. 19770/2016.

In relation to the above, it is confirmed that the accounting principles and policies adopted by the Group in preparing the quarterly consolidated financial statements are consistent with those adopted in the consolidated financial statements at 31 December 2016.

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. In addition, in the context of disclosure of synthetic and essential character, are not observed all the detailed requirements of IAS 34, whenever it is assessed that its application does not bring meaningful information.

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.

## Exchange rates used to translation of financial statements in foreign currencies:

| 31.12.2016 | Amount of foreign for 1 Euro | Average 3 M 2017 | 31.03.2017 | Average 3 M 2016 | 31.03.2016 |
|------------|------------------------------|------------------|------------|------------------|------------|
| 0.86       | GB Pounds (UK)               | 0.86             | 0.86       | 0.77             | 0.79       |
| 7.32       | Renminbi (China)             | 7.34             | 7.36       | 7.21             | 7.35       |
| 4.41       | Zloty (Poland)               | 4.32             | 4.23       | 4.37             | 4.26       |
| 1.05       | Dollar (Usa)                 | 1.06             | 1.07       | 1.10             | 1.14       |
| 14.46      | Zar (South Africa)           | 14.08            | 14.24      | 17.46            | 16.79      |
| 28.74      | Uah (Ukraine)                | 28.84            | 28.92      | 28.35            | 29.84      |
| 3.43       | Real (Brazil)                | 3.35             | 3.38       | 4.30             | 4.12       |
| 10.66      | Dirham (Morocco)             | 10.71            | 10.73      | 10.82            | 10.96      |
| 21.77      | Mexican Pesos (Mexico)       | 21.62            | 20.02      | 19.90            | 19.59      |
| 704.95     | Chilean Pesos (Chile)        | 698.14           | 711.48     | 773.17           | 763.86     |

## Scope of consolidation

Compared to 31 December 2016 there were no changes scope of consolidation.

Compared to 31 March 2016 the consolidated financial statements include the economic and financial data of the newly formed PTC Waterblasting LLC.



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

### Acquisition of A1 Mist Sprayers Resources Inc. activities

On January 27, the US subsidiary Valley Industries LLP (segment Pumps and High Pressure Water Jetting) acquired assets, brand and client portfolio of A1 Mist Sprayers Resources for a consideration of \$ 2 million. The acquired business generated in 2016 about \$ 3 million in revenue with an EBITDA of around 20%. The expected contribution of the new business will be lower on the Group's revenues, considering the fact that Valley was already a major supplier of A1 Mist Sprayers Resources. Most significant will be the estimated intake on profitability.

With this transaction, Valley will expand its product offering with a new range of sprayers to apply to quad, and pick up the third point of small tractors. The company will also expand its distribution network from a territorial point of view and distribution channels as well as its technical expertise on the use of the sprayer.

The fair value of assets and liabilities subject to business combination with effect of 27 January 2017, the price paid and the financial cost are detailed below:

| €/000                                 | Book values | Fair Value adjustments | Fair value of acquired assets |
|---------------------------------------|-------------|------------------------|-------------------------------|
| <b>Non-current assets</b>             |             |                        |                               |
| Tangible fixed assets                 | 334         | -                      | 334                           |
| Intangible fixed assets               | 10          | -                      | 10                            |
| <b>Current assets</b>                 |             |                        |                               |
| Inventories                           | 94          | -                      | 94                            |
| <b>Current liabilities</b>            |             |                        |                               |
| Trade and other payables              | (36)        | -                      | (36)                          |
| <b>Total net assets acquired</b>      | <b>402</b>  | <b>-</b>               | <b>402</b>                    |
| <b>% interest held</b>                |             |                        | <b>100%</b>                   |
| <b>Net equity acquired</b>            |             |                        | <b>402</b>                    |
| <b>Goodwill</b>                       |             |                        | <b>1,472</b>                  |
| <b>Post closing acquisition price</b> |             |                        | <b>1,873</b>                  |
| <b>Purchase price paid</b>            |             |                        | <b>1,780</b>                  |
| <b>Deferred price</b>                 |             |                        | <b>93</b>                     |

Based on the provisions of IFRS 3, the difference between the price paid and the corresponding share of equity has been allocated as goodwill given the coincidence between the fair value and book value of the merged company.

Bagnolo in Piano (RE), May 12, 2017

On behalf of the Board of Directors

The Chairman

**Fausto Bellamico**

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**Declaration of the executive in charge of preparing the accounting statements pursuant to the rules of Article 154-bis, paragraph 2 of Legislative Decree no. 58/1998**

The executive in charge of preparing corporate accounting statements of EMAK S.p.A. Aimone Burani, based on his own knowledge,

certifies,

in accordance with the second paragraph of Art. 154-bis, of Italian Legislative Decree No. 58 of 24 February 1998, that the accounting information contained in the Quarterly Report at 31 March 2017, examined and approved today by the Board of Directors of the company, corresponds with the accounting documents, ledgers and records.

Faithfully,  
Bagnolo in Piano (RE), May 12, 2017

Aimone Burani  
Executive in charge  
of preparing the accounting statements