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Interim report at 31.03.2023

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Organizational chart of Emak Group



- Valley Industries LLP is consolidated at 100% as a result of the "Put and Call Option Agreement" that governs the purchase of the remaining 6%.
- Comet do Brasil Industria e Comercio de Equipamentos Ltda is owned for 99.63% by Comet S.p.A. and 0.37% by P.T.C. S.r.l.
- Emak do Brasil is owned for 99.98% by Emak S.p.A. and 0.02% by Comet do Brasil Industria e Comercio de Equipamentos Ltda.
- Lavorwash Brasil Ind. Ltda is owned for 99.99% by Lavorwash S.p.A. and 0.01% by Comet do Brasil Industria e Comercio de Equipamentos Ltda.
- S.I.Agro Mexico is owned for 97% by Comet S.p.A. and 3% by P.T.C. S.r.l.
- Markusson Professional Grinders AB is consolidated at 100% as a result of the "Put and Call Option Agreement" that governs the purchase of the remaining 49%.
- Agres Sistemas Eletrônicos S.A. is consolidated at 100% as a result of the "Put and Call Option Agreement" that governs the purchase of the remaining 4.5%.
- Poli S.r.l. is consolidated at 100% as a result of the "Put and Call Option Agreement" that governs the purchase of the remaining 20%.
- The companies Emak Deutschland GmbH and Speed Industrie Sarl have ceased their operational activities.
- The company Jiangmen Autech Equipment Co. Ltd, incorporated on September 30, 2022, is not yet operational.

Corporate Bodies of Emak S.p.A.

The Ordinary General Meeting of the Shareholders of the Parent Company, Emak S.p.A. on 29 April 2022 appointed the Board of Directors and the Board of Statutory Auditors for the financial years 2022-2024.

Board of Directors

Non-executive Chairman

Massimo Livatino

Deputy Chairman and Chief Executive Officer

Luigi Bartoli

Executive Director

Cristian Becchi

Independent Director

Silvia Grappi

Elena Iotti

Alessandra Lanza

Directors

Francesca Baldi

Ariello Bartoli

Paola Becchi

Giuliano Ferrari

Marzia Salsapariglia

Vilmo Spaggiari

Risk Control and Sustainability Committee; Remuneration Committee, Related Party Transactions Committee, Nomination Committee

Chairman

Elena Iotti

Components

Alessandra Lanza

Silvia Grappi

Manager in charge of preparing the accounting statements

Roberto Bertuzzi

Supervisory Body as per Legislative Decree 231/01

Chairman

Sara Mandelli

Acting member

Marianna Grazioli

Board of Statutory Auditors

Chairman

Stefano Montanari

Acting auditors

Roberta Labanti

Livio Pasquetti

Alternate auditor

Rossana Rinaldi

Giovanni Liberatore

Independent Auditor

Deloitte & Touche S.p.A.

Main economic and financial figures for Emak Group

Income statement (€/000)

Year 2022		1Q 2023	1Q 2022
605,723	Revenues from sales	171,753	190,247
76,644	EBITDA before non ordinary income/expenses (*)	25,290	27,339
76,079	EBITDA (*)	25,004	27,339
46,755	EBIT	18,159	21,067
31,165	Net profit	11,385	16,852

Investment and free cash flow (€/000)

Year 2022		1Q 2023	1Q 2022
16,429	Investment in property, plant and equipment	3,846	3,016
5,303	Investment in intangible assets	1,426	836
60,489	Free cash flow from operations (*)	18,230	23,124

Statement of financial position (€/000)

31.12.2022		31.03.2023	31.03.2022
454,292	Net capital employed (*)	514,926	472,463
(177,305)	Net debt (*)	(227,170)	(192,890)
276,987	Total equity	287,756	279,573

Other statistics

Year 2022		1Q 2023	1Q 2022
12.6%	EBITDA / Net sales (%)	14.6%	14.4%
7.7%	EBIT / Net sales (%)	10.6%	11.1%
5.1%	Net profit / Net sales (%)	6.6%	8.9%
10.3%	EBIT / Net capital employed (%)	3.5%	4.5%
0.64	Net debt / Equity	0.79	0.69
2,284	Number of employees at period end	2,420	2,275

Share information

Year 2022		1Q 2023	1Q 2022
0.185	Earnings per share (€)	0.068	0.102
1.17	Official price (€)	1.18	1.41
2.13	Maximum share price in period (€)	1.32	2.13
0.88	Minimum share price in period (€)	1.05	1.41
191	Stockmarket capitalization (€ / million)	191	231
163,934,835	Number of shares comprising share capital	163,934,835	163,934,835
163,451,400	Average number of outstanding shares	162,837,602	163,537,602

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

Directors' report

Information about Russia-Ukraine conflict

The Emak Group continues to monitor the evolution of the situation following the invasion of the Ukrainian territory by the Russian Federation and to implement the necessary actions to mitigate the risks and possible direct and indirect impacts on the Group.

As far as direct impacts are concerned, the Group operates in Ukraine mainly through a subsidiary, Epicenter Llc, while it distributes its products through independent customers in other areas affected by the conflict: Russia and Belarus in particular.

Epicenter Llc, located in Kiev (Ukraine), 100% controlled by Emak S.p.A., since the beginning of the war, has implemented all the necessary measures to preserve the safety of its employees in the first instance and, therefore, integrity of company assets, mainly represented by product inventories. The subsidiary company, which employs 24 employees, generated a turnover of € 1.7 million in the first quarter of 2023 (€ 4.7 million in 2022).

The total assets of the Ukrainian subsidiary as of 31 March 2023 amount to € 3.9 million, mainly represented by inventories, trade receivables and cash on hand.

The local management continues to monitor the exposure to the market, the integrity of the product stocks and the evolution of the situation in order to guarantee the continuity of the activity in conditions of maximum safety.

Net of the activity of the commercial subsidiary, the Ukrainian market is marginal for the Group, with sales generated in the first quarterly of 2023 of approximately € 0.1 million (€ 0.4 million in 2022).

The Group's revenues achieved in the Russian and Belarusian markets amounted to a value of less than 2% in 2022. Exposure at the end of March amounted to approximately € 1.1 million, in line with previous periods.

As far as the supply chain is concerned, there are no impacts linked to the conditions in question.

The Group analyzes and monitors the regulatory and sanctioning framework referring to the markets and subjects affected by the conflict, complying with the most scrupulous checks of the counterparties to limit regulatory risks, the continuous verification of the geopolitical framework is aimed at preventing potential adverse impacts of a commercial nature and financial.

Scope of consolidation

Compared to 31 December 2022, the company Bestway LLC entered the scope of consolidation following the acquisition on February 1, 2023, by Valley LLP. On March 21, 2023 Bestway was merged by incorporation into the subsidiary Valley.

Compared to 31 March 2022, the Spanish company Trebol Maquinaria Y Suministros S.A., consolidated starting from 1 October 2022, entered the scope of consolidation.

Comments on economic figures

Revenues from sales

Emak Group achieved a consolidated turnover of € 171,753 thousand in the first quarter of 2023, compared to € 190,247 thousand of the same period last year, a decrease of 9.7%. This change is due to an organic decline in sales for 15.8%, partially offset by the positive effects of the change in the scope of consolidation for 5.6% and of the translation changes for 0.5%.

The economic dynamics linked to inflation and the increase in interest rates, the progressive change in consumption patterns connected to the disappearance of the restrictions linked to the pandemic, combined with the delayed start of the season negatively affected sales. In particular, the gardening and cleaning sectors have suffered the most from these dynamics.

EBITDA

EBITDA for the first quarter 2023 amounts to € 25,004 thousand (14.6% of sales), compared to € 27,339 thousand (14.4% of sales) for the corresponding quarter of the previous year.

During the year, non-ordinary expenses were recorded for € 286 thousand, not present in the same period of 2022. Ebitda before non-ordinary expenses and revenues is equal to € 25,290 thousand, an incidence of 14.7% on revenues.

The application of the IFRS 16 principle has resulted in a positive effect on the EBITDA for € 2,059 thousand, against to € 1,772 thousand in the first quarter of 2022.

Ebitda for the quarter, compared to the same period of 2022, benefited from the change in the area for € 1,424 thousand, while it was affected by the decrease in sales. Compared to the same previous period, operating costs associated with travel and utility costs increased, while there was a generalized decrease in transport tariffs.

Personnel costs increased compared to the same period for € 373 thousand, mainly due to the effect of the change in the scope of consolidation for approximately € 1,200 thousand.

The average number of resources employed by the Group, also considering temporary workers employed in the period, was 2,517 units, compared to 2,573 units in the first quarter of 2022, following the lower use of temporary workers as a result of the reduction in production volumes.

Operating result

Operating result for the first quarter 2023 is € 18,159 thousand with an incidence of 10.6% of revenues, compared to € 21,067 thousand (11.1% of sales) for the corresponding quarter of the previous year.

Depreciation and amortization are € 6,845 thousand, compared to € 6,272 thousand in the same period last year.

Non-annualized operating result as a percentage of net capital employed is 3.5% compared to 4.5% in the same period last year.

Net result

Net result for the first quarter 2023 is € 11,385 thousand, against € 16,852 thousand in the same period 2022.

Financial expenses equal to € 3,166 thousand, compared to € 1,092 thousand of the previous year, as a result of the increase in market interest rates and the higher level of gross indebtedness.

Currency management in the first quarter 2023 is negative for € 170 thousand against a positive balance of € 2,108 thousand for the same period of the last year which benefited from the significant revaluation of the Brazilian Reais.

The tax rate for the first quarter of 2023 stands at 25.3%, a decrease compared to 26.7% of the same period of 2022.

Comment to consolidated statement of financial position

31.12.2022	Thousand of Euro	31.03.2023	31.03.2022
206,605	Net non-current assets (*)	219,099	205,121
247,687	Net working capital (*)	295,827	267,342
454,292	Total net capital employed (*)	514,926	472,463
273,003	Equity attributable to the Group	283,523	276,346
3,984	Equity attributable to non controlling interests	4,233	3,227
(177,305)	Net debt (*)	(227,170)	(192,890)

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

Net non current assets

During first quarter 2023 Emak Group invested € 5,272 thousand in property, plant and equipment and intangible assets, as follows:

- € 1,372 thousand for innovation, improvement and technological adaptation of products;
- € 1,893 thousand for adjustment of production capacity and for process innovation;
- € 1,090 thousand for upgrading and maintenance the computer network system;
- € 464 thousand for modernization of industrial buildings;
- € 453 thousand for other investments in operating activities.

Investments broken down by geographical area are as follows:

- € 3,042 thousand in Italy;
- € 580 thousand in Europe;
- € 1,239 thousand in the Americas;
- € 411 thousand in Asia, Africa and Oceania.

Net working capital

Net working capital, compared to 31 December 2022, increases by € 48,140 thousand, from € 247,687 thousand to € 295,827 thousand.

The following table shows the change in net working capital at 31 March 2023 compared with the same period last year:

€/000	3M 2023	3M 2022
Opening Net working capital	247,687	198,085
Increase/(decrease) in inventories	(8,370)	13,229
Increase/(decrease) in trade receivables	47,389	63,025
(Increase)/decrease in trade payables	(1,333)	(3,064)
Change in scope of consolidation	12,302	-
Other changes	(1,848)	(3,933)
Closing Net working capital	295,827	267,342

The performance of net working capital as at 31 March 2023 is consistent, in terms of dynamics, with the seasonality of the business and the active management of inventories by the Group and is affected by the change in the scope of consolidation.

During the quarter, inventories decreased from the high levels reached at the end of 2022, accumulated in previous periods to address the risk related to logistical conditions.

The decrease in purchases in the period did not allow for the benefit of a physiological effect of greater financing of working capital by suppliers.

The decrease in sales during the quarter had a negative impact on the objectives of reducing the high levels of inventories.

Net financial position

Net negative financial position amounts to € 227,170 thousand at 31 March 2023 compared to € 177,305 thousand at 31 December 2022.

Below are the movements in net debt for the first three months of 2023 compared with the same period last year:

€/000	3M 2023	3M 2022
Opening NFP	(177,305)	(144,269)
Net profit	11,385	16,852
Amortization, depreciation and impairment losses	6,845	6,272
Cash flow from operations, excluding changes in operating assets and liabilities	18,230	23,124
Changes in operating assets and liabilities	(35,681)	(63,696)
Cash flow from operations	(17,451)	(40,572)
Changes in investments and disinvestments	(5,999)	(3,607)
Changes rights of use IFRS 16	(5,109)	(1,069)
Changes from exchange rates and translation reserve	(643)	(3,373)
Change in scope of consolidation	(20,663)	-
Closing NFP	(227,170)	(192,890)

Cash flow from operations net of taxes amounted to € 18,230 thousand, compared to € 23,124 thousand for the same period in 2022.

Cash flow from operations is negative for € 17,451 thousand compared to negative value of € 40,572 thousand in the same period of the previous year consequently to a significant increase in net working capital. The change in the scope of consolidation linked to the acquisition of Bestway had an impact of around € 20,663 thousand.

Details of the net financial position is analyzed as follows:

(€/000)	31.03.2023	31.12.2022	31.03.2022
A. Cash	59,613	86,477	46,157
B. Cash equivalents	-	-	-
C. Other current financial assets	2,483	2,745	1,595
D. Liquidity funds (A+B+C)	62,096	89,222	47,752
E. Current financial debt	(53,351)	(22,956)	(33,684)
F. Current portion of non-current financial debt	(58,299)	(60,694)	(56,865)
G. Current financial indebtedness (E + F)	(111,650)	(83,650)	(90,549)
H. Net current financial indebtedness (G - D)	(49,554)	5,572	(42,797)
I. Non-current financial debt	(178,795)	(184,028)	(151,117)
J. Debt instruments	-	-	-
K. Non-current trade and other payables	-	-	-
L. Non-current financial indebtedness (I + J + K)	(178,795)	(184,028)	(151,117)
M. Total financial indebtedness (H + L) (ESMA)	(228,349)	(178,456)	(193,914)
N. Non current financial receivables	1,179	1,151	1,024
O. Net financial position (M-N)	(227,170)	(177,305)	(192,890)
Effect IFRS 16	41,455	38,039	39,112
Net financial position without effect IFRS 16	(185,715)	(139,266)	(153,778)

Net financial position at 31 March 2023 includes actualized financial liabilities related to the payment of future rental and rent payments, in application of IFRS 16 standard, equal to overall € 41,455 thousand, of which € 6,727 thousand falling due within 12 months, while at 31 December 2022 they amounted to a total of € 38,039 thousand, of which € 6,357 thousand falling due within 12 months.

Current financial indebtedness mainly consist of:

- account payables and self-liquidating accounts;
- loan repayments falling due by 31 March 2024;
- amounts due to other providers of finance falling due by 31 March 2024;
- debt for equity investments in the amount of € 3,372 thousand.

Financial liabilities for the purchase of the remaining minority shares are equal to € 10,017 thousand, of which € 6,645 thousand in the medium to long term, related to the following companies:

- Markusson for € 4,565 thousand;
- Agres for € 2,770 thousand;
- Poli S.r.l. for € 1,601 thousand;
- Valley LLP for € 1,081 thousand.

Equity

Total equity is equal to € 287,756 thousand against € 276,987 thousand at 31 December 2022. Earnings per share at 31 March 2023 is equal to € 0.068 compared to € 0.102 in the same period of the previous year.

On 31 December 2022 the company held 1,097,233 treasury shares for the equivalent of € 2,835 thousand. From 1 January 2023 to 31 March 2023 Emak S.p.A. did not buy or sell treasury shares, for which the quantity in stock and value are unchanged from December 31, 2022.

Highlights of the consolidated financial statement broken down by operating segment for the first quarter 2023

	OUTDOOR POWER EQUIPMENT		PUMPS AND HIGH PRESSURE WATER JETTING			COMPONENTS AND ACCESSORIES			Other not allocated / Netting		Consolidated	
	31.03.2023	31.03.2022	31.03.2023	31.03.2022	31.03.2023	31.03.2022	31.03.2023	31.03.2022	31.03.2023	31.03.2022	31.03.2023	31.03.2022
€/000												
Sales to third parties	60,088	74,857	68,789	70,073	42,876	45,317			(3,495)	(4,345)	171,753	190,247
Intersegment sales	98	93	1,082	901	2,315	3,351						
Revenues from sales	60,186	74,950	69,871	70,974	45,191	48,668			(3,495)	(4,345)	171,753	190,247
Ebitda (*)	7,706	6,967	10,298	11,440	7,770	9,702			(770)	(770)	25,004	27,339
Ebitda/Total Revenues %	12.8%	9.3%	14.7%	16.1%	17.2%	19.9%					14.6%	14.4%
Ebitda before non ordinary expenses (*)	7,706	6,967	10,584	11,440	7,770	9,702			(770)	(770)	25,290	27,339
Ebitda before non ordinary expenses/Total Revenues %	12.8%	9.3%	15.1%	16.1%	17.2%	19.9%					14.7%	14.4%
Operating result	5,773	4,892	7,818	9,390	5,338	7,555			(770)	(770)	18,159	21,067
Operating result/Total Revenues %	9.6%	6.5%	11.2%	13.2%	11.8%	15.5%					10.6%	11.1%
Net financial expenses (1)											(2,909)	1,909
Profit before taxes											15,250	22,976
Income taxes											(3,865)	(6,124)
Net profit											11,385	16,852
Net profit/Total Revenues %											6.6%	8.9%
(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	31.03.2023	31.12.2022	31.03.2023	31.12.2022	31.03.2023	31.12.2022	31.03.2023	31.12.2022	31.03.2023	31.12.2022	31.03.2023	31.12.2022
Net debt (*)	38,194	21,295	135,431	108,992	53,545	47,018		0	0	227,170	177,305	
Shareholders' Equity	187,388	184,363	103,387	98,689	75,410	72,228		(78,429)	(78,293)	287,756	276,987	
Total Shareholders' Equity and Net debt	225,582	205,658	238,818	207,681	128,955	119,246		(78,429)	(78,293)	514,926	454,292	
Net non-current assets (2) (*)	122,965	122,922	113,518	101,679	57,799	57,242		(75,183)	(75,238)	219,099	206,605	
Net working capital (*)	102,617	82,736	125,300	106,002	71,156	62,004		(3,246)	(3,055)	295,827	247,687	
Total net capital employed (*)	225,582	205,658	238,818	207,681	128,955	119,246		(78,429)	(78,293)	514,926	454,292	
(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	31.03.2023	31.12.2022	31.03.2023	31.12.2022	31.03.2023	31.12.2022	31.03.2023	31.12.2022	31.03.2023	31.12.2022	31.03.2023	31.12.2022
Number of employees at period end	746	747	973	873	692	655		9	9	2,420	2,284	
OTHER INFORMATIONS	31.03.2023	31.03.2022	31.03.2023	31.03.2022	31.03.2023	31.03.2022	31.03.2023	31.03.2022	31.03.2023	31.03.2022	31.03.2023	31.03.2022
Amortization, depreciation and impairment losses	1,933	2,075	2,480	2,050	2,432	2,147					6,845	6,272
Investment in property, plant and equipment and in intangible assets	1,645	980	1,905	931	1,722	1,941					5,272	3,852

Comments on interim results by operating segment

The table below shows the breakdown of "sales to third parties" in the first three months in 2023 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			CONSOLIDATED		
	1Q 2023	1Q 2022	Var. %	1Q 2023	1Q 2022	Var. %	1Q 2023	1Q 2022	Var. %	1Q 2023	1Q 2022	Var. %
Europe	50,976	65,074	-21.7%	31,143	38,039	-18.1%	25,143	25,740	-2.3%	107,262	128,853	-16.8%
Americas	2,089	2,548	-18.0%	30,883	23,256	32.8%	11,860	13,601	-12.8%	44,832	39,405	13.8%
Asia, Africa and Oceania	7,023	7,235	-2.9%	6,763	8,778	-23.0%	5,873	5,976	-1.7%	19,659	21,989	-10.6%
Total	60,088	74,857	-19.7%	68,789	70,073	-1.8%	42,876	45,317	-5.4%	171,753	190,247	-9.7%

Outdoor Power Equipment

Segment revenues decreased by 19.7% compared to the same period, mainly due to the high level of inventories in the distribution network, the delayed start of the season and the change in spending priorities of end users.

There was a generalized decline in turnover in Europe, with particular reference to the markets that had performed best in 2022: France, Poland and Italy.

There was also a generalized decline in the Americas area, with a greater contraction on the Argentine market.

In the Asia, Africa and Oceania area, the decrease is attributable to lower sales in the Far East and Africa, partly offset by the good performance on the Turkish market.

EBITDA, amounting to € 7,706 thousand, increased compared to 31 March 2022, as a result of the increase in sales prices and the impact of the decrease in operating costs, which offset the decline in sales. We note the reduction in transport costs and, in particular, the significant drop in the prices of sea freight.

Net negative financial position, amounting to € 38,194 thousand, increased compared to 31 December 2022, mainly due to the seasonal dynamics of net working capital.

Pompe e High Pressure Water Jetting

Segment revenues decreased by 1.8% compared to the same period.

Sales in Europe decreased following the contraction recorded in the large-scale distribution and online channels, particularly in the French and Italian markets.

The growth in turnover in the Americas area is attributable to the change in the consolidation area, which generated an additional turnover of around € 10 million.

Revenues in Asia, Africa and Oceania were down following lower sales in China, the United Arab Emirates, Thailand and Turkey.

EBITDA for the first quarter of 2023, equal to € 10,298 thousand, compared to € 11,440 thousand in the same period of the previous year, benefited from the change in area for € 1.3 million, while it was affected by the decrease in sales and rising operating costs.

Net negative financial position, amounting to € 135,431 thousand, increased compared to 31 December 2022, mainly due to the change in area.

Components and Accessories

Segment sales are down by 5.4% compared to the same period of 2022.

The decline in Europe is attributable to the lower sales on the Italian market partially offset by the change in the area, due to the entry of the company Trebol, which contributed with a higher turnover of approximately € 1 million.

The decrease in turnover in the Americas area was particularly affected by the trend in sales of gardening products on the North American market.

In the Asia, Africa and Oceania area, the slowdown of the Chinese subsidiary was partly offset by the growth recorded in Turkey and Australia.

EBITDA for the first quarter of 2023, equal to € 7,770 thousand compared to € 9,702 thousand in the same period of the previous year, was affected by the reduction in sales volumes and an unfavorable product mix effect.

Net negative financial position, equal to € 53,545 thousand, up compared to the end of 2022 is attributable to the increase in net working capital and in particular to the lower amount of trade payables.

Business outlook

Sales performance in the first quarter of 2023 was penalized by the unfavorable external scenario, which could also affect performance in the coming months. The values achieved remain, however, at the highest levels in the Group's history. The initiatives implemented by Management since the end of last year made it possible to mitigate the impact of the decline in turnover on the results for the period. Management is fully convinced of the adequacy of the strategy adopted, aimed at creating sustainable value over time, and continues to pursue the planned initiatives, aimed at further improving operational management and generating resources to be allocated to the development of new products and the exploitation of growth opportunities for external lines.

Subsequent events

As of 1 May, the Chinese subsidiary Emak Jiangmen Autech became operational following the completion of the demerger procedure and transfer of the business branch of the Chinese subsidiary Jiangmen Emak Outdoor Power Equipment.

No significant events occurred after the end of the period of this report.

Other 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 14/5/1999 and subsequent modifications and integrations.

Definitions of alternative performance indicators

The chart below shows, in accordance with recommendation ESMA/201/1415 published on October 5, 2015, 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 and revenues: is obtained by deducting at EBITDA the impact of charges and income for litigation and grants relating to non-core management, expenses related to M&A transaction, and costs for staff reorganization and restructuring.
- EBITDA: calculated by adding the items "Operating Result" 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 FIXED ASSETS or NET NON-CURRENT ASSETS: include non-financial "Non current assets" net of non-financial "Non-current liabilities".
- NET CAPITAL EMPLOYED: is obtained by adding the "Net working capital" and "Net non-current assets".
- NET FINANCIAL POSITION: It is obtained by adding the active financial balances and subtracting the passive financial balances, as well as identified according to the criteria of the Esma (according to Consob communication no.5/21 of 29 April 2021).

It should be noted that alternative performance indicators are not identified as an accounting measure under the International Accounting Standards and, therefore, should not be considered a substitute measure for the evaluation of the performance of the Company and the Group. The criterion for determining these indicators applied by the Company and the Group may not be homogeneous with that adopted by other companies in the sector and, therefore, such data may not be comparable.

Consolidated financial statements

Consolidated Income Statement

Thousand of Euro

FY 2022	CONSOLIDATED INCOME STATEMENT	1 Q 2023	1 Q 2022
605,723	Revenues from sales	171,753	190,247
4,753	Other operating incomes	1,228	713
12,790	Change in inventories	4,468	9,094
(331,528)	Raw materials, consumable and goods	(98,012)	(113,573)
(99,519)	Personnel expenses	(26,974)	(26,601)
(116,140)	Other operating costs and provisions	(27,459)	(32,541)
(29,324)	Amortization, depreciation and impairment losses	(6,845)	(6,272)
46,755	Operating result	18,159	21,067
4,007	Financial income	414	893
(8,560)	Financial expenses	(3,166)	(1,092)
1,895	Exchange gains and losses	(170)	2,108
-	Income from/(expenses on) equity investment	13	-
44,097	Profit before taxes	15,250	22,976
(12,932)	Income taxes	(3,865)	(6,124)
31,165	Net profit (A)	11,385	16,852
(897)	(Profit)/loss attributable to non controlling interests	(256)	(241)
30,268	Net profit attributable to the Group	11,129	16,611
0.185	Basic earnings per share	0.068	0.102
0.185	Diluted earnings per share	0.068	0.102
FY 2022	CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME	1 Q 2023	1 Q 2022
31,165	Net profit (A)	11,385	16,852
2,141	Profits/(losses) deriving from the conversion of foreign company accounts	(616)	6,788
741	Actuarial profits/(losses) deriving from defined benefit plans	-	-
(206)	Income taxes on OCI	-	-
2,676	Total other components to be included in the comprehensive income statement (B)	(616)	6,788
33,841	Total comprehensive income for the period (A)+(B)	10,769	23,640
(949)	Comprehensive net profit attributable to non controlling interests (C)	(249)	(477)
32,892	Comprehensive net profit attributable to the Group (A)+(B)+(C)	10,520	23,163

Statement of consolidated financial position

Thousand of Euro

31.12.2022	ASSETS	31.03.2023	31.03.2022
	Non-current assets		
82,524	Property, plant and equipment	84,445	79,201
24,482	Intangible assets	29,876	24,854
36,461	Rights of use	39,767	37,677
71,216	Goodwill	72,234	73,652
8	Equity investments in other companies	8	8
-	Equity investments in associates	813	-
10,395	Deferred tax assets	10,116	9,662
1,151	Other financial assets	1,179	1,024
60	Other assets	59	60
226,297	Total non-current assets	238,497	226,138
	Current assets		
233,970	Inventories	238,414	230,545
119,661	Trade and other receivables	172,803	193,243
9,967	Current tax receivables	9,291	10,047
38	Other financial assets	74	332
2,707	Derivative financial instruments	2,409	1,263
86,477	Cash and cash equivalents	59,613	46,157
452,820	Total current assets	482,604	481,587
679,117	TOTAL ASSETS	721,101	707,725
31.12.2022	SHAREHOLDERS' EQUITY AND LIABILITIES	31.03.2023	31.03.2022
	Shareholders' Equity		
273,003	Shareholders' Equity of the Group	283,523	276,346
3,984	Non-controlling interests	4,233	3,227
276,987	Total Shareholders' Equity	287,756	279,573
	Non-current liabilities		
152,346	Loans and borrowings due to banks and other lenders	144,067	118,083
31,682	Liabilities for leasing	34,728	33,034
7,962	Deferred tax liabilities	7,755	7,774
6,291	Employee benefits	6,204	7,428
2,778	Provisions for risks and charges	2,826	2,655
1,510	Other liabilities	1,434	2,135
202,569	Total non-current liabilities	197,014	171,109
	Current liabilities		
109,344	Trade and other payables	116,121	152,742
4,984	Current tax liabilities	6,987	12,130
76,594	Loans and borrowings due to banks and other lenders	104,202	83,992
6,357	Liabilities for leasing	6,727	6,078
699	Derivative financial instruments	721	479
1,583	Provisions for risks and charges	1,573	1,622
199,561	Total current liabilities	236,331	257,043
679,117	TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	721,101	707,725

Statement of changes in consolidated equity for the Emak Group at 31.12.2022 and at 31.03.2023

Thousand of Euro	SHARE CAPITAL	SHARE PREMIUM	Treasury Shares	OTHER RESERVES					RETAINED EARNINGS		TOTAL GROUP	EQUITY ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	TOTAL
				Legal reserve	Revaluation reserve	Cumulative translation adjustment	Reserve IAS 19	Other reserves	Retained earnings	Net profit of the period			
Balance at 31.12.2021	42,623	41,513	(2,029)	3,750	4,353	175	(1,487)	31,885	99,892	32,508	253,183	2,750	255,933
Profit reclassification				497				454	19,291	(32,508)	(12,266)	(159)	(12,425)
Change in treasury shares			(806)								(806)		(806)
Other changes											-	444	444
Net profit for the period						2,089	535			30,268	32,892	949	33,841
Balance at 31.12.2022	42,623	41,513	(2,835)	4,247	4,353	2,264	(952)	32,339	119,183	30,268	273,003	3,984	276,987
Profit reclassification									30,268	(30,268)	-		-
Change in treasury shares											-		-
Other changes											-		-
Net profit for the period						(609)				11,129	10,520	249	10,769
Balance at 31.03.2023	42,623	41,513	(2,835)	4,247	4,353	1,655	(952)	32,339	149,451	11,129	283,523	4,233	287,756

Comments on the financial statements

The interim report has been prepared under disclosure continuity, comparability, international best practice and transparency to the market. The Board of Directors of Emak S.p.A. has decided, because of membership in the STAR segment of the Euronext, to draw up and publish the 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.

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 2022, with the peculiarities shown below.

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:

31.12.2022	Amount of foreign for 1 Euro	Average 3 M 2023	31.03.2023	Average 3 M 2022	31.03.2022
0.89	GB Pounds (UK)	0.88	0.88	0.84	0.85
7.36	Renminbi (China)	7.34	7.48	7.12	7.04
1.07	Dollar (Usa)	1.07	1.09	1.12	1.11
4.68	Zloty (Poland)	4.71	4.67	4.62	4.65
18.10	Zar (South Africa)	19.06	19.33	17.08	16.17
39.04	Uah (Ukraine)	39.24	39.74	32.25	32.48
5.64	Real (Brazil)	5.58	5.52	5.87	5.30
11.16	Dirham (Morocco)	11.04	11.10	10.63	10.71
20.86	Mexican Pesos (Mexico)	20.04	19.64	22.99	22.09
913.82	Chilean Pesos (Chile)	870.78	858.85	907.57	875.81
11.12	Swedish krona (Sweden)	11.20	11.28	10.48	10.34

Significant, non-recurring transactions or atypical, unusual transactions

Acquisition of the Bestway Ag Holdings LLC business

On 1 February 2023, Valley Industries LLP completed the closing of the acquisition of the business of Bestway AG, with its headquarters in Hopkinsville (Kentucky), operating in the production and marketing of equipment for spraying and weeding used in agriculture.

The company is recognized as a reference operator in the USA market for the production and marketing of sprayers, equipment for applications in the agricultural sector with own-brand spray tanks and for the sale of pumps and accessories of other market brand leaders.

The operation forms part of the Group's growth strategy for external lines through the expansion and completion of its product range, specifically of the "Pumps and High-Pressure Water Jetting" segment; thanks to this acquisition,

the North American agricultural market can be served by the Group more extensively, enabling commercial synergies.

The “Bestway AG” business achieved in 2022 a turnover of approximately 32 million US Dollars and an EBITDA of 2.5 million US Dollars.

The operation was formally achieved through the acquisition of 100% of the share capital of the NewCo “Bestway Holding LLC”, specially incorporated with the prior contribution on the part of the sellers of the assets and liabilities of the “Bestway AG” business. Once the activities relating to the deal have been completed, on March 23, 2023, the NewCo was merged by incorporation into Valley Industries.

The final consideration for the acquisition was equal to 22.5 million US dollars (of which 3.5 million deposited in an escrow account) fully paid at the closing date.

The fair value of the assets and liabilities of acquisition determined on the basis of the last financial statements of February 1, 2023 and the price paid are detailed below:

€/000	Book values	Fair Value adjustments	Fair value of acquired assets and liabilities
Non-current assets			
Property, plant and equipment	1,867	-	1,867
Intangible fixed assets	5,568	-	5,568
Current assets			
Inventories	12,814	-	12,814
Trade and other receivables	4,568	-	4,568
Current liabilities			
Trade and other payables	(5,080)	-	(5,080)
Total net assets acquired	19,736	-	19,736
% interest held			100%
Equity acquired			19,736
Goodwill			926
Acquisition price paid at closing			20,663

Acquisition of 24% of Raw power S.r.l.

On 22 February 2023, the Parent Company sanctioned the entry into the shareholding structure of the company Raw Power S.r.l., with registered office in Reggio Emilia, through the subscribing of an increase in share capital for a stake of 24%, for the amount of 800 thousand Euro.

The company deals with all aspects relating to power electronics design, aimed at automation and static conversion of energy and the design of electric motors and generators.

The rationale of the operation is to allow the enhancement of the know-how of electric motors technology in order to increase competitiveness in the market of battery products, in continuous and rapid evolution.

The fair value of the assets and liabilities determined on the basis of the estimated financial statements at the acquisition date is shown below:

€/000	Book values	Fair Value adjustments	Fair value of acquired assets and liabilities
Non-current assets			
Property, plant and equipment	71	-	71
Intangible assets	31	-	31
Other financial assets	1	-	1
Current assets			
Trade and other receivables	611	-	611
Cash and cash equivalents	877	-	877
Non-current liabilities			
Employee benefits	(103)	-	(103)
Current liabilities			
Trade and other payables	(340)	-	(340)
Current tax liabilities	(33)	-	(33)
Total net assets acquired	1,115	-	1,115
% interest held			24%
Net equity acquired			268
Goodwill			532
Net cash outflow for subscription of paid-in capital			800

Exercise of option on 4.5% of Agres Sistemas Eletrônicos SA

On 22 February 2023, the minority shareholders of Agres exercised the Put option, selling the 4.5% stake to Tecomec S.r.l., which took its own stake to 95.5%. The price paid for the acquisition of the 4.5% stake is around 11.2 million Reais, equal to around 2 million Euros.

Incorporation of PTC Waterblasting into Comet USA

During the first quarter of 2023, the company Comet Usa Inc. has started the preparatory procedures for the merger by incorporation of the company Ptc Waterblasting, already 100% controlled.

The company was incorporated in 2017 with the aim of developing the United States market in the pumps and very high-pressure systems sector. The results achieved over the years have been below expectations due to high entry barriers; as a result, with the lack of strategic interest and the reduced operations, the parent company Comet Usa will guarantee the continuity of the residual business of Ptc Waterblasting.

Bagnolo in Piano (RE), May 15, 2023

On behalf of the Board of Directors

The Chairman

Massimo Livatino

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

The manager in charge of preparing corporate accounting statements of EMAK S.p.A., Roberto Bertuzzi, 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 2023, 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 15, 2023

Roberto Bertuzzi
The Manager in charge of preparing the accounting
statements