



Quarterly report on performance at 30.09.2005

Emak S.p.A.

Headquarter

42011 Bagnolo in Piano (RE), Via E. Fermi 4 - Italia

Stock capital: euro 7.189.910

Registro delle Imprese di Reggio Emilia C.F. 00130010358

The report was approved by the Board of Directors at 14th November 2005

Data of approval: 14th November 2005

The quarterly report is available on the web site: www.emak.it

Consolidated financial highlights

Income statements (€/'000)

| FY 2004 | | III Q 2005 | III Q 2004 | nine months 2005 | nine months 2004 |
|---------|------------|------------|------------|---------------------|---------------------|
| 162.785 | Net sales | 35.494 | 29.328 | 142.785 | 123.377 |
| 22.095 | Ebitda | 3.626 | 2.710 | 19.985 | 17.998 |
| 16.570 | EBIT | 2.312 | 1.348 | 16.170 | 13.990 |
| 8.832 | Net profit | 1.192 | 714 | 9.094 | 7.802 |

Investment and free cash flow (€/'000)

| FY 2004 | | III Q 2005 | III Q 2004 | nine months 2005 | nine months 2004 |
|---------|---|------------|------------|---------------------|---------------------|
| 6.779 | Investment in property, plant and equipment | 1.246 | 1.823 | 3.898 | 5.420 |
| 933 | Investment in intangible assets | 237 | 187 | 741 | 819 |
| 14.357 | Free cash flow from operations | 2.506 | 2.076 | 12.909 | 11.810 |

Balance sheet (€/'000)

| 31.12.2004 | | 30.09.2005 | 30.09.2004 |
|------------|----------------------|------------|------------|
| 86.022 | Net capital employed | 83.756 | 77.540 |
| (16.522) | Net debt | (8.913) | (8.924) |
| 69.500 | Total equity | 74.843 | 68.616 |

Other statistics

| FY 2004 | | III Q 2005 | III Q 2004 | nine months 2005 | nine months 2004 |
|---------|-----------------------------------|------------|------------|---------------------|---------------------|
| 13,6% | EBITDA / Net sales (%) | 10,2% | 9,2% | 14,0% | 14,6% |
| 10,2% | EBIT / Net sales% | 6,5% | 4,6% | 11,3% | 11,3% |
| 5,4% | Net profit / Net sales (%) | 3,4% | 2,4% | 6,4% | 6,3% |
| 19,3% | EBIT / Net capital employed (%) | | | 19,3% | 18,0% |
| 0,24 | Debt /Equity | | | 0,12 | 0,13 |
| 634 | Number of employees at period end | | | 711 | 616 |

Segment information

| €/000 | Sales | | Total assets | | Investment in fixed assets | |
|-------------------|---------------------|---------------------|----------------|----------------|----------------------------|---------------------|
| | Nine months 2005 | Nine months 2004 | 30.09.2005 | 31.12.2004 | Nine months 2005 | Nine months 2004 |
| | Italy | 30.137 | 27.149 | 106.768 | 108.555 | 2.437 |
| Europe | 92.568 | 77.802 | 35.941 | 36.643 | 455 | 267 |
| Rest of the world | 20.080 | 18.426 | 4.655 | 1.397 | 1.747 | 108 |
| Total | 142.785 | 123.377 | 147.364 | 146.595 | 4.639 | 6.239 |

Emak Group – Consolidated financial statements at September 30th 2005**ASSETS**

| 31.12.2004 | €/000 | 30.09.2005 | 30.09.2004 |
|---|-------------------------------------|-------------------|-------------------|
| Non-current assets | | | |
| 30.952 | Property, plant and equipment | 31.594 | 31.139 |
| 1.879 | Intangible assets | 2.114 | 2.047 |
| 287 | Investment property | 410 | 296 |
| 223 | Equity investments | 223 | 223 |
| 2.178 | Deferred income tax assets | 2.004 | 1.748 |
| 19 | Other financial assets | 4 | 22 |
| 111 | Trade and other receivables | 76 | 140 |
| 35.649 | Total | 36.425 | 35.615 |
| Non-current assets held for sale | | | |
| 267 | Assets held for sale | 250 | 0 |
| 267 | Total | 250 | 0 |
| Current assets | | | |
| 50.623 | Inventories | 51.825 | 46.349 |
| 52.795 | Trade and other receivables | 44.986 | 39.380 |
| 1.775 | Current income tax assets | 409 | 540 |
| 25 | Other financial assets | 21 | 43 |
| 256 | Marketable securities at fair value | 29 | 450 |
| 5.205 | cash and banks | 13.419 | 12.106 |
| 110.679 | Total | 110.689 | 98.868 |
| 146.595 | Total assets | 147.364 | 134.483 |

EQUITY AND LIABILITIES

| 31.12.2004 | €/000 | 30.09.2005 | 30.09.2004 |
|--------------------------------|---|-------------------|-------------------|
| Capital and reserves | | | |
| 7.190 | Issued capital | 7.190 | 7.190 |
| 21.047 | Share premium | 21.047 | 21.047 |
| (47) | Treasury shares | 0 | (43) |
| 26.243 | Other reserves | 30.325 | 26.381 |
| 14.621 | Retained earnings (accumulated losses) | 15.830 | 13.569 |
| 69.054 | Total | 74.392 | 68.144 |
| 446 | Minority interests | 451 | 472 |
| 69.500 | Total equity | 74.843 | 68.616 |
| Non-current liabilities | | | |
| 9.454 | long-term loans and borrowings | 3.871 | 9.672 |
| 2.243 | deferred income tax liabilities | 2.229 | 1.630 |
| 5.402 | Employee benefits | 5.638 | 4.934 |
| 247 | Provisions for liabilities and charges | 304 | 311 |
| 995 | Othe non-current liabilities | 897 | 1.232 |
| 18.341 | Total | 12.939 | 17.779 |
| Current liabilities | | | |
| 44.401 | Trade and other payables | 35.725 | 32.013 |
| 1.539 | Current income tax liabilities | 4.897 | 4.003 |
| 12.461 | Short-term loan and borrowings | 18.507 | 11.873 |
| 112 | Short-term derivative financial instruments | 9 | 0 |
| 241 | Provisions for liabilities and charges | 444 | 199 |
| 58.754 | Total | 59.582 | 48.088 |
| 146.595 | TOTAL LIABILITIES | 147.364 | 134.483 |

Consolidated income statements

| FY 2004 | €/000 | 3Q 2005 | 3Q 2004 | 9M 2005 | 9M 2004 |
|---------------|--|--------------|--------------|---------------|---------------|
| 162.785 | Revenues | 35.494 | 29.328 | 142.785 | 123.377 |
| 1.355 | Other operating revenues | 317 | 138 | 990 | 685 |
| 4.422 | Change in inventories | (1.462) | (341) | 1.041 | 45 |
| (97.926) | Raw and consumable materials | (18.323) | (15.462) | (83.396) | (70.282) |
| (22.720) | Payroll costs | (5.672) | (5.122) | (18.794) | (16.593) |
| (25.821) | Other operating costs | (6.728) | (5.831) | (22.641) | (19.234) |
| (5.525) | Amortization, depreciation and impairment losses | (1.314) | (1.362) | (3.815) | (4.008) |
| 16.570 | EBIT | 2.312 | 1.348 | 16.170 | 13.990 |
| 427 | Financial income | 100 | 64 | 299 | 331 |
| (1.403) | Financial expenses | (272) | (272) | (968) | (1.017) |
| (169) | Exchange gains and losses | 161 | 54 | 36 | (51) |
| 15.425 | Profit before taxes | 2.301 | 1.194 | 15.537 | 13.253 |
| (6.593) | Income taxes | (1.109) | (480) | (6.443) | (5.451) |
| 8.832 | Net Profit | 1.192 | 714 | 9.094 | 7.802 |
| (91) | Profit/loss attributable to minority interest | (10) | (23) | (64) | (111) |
| 8.741 | Net profit attributable to the group | 1.182 | 691 | 9.030 | 7.691 |
| 0,32 | Basic earnings per share | 0,04 | 0,03 | 0,33 | 0,28 |

Consolidated net financial position

| 31.12.2004 | €/000 | 30.09.2005 | | | 30.09.2004 | | |
|-----------------|-------------------------------|----------------|----------------|-----------------|------------|----------------|-----------------|
| | | short | medium/long | Total | short | medium/long | Total |
| 5.205 | Cash and banks | 13.419 | | 13.419 | 12.106 | | 12.106 |
| 256 | Financial credit | 30 | | 30 | 450 | | 450 |
| 44 | Other financial credit | 21 | 4 | 25 | 43 | 22 | 65 |
| (21.915) | Financial debt | (18.507) | (3.871) | (22.378) | (11.873) | (9.672) | (21.545) |
| (112) | Other financial debt | (9) | | (9) | | | 0 |
| (16.522) | Net financial position | (5.046) | (3.867) | (8.913) | 726 | (9.650) | (8.924) |

Changes in consolidated equity

| €/000 | Share capital | Share Premium | Treasury Shares | Other Reserves | | | | | Retained earnings/accumulated losses | | Total Group | Equity attributable to minority interest | TOTAL |
|---|---------------|---------------|-----------------|----------------|---------------------|---------------------------------|-----------------------------------|----------------|--------------------------------------|---------------------------|-------------|--|---------|
| | | | | Legal reserve | Revaluation reserve | Reserve for hedging instruments | Cumulative translation adjustment | Other reserves | Retained earnings/accumulated losses | Net profit for the period | | | |
| Saldo al 31.12.2003 | 7.190 | 21.047 | (72) | 1.438 | 1.138 | (121) | 4 | 19.704 | 13.864 | | 64.192 | 674 | 64.866 |
| Changes in translation reserve | | | | | | | (63) | | | | (63) | | (63) |
| Sale of treasury shares | | | 25 | | | | | | 19 | | 44 | | 44 |
| Distribution of dividends | | | | | | | | | (4.006) | | (4.006) | (52) | (4.058) |
| Changes arising from hedging transactions | | | | | | 46 | | | | | 46 | | 46 |
| Other changes | | | | | | | | 100 | | | 100 | (267) | (167) |
| Net profit for 2004 | | | | | | | | 3.997 | (3.997) | 8.741 | 8.741 | 91 | 8.832 |
| Total at 31.12.2004 | 7.190 | 21.047 | (47) | 1.438 | 1.138 | (75) | (59) | 23.801 | 5.880 | 8.741 | 69.054 | 446 | 69.500 |
| Changes in translation reserve | | | | | | | 179 | | | | 179 | | 179 |
| Sale of treasury shares | | | 47 | | | | | | 29 | | 76 | | 76 |
| Distribution of dividends | | | | | | | | 3.839 | 892 | (8.741) | (4.010) | (59) | (4.069) |
| Changes arising from hedging transactions | | | | | | 66 | | | | | 66 | | 66 |
| Other changes | | | | | | | | (2) | (1) | | (3) | | (3) |
| Net profit for first nine months 2005 | | | | | | | | | | 9.030 | 9.030 | 64 | 9.094 |
| Total al 30.09.2005 | 7.190 | 21.047 | 0 | 1.438 | 1.138 | (9) | 120 | 27.638 | 6.800 | 9.030 | 74.392 | 451 | 74.843 |

Emak at September 30th 2005

Report on performance

Sales in the 2005 third quarter was equal to €35,494 thousand compared to €29,328 thousand of the same period of the previous year, with an increase of 21%.

Sales in the first nine months increased of 15.7%, from €123,377 thousand to €142,785 thousand.

Sales are broken down by product as follows:

| €/000 | 30.09.2005 | % | 30.09.2004 | % | Change % |
|-----------------------------|----------------|-------------|----------------|-------------|--------------|
| Brushcutter | 25,652 | 18% | 23,796 | 19.3% | 7.8% |
| Chainsaw | 27,423 | 19.2% | 24,242 | 19.6% | 13.1% |
| Lawnmowers | 24,353 | 17.1% | 17,623 | 14.3% | 38.2% |
| Garden tractors | 12,239 | 8.6% | 10,188 | 8.3% | 20.1% |
| Spare part and accessories | 15,271 | 10.6% | 14,948 | 12.1% | 2.2% |
| Other products and services | 37,847 | 26.5% | 32,580 | 26.4% | 16.2% |
| Totale | 142,785 | 100% | 123,377 | 100% | 15.7% |

All principal product ranger showed a general increased due to products innovation and competitiveness. Lawnmowers and garden tractors benefited from a prolonged period of good weather, longer than usual, in most European countries.

Chainsaws, typical forestry product, continued to enjoy good health also thanks to oil petrol elevates prices.

Sales are broken down by geographical area as follows:

| €/000 | 30.09.2005 | % | 30.09.2004 | % | Change % |
|---------------|----------------|-------------|----------------|-------------|--------------|
| Italy | 30,137 | 21.1% | 27,147 | 22% | 11% |
| Europe | 92,568 | 64.8% | 77,802 | 63.1% | 19% |
| Rest of world | 20,080 | 14.1% | 18,428 | 14.9% | 9% |
| Total | 142,785 | 100% | 123,377 | 100% | 15,7% |

Sales in Italy were up 11% at €30,137 thousand, compared to the same period of the previous year.

Sales in Europe, where Emak has own direct commercial branches, have risen especially in France and Germany thank to the investments for the commercial network; the demand in the Eastern European markets continue to increase.

Sales in the rest of the world grew, at a lower rate than the others, thanks to the liveliness of several markets like Turkey and Oceania. Sales in South America had a recovery.

Buy back of Emak S.p.A. shares

Following the Shareholders' authorisation given in the meeting, Emak S.p.A. purchased and sold out its own shares on the market in order to improve stock's liquidity. At 31.12.2004 Emak S.p.A. held 36,468

treasury shares in the stock portfolio; at September, 30th, 2005 the company didn't have any share in portfolio.

From 01.01.2005 until 31.10.2005 a total of 4,000 treasury stock shares were sold out and 22,968 treasury stock shares were purchased so at 31.10.2005 there were 3,000 treasury shares in portfolio.

Notes to the accounts

As required by article 82 of CONSOB resolution 11971/99, as modified by CONSOB resolution 14490 at April, 14th, 2005, the quarterly report has been prepared in accordance with IAS 34, (Interim financial reports), applied following the article 6 of (EC) Regulation 1606/2002.

Emak Group adopted the International Accounting and Reporting Standards IAS/IFRS in the financial statements at June 30th 2005.

Compared to September 31st, 2004, the reconciliation of equity, called for by the first adoption of International Accounting and Reporting Standards are showed in the appendix of the present quarterly report.

The appendix of 2005 Half-Year Report contains the reconciliation of equity and net profit at the start and closed of 2004.

The quarterly statement is not subject to auditing.

Compared to December, 31st, 2004 there are no changes in the consolidation area.

Notes to the financial statements

1. Property, plant and equipment

In the 2005 first nine months the Emak Group investments in property, plant and equipment and intangible assets amounted to €4,639 thousand. They related to:

- €1,102 thousand for product innovation (mainly analyses, research and equipment for new products);
- €651 thousand for boosting production capacity and for process innovation;
- €741 thousand for upgrading the computer network and other investment in management infrastructure;
- €2,145 thousand for modernizing existing buildings and constructing the new production plant in China.

2. Net working capital

Net working capital decreased by €2,860 thousand, compared to the December 31st, 2004, and it passed from €59,012 thousand to €56,152 thousand. Below we summarise the main differences:

- | | |
|--------------------------|-------------------|
| - change in inventories | +€1,202 thousand |
| - change in receivables | - €7,809 thousand |
| - change of tax payables | - €4,725 thousand |
| - change of payables | + €8,675 thousand |

- change risk and charge founds - €203 thousand

Change in receivables was in relation with the normal seasonal trend in sales; payables reflected the seasonality of purchases.

3. Net equity

Consolidated net equity was equal to €74,843 thousand compared to €69,500 thousand at December, 31st 2004. At September 30th 2005, earnings per share was €0,33 compared to €0,28 of the same period of the preceding year.

4. Net financial debt

Net financial debt decreased from €16,522 thousand at 31.12.2004 to €8,913 thousand at 30.09.2005 thanks to the solid level of cash flow generated, investments excluded.

During the first nine months free cash flow from operations, after taxes, was equal to €12,909 thousand compared to €11,810 thousand of the same period of the preceding year.

As well as loan instalments, medium/long-term financial liabilities also include capital portions with due dates beyond 12 months and the residual capital debt of financial leasing agreements (accounted in accordance with the reference international accounting principle I.A.S. n. 17).

Short-term financial payables chiefly include:

- overdrawn current accounts;
- loan instalments with due date within 30.09.2006;
- payables to other sources of finance falling due within 30.09.06.

Notes to economic data

1. Earning before interest, taxes and depreciation

Revenues for the first nine months of 2005 totalled €142,785 thousand, compared to €123,377 thousand for the same period in the preceding year, rising by 15.7%. Revenues in the 2005 3rd Quarter amounted to €35,494 thousand compared to €29,328 thousand of the same period in the preceding year, up 21%.

The gross operating margin for the nine months was €19,985 thousand, up 11%, compared to €17,998 thousand of the same 2004 period. The gross operating margin in the 2005 3rd Quarter amounted to €3,626 thousand, up 33.8%, compared to €2,710 thousand of the same period in the preceding year. In value the EBITDA increased of €1,987 thousand, 14% on sales, in the first nine months of 2005 while it was the 14.6% on sales the previous year.

The 9 months profits benefited from the upturn in sales while market/product/channel mix was worth.

The following factors negatively affected the profits:

- increase in the price of the principal raw materials, partially offset by an efficient policy of purchase marketing, with relevant consequences on the price of the components;
- growth in payroll costs due to the rise in wages and increase in average number of employees;
- start of production in China;

- growth in transportation costs and commercial cost as a result of higher production volumes.

The number of employees at 30th September 2005 was 711 compared to 611 units at 30th September 2005 and to 634 units at 31st December 2004.

2. Earnings before interests and taxes

The 2005 nine months EBIT amounted to €16,170 thousand, 11.3% on sales, compared to €13,990, 11.3% on sales, of the same period of the previous year.

In 2005 3Q EBIT was €2,312 thousand, 6.5% on sales, compared to €1,348 thousand, 4.6% on sales, of 2004 3Q.

The decrease of depreciation and impairment losses cost favoured a better operative income.

3. Net Profit

The 2005 nine months net profit was €9,094 thousand, 6.4% on sales, compared to €7,802 thousand, 6.3% on sales in the same period of the previous year; in the 2005 3rd Quarter the net profit was €1,192 thousand, 3.4% on sales, compared to €714 thousand, 2.4% on sales, of the 2004 3rd Quarter.

The financial activities were better compared to the same period of the previous year. Tax rate on profit before taxes was confirmed around 41%.

Subsequent events

Victus acquisition

Following to signed agreements, on 11.10.2005, Emak S.p.A. acquired the 100% of Polish Victus-Eco Sp ZO.O, based in Poznan, Poland, for an amount of Sloty 3,000,000.

Victus-Eco Sp ZO.O acquired, within the end of this year, the business of Victus International Trading Sa (PL) a company that operates in the gardening and forestry sector and has reported turnover of around €15 million for the 2004/2005 season.

The value of the acquisition has been defined in about €9.6 million, included the acquisition of the stake in Victus Eco above mentioned.

Business outlook

The positive performance of sales in the third quarter (up 21% compared to the same period 2004) benefited from a prolonged period of good weather in most European countries. At the season end stock is at a normal level.

Forecasts for the last quarter of the year, normally characterized by pre-season sales, are in line with the sales of the same period of the last year; this brings us to estimate a close of 2005 with a growth in sales of more than 10%.

Bagnolo in Piano (RE), 14th November 2005

On behalf of The Board of Directors

The Chairman

Giacomo Ferretti