



Emak[®]

MEMBER OF THE YAMA GROUP

QUARTERLY REPORT AT 31 DECEMBER 2006



DYNAMAC

GARDENING TECHNOLOGY



Quarterly report at 31.12.2006

EMAK S.p.A.

Registered office in Bagnolo in Piano (RE) - Via E. Fermi 4 - Italy

Share capital: € 7,189,910

Reggio Emilia Company Register - Tax code 00130010358

Emak Group Financial Highlights

Income statements (€/000)

	4Q 2006	4Q 2005	FY 2006	FY 2005
Net sales	47,471	40,596	208,383	183,381
Ebitda (1)	4,296	2,283	25,436	22,268
Ebit	2,905	868	20,084	17,038
Net profit	1,567	511	11,539	9,605

Investments and cash flow (€/000)

	4Q 2006	4Q 2005	FY 2006	FY 2005
Investment in property, plant and equipment	2,760	2,155	8,007	6,053
Investment in intangible assets	243	451	951	1,192
Free cash flow from operations (2)	2,958	1,926	16,891	14,835

Balance sheet (€/000)

	31.12.2006	31.12.2005
Net capital employed	119,977	101,195
Net debt	(37,863)	(25,836)
Total equity	82,114	75,359

Other statistics

	4Q 2006	4Q 2005	FY 2006	FY 2005
Ebitda / Net revenues (%)	9.0%	5.6%	12.2%	12.1%
Ebit / Net revenues (%)	6.1%	2.1%	9.6%	9.3%
Net profit / Net revenues (%)	3.3%	1.3%	5.5%	5.2%
Ebit / Net capital employed (%)			16.7%	16.8%
Debt / Equity			0.46	0.34
Number of employees at period end			915	856

1) Resulting from the sum of "Ebit" plus "Amortization, depreciation and impairment losses"

2) Resulting from the sum of "Net Profit" plus "Amortization, depreciation and impairment losses"

Segment Reporting

(€/000)	Sales		Total assets		Investment in fixed assets	
	FY 2006	FY 2005	31.12.2006	31.12.2005	FY 2006	FY 2005
Italy	40,872	40,435	112,708	109,872	5,416	3,609
Europe	134,763	114,796	55,429	53,665	626	564
Rest of the world	32,748	28,150	14,233	6,816	2,916	3,072
Total	208,383	183,381	182,370	170,353	8,958	7,245

Consolidated Income Statement

(€/000)

	4Q 2006	4Q 2005	FY 2006	FY 2005
Revenues	47,471	40,596	208,383	183,381
Other operating revenues	397	639	1,523	1,629
Change in inventories	1,013	7,776	9,693	8,817
Raw and consumable materials	(29,250)	(30,850)	(131,240)	(114,246)
Payroll costs	(6,414)	(6,969)	(27,905)	(25,763)
Other operating costs	(8,921)	(8,909)	(35,018)	(31,550)
Amortization, depreciation and impairment losses	(1,391)	(1,415)	(5,352)	(5,230)
Ebit	2,905	868	20,084	17,038
Financial income	106	359	572	658
Financial expenses	(639)	(451)	(2,062)	(1,419)
Exchange gains and losses	408	592	354	628
Profit before taxes	2,780	1,368	18,948	16,905
Income taxes	(1,213)	(857)	(7,409)	(7,300)
Net profit	1,567	511	11,539	9,605
Profit / loss attributable to minority interests	(7)	(9)	(67)	(73)
Net profit attributable to the group	1,560	502	11,472	9,532
Basic earnings per share	0.057	0.0182	0.416	0.345

Consolidated Balance Sheet

Assets (€/000)

	31.12.2006	31.12.2005
Non-current assets		
Property, plant and equipment	35,528	32,557
Intangible assets	3,056	3,080
Goodwill	6,353	6,305
Investment property	361	399
Equity investments	224	223
Deferred income tax assets	2,978	2,922
Other financial assets	9	0
Trade and other receivables	48	63
Total	48,557	45,549
Non-current assets held for sale		
Assets held for sale	269	269
Total	269	269
Current assets		
Inventories	68,219	59,840
Trade and other receivables	59,370	56,911
Current income tax assets	1,922	3,525
Other financial assets	5	19
Derivative financial assets	0	38
Marketable securities at fair value	0	99
Cash and banks	4,028	4,103
Total	133,544	124,535
Totale assets	182,370	170,353

Equity and Liabilities (€/000)

	31.12.2006	31.12.2005
Capital and reserves		
Issued capital	7,190	7,190
Share premium	21,047	21,047
Treasury shares	(528)	(28)
Other reserves	30,479	30,354
Retained earnings (accumulated losses)	23,441	16,338
Total Group	81,629	74,901
Minority interests	485	458
Total equity	82,114	75,359
Non-current liabilities		
Long-term loans and borrowings	6,105	7,174
Deferred income tax liabilities	2,647	2,565
Employee benefits	5,744	5,985
Provision for liabilities and charges	468	359
Other non-current liabilities	2,081	2,132
Total	17,045	18,215
Current liabilities		
Trade and other payables	44,509	50,430
Current income tax liabilities	2,517	2,811
Short-term loans and borrowing	35,571	22,921
Short-term derivative financial instruments	229	0
Provision for liabilities and charges	385	617
Total	83,211	76,779
Total Equity and Liabilities	182,370	170,353

Emak Group Net Debt

(€/000)

	31.12.2006	30.09.2006	31.12.2005	30.09.2005
Cash and banks	4,028	5,458	4,103	13,419
Securities and derivative financial instruments	0	32	137	30
Other financial assets	5	3	19	21
Financial liabilities	(35,571)	(26,357)	(22,921)	(18,507)
Derivative financial instruments	(229)	(16)	0	(9)
Short-term net debt	(31,767)	(20,880)	(18,662)	(5,046)
Other financial assets	9	9	0	4
Financial liabilities	(6,105)	(6,355)	(7,174)	(3,871)
Long-term net debt	(6,096)	(6,346)	(7,174)	(3,867)
Cash and banks	4,028	5,458	4,103	13,419
Securities and derivative financial instruments	0	32	137	30
Other financial assets	14	12	19	25
Financial liabilities	(41,676)	(32,712)	(30,095)	(22,378)
Derivative financial instruments	(229)	(16)	0	(9)
Total net debt	(37,863)	(27,226)	(25,836)	(8,913)

Changes in Consolidated Equity at 31.12.2005 and 31.12.2006

(€/000)					
	Share capital	Share premium	Treasury shares	Other reserves	
				Legal reserve	Special reserve
Balance at 31.12.2004	7,190	21,047	(47)	1,438	1,138
Change in translation reserve					
Sale of treasury shares			19		
Payment of dividends					
Change arising from hedging transactions					
Other changes					
Net profit for 2005					
Total at 31.12.2005	7,190	21,047	(28)	1,438	1,138
Change in translation reserve					
Sale of treasury shares			(500)		
Payment of dividends					
Other changes					
Net profit for 2006					
Total at 31.12.2006	7,190	21,047	(528)	1,438	1,138

Other reserves			Retained earnings		Total Group	Equity attributable to minority interests	Total
Reserve for hedging instruments	Cumulative translation adjustments	Other reserves	Retained earnings	Net profit of the period			
(73)	(59)	23,799	5,880	8,741	69,054	446	69,500
	199				199		199
			31		50		50
		3,839	892	(8,741)	(4,010)	(59)	(4,069)
73					73		73
			3		3	(2)	1
				9,532	9,532	73	9,605
0	140	27,638	6,806	9,532	74,901	458	75,359
	(101)		1		(100)		(100)
					(500)		(500)
		226	5,162	(9,532)	(4,144)	(46)	(4,190)
					0	6	6
				11,472	11,472	67	11,539
0	39	27,864	11,969	11,472	81,629	485	82,114

Emak at 31 Decembre 2006

□ DIRECTORS' REPORT

Emak's consolidated sales came to €47,471 thousand in the fourth quarter of 2006 (4Q 2006), an improvement of 16.9% on the figure of €40,596 thousand reported in the same period of 2005.

Consolidated sales for the full year (FY 2006) increased by 13.6% from €183,381 thousand to €208,383 thousand.

Sales in this and the prior year are broken down by product as follows:

(€/000)	31.12.2006	%	31.12.2005	%	Change %
Brush cutters	39,948	19.2%	33,594	18.3%	18.9%
Chain saws	38,645	18.5%	36,992	20.2%	4.5%
Lawnmowers	33,114	15.9%	29,051	15.8%	14.0%
Garden tractors	16,940	8.1%	14,936	8.1%	13.4%
Others	57,286	27.5%	48,183	26.3%	18.9%
Sapre parts and accessories	22,450	10.8%	20,625	11.3%	8.8%
Total	208,383	100.0%	183,381	100.0%	13.6%

Good fourth-quarter weather conditions helped extend the sales season for all grass-cutting products well beyond the normal calendar close. After a solid first-half start, this good fourth quarter made up for the drop in third quarter sales (due to opposite reasons) taking twelve-month sales growth for brush cutters, lawnmowers and garden tractors well into double digits.

The new chain saw models released in the fourth quarter boosted Emak's sales in this sector despite the flat market, which, unlike grass-cutting machinery, failed to benefit from the higher-than-average temperatures of recent months.

Most of the other product lines performed well, also thanks to improvements in the group's competitiveness.

The geographical breakdown of sales is shown in the following table for both FY 2006 and FY 2005:

(€/000)	31.12.2006	%	31.12.2005	%	Variazione %
Italy	40,872	19.6%	40,435	22.0%	1.1%
Europe	134,763	64.7%	114,796	62.6%	17.4%
Rest of the world	32,748	15.7%	28,150	15.4%	16.3%
Total	208,383	100.0%	183,381	100.0%	13.6%

The particularly fierce competitive environment held limited growth in the Italian market and in other West European countries, with the improvement for Europe as a whole mainly coming from the East.

Both South America and the Mediterranean Basin reported good sales, while those by Emak USA are still insignificant to the group as a whole having only started to do business in the second half of the year.

Emak at 31 December 2006

Additional information

In accordance with the related authorization by shareholders, Emak S.p.A. has carried out purchases and sales of treasury shares on the market for the purpose of improving the stock's liquidity. Emak S.p.A. held 6,000 treasury shares at 31 December 2005, worth €28 thousand.

Emak purchased 102,849 treasury shares between 31 December 2005 and 31 December 2006, meaning that it held 108,849 such shares, worth €528 thousand, at the end of 2006.

It sold 58,564 treasury shares in January 2007, taking its total holding at 31 January 2007 to 50,285 of such shares worth €244 thousand.

■ COMMENTS ON THE FINANCIAL STATEMENTS

In compliance with article 82 of the Issuers Regulations (Consob resolution 11971/99) and subsequent amendments, this quarterly consolidated report has been prepared in accordance with International Financial Reporting Standards (IFRS) and presented on the basis of the principles specified in annex 3D to the aforesaid regulations.

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 2005.

It should be pointed out 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 work's stage of completion;
- current and deferred taxes have been calculated using the tax rates applying in the current year in the individual countries of operation;
- the quarterly report has not been audited;
- all amounts are expressed in thousands of euro, unless otherwise specified.

Extraordinary transactions and events during 2006

1. CAPITAL INCREASE BY VICTUS EMAK SP. Z O.O.

Following the resolution adopted on 24 January 2006, Emak S.p.A. subscribed and paid in, during February 2006, the capital increase by the subsidiary Victus Emak Sp. z.o.o for PLN 9,997,500 (€2,627 thousand).

2. INCORPORATION OF EMAK USA Inc. AND PAYMENT OF ITS SHARE CAPITAL.

On 12 April 2006 Emak S.p.A. paid in the share capital of the newly incorporated company Emak USA Inc, amounting to USD 50 thousand.

Emak USA Inc, a wholly-owned subsidiary of Emak S.p.A., has its registered office in Wooster, Ohio and started operating in July 2006. Thanks to the new company the Emak Group now has a direct presence on this very important market for the growth of its turnover.

3. SALE OF BUSINESS

Emak S.p.A. entered into an agreement on 31 March, effective from 1 April 2006, for the sale of its plastic components manufacturing business.

Emak at 31 Decembre 2006

The disposal to a specialized supplier is designed to improve service, efficiency and quality. The sale of this business involved the transfer of 16 members of staff.

The assets and liabilities transferred as a result of this transaction were as follows:

Description	Book value (in €/000)
Property, plant and equipment	249
Inventories	259
Other receivables	1
Prepaid expenses	19
Employee benefits (termination indemnities)	(201)
Accrued expenses	(23)
Total net assets sold	304
Capital gain	201
Disposal price	505

4. MERGER OF KENS INTERNATIONAL SA WITH EMAK BENELUX N.V.

The shareholders of Kens International SA and Emak Benelux N.V. met in July 2006 to approve the merger of these two Belgian subsidiaries.

This merger was based on the fact that it was not considered economic to continue running the sub-holding company Kens International SA since its only activity involved holding the investment in Emak Benelux N.V. which operates on the Belgian market.

The merger has not had any effect on the group's equity and the new company has kept the name of Emak Benelux N.V.. Emak Benelux N.V. voted in December 2006 to increase its share capital by €68 thousand, which was subscribed in full and paid in by its shareholders EMAK S.p.A. and COMAG Srl.

5. PAYMENT AGAINST FUTURE CAPITAL INCREASES BY COMAG S.r.l.

During the last quarter of 2006 the parent company Emak S.p.A. paid the sum of €1 million to its subsidiary Comag S.r.l. in respect of future capital increases.

Consolidation area

Emak Usa Inc joined the consolidation area in the first half of 2006.

The merger between Kens International SA and Emak Benelux N.V. has not had any effect on the consolidation area.

COMMENTS ON BALANCE SHEET AND FINANCIAL POSITION

1. Net non-current assets

During FY 2006 Emak Group invested €8,958 thousand in property, plant and equipment and intangible assets as follows:

- €2,068 thousand for product innovation (mainly development, research and equipment for new products);
- €1,587 thousand for boosting production capacity and for process innovation;
- €1,119 thousand for information technology;
- €4,074 thousand for completing and modernizing existing buildings;
- €110 thousand for investments in management tools.

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2. Net current assets

Net current assets were €15,682 thousand higher than at the end of December 2005, up from €66,419 thousand to €82,101 thousand, reflecting the following changes:

- increase in inventories	€8,379 thousand
- increase in trade receivables	€2,449 thousand
- decrease in trade payables	€5,941 thousand
- other changes	(€1,087) thousand

The increase in net current assets since 31 December 2005 is attributable to the larger volume of business, the achievement of full-swing operation by the Chinese factory and the start-up of business by the new trading company Emak USA.

3. Equity

Total equity was €82,114 thousand at the end of December 2006 compared with €75,359 thousand at 31 December 2005. Earnings per share were €0.416 at 31 December 2006, up from €0.345 in the prior year.

4. Net financial position

Net debt increased from €25,836 thousand at 31 December 2005 to €37,863 thousand at 31 December 2006. The increase was mainly due to working capital needs and new investments.

Free cash flow from operations in the year was €16,891 thousand after tax, compared with €14,835 thousand in 2005. Free cash flow from operations in 4Q 2006 was €2,958 thousand after tax, compared with €1,926 thousand in the same period of 2005.

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 December 2007;
- amounts due to other providers of finance falling due by 31 December 2007.

□ COMMENTS ON INCOME STATEMENT

1. EBITDA

Revenues increased by 13.6% in FY 2006 to €208,383 thousand, up from €183,381 thousand in FY 2005. Assuming the same consolidation area, the increase in 2006 would have been around 6%. Revenues were 16.9% higher in 4Q 2006 at €47,471 thousand, up from €40,596 thousand in the same quarter of last year.

Ebitda improved by 14.2% in FY 2006 to €25,436 thousand, up from €22,268 thousand in the prior year. Ebitda for 4Q 2006 amounted to €4,296 thousand, reporting an 88.2% increase on the figure of €2,283 thousand posted in the corresponding quarter of last year. The major quarter-on-quarter improvement in this result is also due to a number of non-recurring items that had depressed the figures in 4Q 2005.

The following factors contributed positively to full-year results:

- the increase in sales volumes;
- the change in the consolidation area;
- the reorganization of the production process.

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The following factors contributed negatively to results:

- the product/market/channel mix;
- the cost of raw materials, partly absorbed by other savings;
- higher payroll costs due to an increase in average headcount (up from 786 in FY 2005 to 913 in FY 2006), wage rises and greater use of temporary staff;
- the costs incurred for starting up the new subsidiary Emak Usa Inc.

The group's total number of employees amounted to 915 at 31 December 2006, compared with 856 a year earlier. This increase was mainly attributable to recruitment by the Chinese factory.

2. EBIT

Ebit was €20,084 thousand in FY 2006, an increase of 17.9% on the corresponding prior year figure of €17,038 thousand.

EBIT came to €2,905 thousand in 4Q 2006 compared with €868 thousand in the same period of last year, reporting an increase of 234.7% (see the previous comment on fourth-quarter Ebitda).

3. Net profit

Net profit for 2006 was 20.1% higher at €11,539 thousand, up from €9,605 thousand in the prior year. Net profit for 4Q 2006 was €1,567 thousand, reporting an increase of 206.7% on the figure of €511 thousand posted in 4Q 2005 (see the previous comment on fourth-quarter Ebitda).

Net financial expense was higher than in 2005, reflecting an increase in net debt and interest rates, as well as movements in exchange rates.

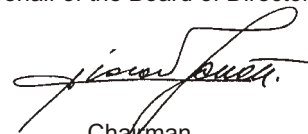
The tax rate went down from 43.2% in 2005 to 39.1% this year, reflecting differences in the tax rules applying in the various countries where the group operates.

Business outlook

The level of stock combined with a healthy order book point to a good set of first-quarter sales results. The release of new, more competitive products should help counter the ever tougher market conditions.

Bagnolo in Piano (RE), 14 February 2007

on behalf of the Board of Directors



Chairman
Giacomo Ferretti



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MEMBER OF THE YAMA GROUP

EMAK S.p.A.

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