

Quarterly report at 31.12.2007

 <p>INTEGRATED MANAGEMENT SYSTEM ISO 9001:2000 ISO 14001:2004 SINCERT DNV</p>	 <p>DNV SAS9000 REGISTERED FIRM DET NORSKE VERITAS</p>	<p>Emak S.p.A. Member of the Yama Group Via Fermi, 4 – 42011 Bagnolo in Piano (Reggio Emilia) ITALY Tel. +39 0522 956611 – Fax +39 0522 951555 info@emak.it - www.emak.it</p>
--	---	---

Emak Group Financial Highlights

Income statement (€/'000)

	4Q 2007	4Q 2006	12 months 2007	12 months 2006
Net sales	45,747	47,490	217,849	208,402
EBITDA (1)	3,896	3,987	30,206	25,127
EBIT	2,473	2,592	24,688	19,771
Net profit	1,046	1,332	15,359	11,304

Investment and free cash flow (€/'000)

	4Q 2007	4Q 2006	12 months 2007	12 months 2006
Investment in property, plant and equipment	1,938	2,773	7,969	8,020
Investment in intangible assets	221	265	683	973
Free cash flow from operations (2)	2,469	2,727	20,877	16,660

Balance sheet (€/'000)

	31/12/2007	31/12/2006
Net capital employed	122,595	119,740
Net debt	(31,043)	(37,864)
Total equity	91,552	81,876

Other statistics

	4Q 2007	4Q 2006	12 months 2007	12 months 2006
EBITDA / Net sales (%)	8.5%	8.4%	13.9%	12.1%
EBIT/ Net sales (%)	5.4%	5.5%	11.3%	9.5%
Net profit / Net sales (%)	2.3%	2.8%	7.1%	5.4%
EBIT / Net capital employed (%)			20.1%	16.5%
Debt / Equity			0.34	0.46
Number of employees at period end			860	863

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

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

Segment reporting

(€/'000)	Sales		Assets		Investment property	
	12 months 2007	12 months 2006	31.12.2007	31.12.06	12 months 2007	12 months 2006
	Italy	41,082	40,872	118,842	113,109	6,604
Europe	145,217	134,763	53,768	55,033	580	626
Rest of the world	31,550	32,767	16,128	14,357	1,468	2,917
Total	217,849	208,402	188,738	182,499	8,652	8,993

Consolidated Income Statement

€/000	4Q 2007	4Q 2006	12 months 2007	12 months 2006
Sales	45,747	47,490	217,849	208,402
Other operating incomes	542	449	2,173	1,575
Change in inventories	4,324	1,095	(1,603)	9,775
Raw and consumable materials and goods	(31,612)	(29,516)	(126,511)	(131,506)
Salaries and employee benefits	(7,048)	(6,374)	(27,767)	(27,865)
Other operating costs	(8,057)	(9,157)	(33,935)	(35,254)
Amortization, depreciation and impairment losses	(1,423)	(1,395)	(5,518)	(5,356)
Ebit	2,473	2,592	24,688	19,771
Financial income	157	74	590	540
Financial expenses	(675)	(662)	(2,634)	(2,085)
Exchange gains and losses	(307)	407	213	353
EBT	1,648	2,411	22,857	18,579
Income taxes	(602)	(1,079)	(7,498)	(7,275)
Net profit	1,046	1,332	15,359	11,304
(Profit)/loss attributable to minority interests	(13)	(5)	(65)	(65)
Net profit attributable to the group	1,033	1,327	15,294	11,239
Basic earnings per share	0.037	0.048	0.554	0.407
Diluted earnings per share	0.037	0.048	0.554	0.407

Consolidated Balance Sheet

ASSETS

€/000	31.12.2007	31.12.2006
Non-current assets		
Property, plant and equipment	38,579	35,535
Intangible assets	2,711	3,076
Goodwill	6,773	6,353
Investment property	174	361
Equity investments	224	224
Deferred tax assets	2,950	3,126
Other receivables	54	48
Total	51,465	48,723
Non-current assets held for sale		
Assets held for sale	0	269
Total	0	269
Current assets		
Inventories	66,306	68,302
Trade and other receivables	62,052	58,925
Current tax assets	2,784	2,238
Other financial assets	4	9
Derivative financial instruments	86	0
Marketable securities at fair value	5	5
Cash and cash equivalents	6,036	4,028
Total	137,273	133,507
TOTAL ASSETS	188,738	182,499

Consolidated Balance Sheet

EQUITY AND LIABILITIES

€/000	31.12.2007	31.12.2006
Capital and reserves		
Share capital	7,190	7,190
Share premium	21,047	21,047
Treasury shares	(1,516)	(527)
Other reserves	30,398	30,223
Retained earnings	33,918	23,460
Total Group	91,037	81,393
Minority interests	515	483
Total equity	91,552	81,876
Non-current liabilities		
Loans and borrowings	13,144	6,105
Deferred tax liabilities	3,188	2,692
Post-employment benefits	4,562	5,796
Provisions	582	468
Other non-current liabilities	551	2,081
Total	22,027	17,142
Current liabilities		
Trade and other payables	48,958	45,146
Current tax liabilities	1,803	2,150
Loans and borrowings	23,840	35,572
Derivative financial instruments	189	229
Provisions	369	384
Total	75,159	83,481
TOTAL EQUITY AND LIABILITIES	188,738	182,499

Consolidated Net Debt

€/000	31.12.2007	30.09.2007	31.12.2006	30.09.2006
Cash and banks	6,035	9,914	4,028	5,458
Securities and derivative financial instruments	91	5	5	32
Other financial assets	4	4	9	3
Financial liabilities	(23,840)	(19,893)	(35,572)	(26,357)
Derivative financial instruments	(189)	(10)	(229)	(16)
Short-term net debt	(17,899)	(9,980)	(31,759)	(20,880)
Other financial assets	0	0	0	9
Financial liabilities	(13,144)	(12,611)	(6,105)	(6,355)
Long-term net debt	(13,144)	(12,611)	(6,105)	(6,346)
Cash and banks	6,035	9,914	4,028	5,458
Securities and derivative financial instruments	91	5	5	32
Other financial assets	4	4	9	12
Financial liabilities	(36,984)	(32,504)	(41,677)	(32,712)
Derivative financial instruments	(189)	(10)	(229)	(16)
Total net debt	(31,043)	(22,591)	(37,864)	(27,226)

Changes in consolidated equity at 31.12.2005 and 31.12.2007

The following table reports changes in consolidated equity between 31st December 2005 and 31st December 2007.

€/000	Share capital	Share premium	Treasury shares	OTHER RESERVES				RETAINED EARNINGS		TOTAL GROUP	EQUITY ATTRIBUTABLE TO MINORITY INTERESTS	TOTAL
				Legal reserve	Revaluation reserve	Cumulative translation adjustment	Other reserves	Retained earnings	Net profit of the period			
Balance at 31.12.2005	7,190	21,047	(28)	1,438	1,138	140	27,638	6,806	9,532	74,901	458	75,359
Change in translation reserve						(104)				(104)		(104)
Change in treasury shares			(499)							(499)		(499)
Payment of dividends							226	5,162	(9,532)	(4,144)	(46)	(4,190)
Other changes							(253)	253		0	6	6
Net profit for 2006									11,239	11,239	65	11,304
Balance at 31.12.2006	7,190	21,047	(527)	1,438	1,138	36	27,611	12,221	11,239	81,393	483	81,876
Change in translation reserve						175				175		175
Change in treasury shares			(989)							(949)		(949)
Payment of dividends								6,400	(11,239)	(4,839)	(42)	(4,881)
Other changes								(37)		(37)	9	(28)
Net profit at 30.09.07									15,294	15,294	65	15,359
Balance at 31.12.2007	7,190	21,047	(1,516)	1,438	1,138	211	27,611	18,624	15,294	91,037	515	91,552

Emak at 31st December 2007

Directors' report

4Q consolidated sales amounted to €45,747 thousand compared to €47,490 thousand reported in the same period of 2006, a decrease of 3.7%. The fall was due to the decrease in the sales of chainsaws which are concentrated in this period.

Consolidated sales for the full year 2007 grew by 4.5%, from €208,402 thousand to €217,849 thousand.

Sales in the year 2007 and in the prior year are broken down by product as follows:

€/000	31.12.07	%	31.12.06	%	% Change
Brushcutters	45,397	20.8%	39,948	19.2%	13.6%
Chainsaws	36,636	16.8%	38,645	18.5%	-5.2%
Lawnmowers	33,628	15.4%	33,114	15.9%	1.6%
Garden tractors	19,252	8.9%	16,940	8.1%	13.6%
Other products	59,233	27.2%	57,286	27.5%	3.4%
Spare parts and accessories	23,703	10.9%	22,469	10.8%	5.5%
Total	217,849	100%	208,402	100%	4.5%

With regards to product type, the increase in sales was driven by the brush cutters and by the garden tractors, both increasing by 13.6%. In general terms, all the grass-cutting products benefited in the past season from favourable weather conditions throughout Europe. The more limited increase registered for lawnmowers (1.6%) was caused by a fall in volumes of sales through modern distribution channels, compensated by a two-figure increase in sales in the traditional dealer segment. There was a fall of 5.2% in sales of chainsaws as a result of cyclic trends in the sector and of unfavourable weather conditions almost everywhere. Good growth was achieved for other products and for spare parts and accessories.

The geographical breakdown of sales is shown in the following table for both FY2007 and FY2006:

€/000	31.12.07	%	31.12.06	%	% Change
Italy	41,082	18.9%	40,872	19.6%	0.5%
Europe	145,217	66.6%	134,763	64.7%	7.8%
Rest of world	31,550	14.5%	32,767	15.7%	-3.7%
Total	217,849	100%	208,402	100%	4.5%

In terms of geographical area, growth was driven mainly by sales in the European market, particularly in East European countries.

Sales in the Italian market, which was affected by a much more serious macroeconomic situation than the rest of Europe as a whole, were stable.

With regards to sales in the Rest of the World, decreasing by 3.7%, the growth achieved in Latin America failed to compensate for the fall in sales in the Middle East.

Additional information

In accordance with the authorization of the Shareholder's Meeting of April 27th 2007, Emak S.p.A. has carried out purchases and sales of treasury shares on the market.

Emak S.p.A. held 108,849 treasury shares at 31st December 2006, worth €527 thousand. During the first quarter of 2007 all the treasury shares held in portfolio at the beginning of the financial year were sold, while the Company subsequently purchased 277,413 treasury shares, worth €1,516 thousand. As a result, at 31.12.2007 the Company held 277,413 treasury shares.

During the month of January, Emak S.p.A. purchased 5,500 treasury shares, worth €28 thousand, taking its total holding at 31 January 2008 to 282,913 such shares, worth €1,544 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 aforementioned 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 31st December 2006.

It should be noted that:

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

Scope of consolidation

No changes have been made to the scope of consolidation of Emak Group with respect to the 31st December 2006 group accounts.

Extraordinary transactions and events

The following operations were carried out during the 2007 financial year:

1. During the first quarter Emak S.p.A. sold an industrial building in Brescello (Reggio Emilia) for €800 thousand. This building had previously been classified under "assets held for sale". The capital gain on this sale, classified in "other operating incomes" amounted to €531 thousand.

2. The reform of the complementary social security system, introduced by Legislative Decree 252/2005 and subsequent modifications, has come into force.

As a result of this reform, starting from January 1st 2007, the funds for employee termination indemnities must be fully paid into a complementary security fund or into a Treasury Fund managed by

Inps (National Social Security Institute), following an accounting treatment already applied for social security contributions.

The termination indemnity, accrued until December 31st 2006, is still considered to all effects as a defined benefits plan, with the need to carry out actuarial projections.

In contrast with previous actuarial projections, as from June 2007 future wage increases have no longer been taken into consideration.

The projection, carried out by applying the new actuarial methodology, results in a profit of approximately €700 thousand.

This profit has been accounted for as a reduction in staff costs and is therefore included in the Group's operating income.

Balance sheet and financial position

1. Net non-current assets

During 2007 Emak Group invested € 8,652 thousand in property, plant and equipment and intangible assets as follows:

- € 2,188 thousand for product innovation;
- € 2,791 thousand for boosting production capacity and for process innovation;
- € 871 thousand for upgrading the computer network;
- € 2,697 thousand for completing and modernizing existing buildings and enlarging the plant in Pozzilli (Isernia);
- € 105 thousand for other investments in management infrastructure.

2. Net current assets

Net working capital has fallen by €1,772 thousand compared to the end of December 2006, down from €81,785 thousand to €80,013 thousand.

The chart below shows the changes in net working capital in 2007 compared to the previous year:

€/000	12 months 2007	12 months 2006
Net working capital at 01 January	81.785	66.419
increase/(decrease) in inventories	(1.996)	8.462
increase in trade receivables	531	2.419
increase in trade payables	77	5.170
other changes	(384)	(685)
Net working capital at 31 December	80.013	81.785

The decrease in net current assets in 2007 is mainly due to the reduction in inventories as a result of more efficient logistical management.

3. Equity

Total equity amounts to €91,552 thousand compared with €81,876 thousand at 31st December 2006. Earnings per share for the year are €0.554, up from €0.407 for last year.

4. Net financial position

Net debt decreased from €37,864 thousand at 31.12.2006 to €31,043 thousand at 31.12.2007. The improvement is mainly related to the lower working capital requirements and to the cash flow generated in the year.

Free cash flow from operations in 2007 was €20,877 thousand after tax, compared with €16,660 thousand last year. Free cash flow from operations in 4Q 2007 was €2,469 thousand after tax, compared with €2,727 thousand in the same period of 2006.

Besides the capital portions of loan repayments, long-term financial payables include finance lease instalments falling due after more than 12 months.

Short-term financial payables mainly consist of:

- overdrafts;
- loan repayments falling due by 31st December 2008;
- amounts due to other providers of finance falling due by 31st December 2008.

Income statement

1. EBITDA

Revenues increased by 4.5% in FY 2007 to €217,849 thousand, up from €208,402 in FY 2006. Revenues in 4Q 2007 amount to €45,747 thousand, compared with €47,490 thousand in the same quarter of last year, a decrease of 3.7%.

EBITDA improved by 20.2% in FY 2007 reaching €30,206 thousand, up from €25,127 thousand in FY 2006. EBITDA for 4Q 2007 amounts to €3,896 thousand compared with €3,987 thousand in the corresponding quarter of last year, a decrease of 2.3%.

The following factors contributed positively to the full year results:

- the increase in sales volumes
- the improvement in product mix;
- the capital gain from the sale of the industrial building in Brescello (Reggio Emilia), amounting to €531 thousand;
- the improvement in production efficiency.

Aggressive price policies applied by competitors has had a negative impact on the results.

The group's total number of employees amounted to 860 at 31st December 2007, compared with 863 at the end of December 2006 (the figure for 31 December set out in previous reports was 902, as the list included 39 temporary workers employed by the company, Emak Jiangmen).

2. EBIT

EBIT was €24,688 thousand in the full-year 2007, compared to €19,771 thousand in 2006, an increase of 24.9%

EBIT was €2,473 thousand in 4Q 2007 compared to €2,592 thousand in the same period of last year, a decrease of 4.6%.

3. Net profit

Net profit in the full-year 2007 grew to €15,359 thousand, up from €11,304 thousand for last year, an increase of 35.9%.

Net profit in 4Q 2007 decreased by 21.5% to €1,046 thousand, compared to the figure of €1,332 for 4Q 2006.

The result for financial operations in 2007 is linked to the increase in interest rates and to increased borrowing activities in the first part of the year.

The full-year 2007 tax rate of 32.8% was down from that of 39.2% in the full-year 2006, mainly due to differences in tax rules applied in the various countries where the group operates.

Subsequent events

On 15 January 2008 EMAK S.p.A. acquired from the holding company, Yama s.p.a., 100% of the shares in the company, BERTOLINI S.p.A., BERTOLINI S.P.A. sells products with the "Bertolini" and "Nibbi" trademarks, and is one of the *leaders* in the market for the production and sale of walking tractors, power motors, motor hoes, transporters and other machines for small-scale farming and gardening. Through this operation, Gruppo EMAK will expand its current operations in terms of size, production and income in associated and synergetic sectors.

The consideration for the acquisition of the shareholding amounts to €6,500 thousand, which was paid by Emak S.p.A. at the same time as the transfer of shares.

The estimated net worth (shareholders' equity) of Bertolini S.p.A at 31 December 2007 amounted to around €4,400 thousand.

For further information, reference should be made to the relevant informative document filed in the registered office, on the Emak S.p.A. website, and filed with the Italian Stock Exchange.

Business outlook

An increase in turnover was achieved in 2007 together with a significant increase in profits.

The Business Plan for 2008 foresees a continuation in the growth trend, both in terms of turnover and margins. The main driving factors of growth are expected to be the launch of new products and the strengthening of marketing operations in the distribution network.

The acquisition of Bertolini S.p.A. forms part of the corporate strategy to foster development of the business also in external lines, with important industrial and commercial synergies.

The general economic situation, the level of inventories held within the distribution network, weather conditions, the price of raw materials and the general competitive situation are all external factors which may affect the achievement of our objectives.

Bagnolo in Piano (RE), 14th February 2008

On behalf of the Board of Directors

Chairman

Giacomo Ferretti



Member of the Yama group
Via Fermi, 4 – 42011 Bagnolo in Piano (REGGIO EMILIA) ITALY
Tel. 0522 956611 - Fax: 0522 961555
EMAIL: frovesti@emak.it
INTERNET: <http://www.emak.it>

STATEMENT

Subject: Quarterly report at 31st December 2007.

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

CERTIFY

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

that to the best of my knowledge, the Quarterly Report at 31st December 2007, examined and approved today by the Board of Directors of the company, corresponds with the accounting documents, ledgers and records,

Yours faithfully,

Bagnolo in Piano (RE), 14th February 2008

Aimone Burani
executive in charge
of preparing the accounting statements