

Quarterly Report at 31.03.2010

Emak Group Financial Highlights

Income statement (€/000)

Year 2009		1Q 2010	1Q 2009
194,925	Net sales	63,117	58,849
21,655	EBITDA (1)	11,624	8,659
14,855	EBIT	9,817	6,826
9,426	Net profit	7,084	3,902

Investment and free cash flow (€/000)

Year 2009		1Q 2010	1Q 2009
7,920	Investments in property, plant and equipment	478	2,550
524	Investments in intangible assets	111	89
16,226	Free cash flow from operations (2)	8,891	5,735

Balance sheet (€/000)

31.12.2009		31.03.10	31.03.09
142,581	Net capital employed	159,450	188,178
(37,950)	Net debt	(46,148)	(84,955)
104,631	Total equity	113,302	103,223

Other statistics

Year 2009		1Q 2010	1Q 2009
11.1%	EBITDA / Net revenues (%)	18.4%	14.7%
7.6%	EBIT / Net revenues (%)	15.6%	11.6%
4.8%	Net profit / Net revenues (%)	11.2%	6.6%
10.4%	EBIT/ Net capital employed (%)	6.2%	3.6%
0.36	Debt / Equity	0.41	0.82
908	Number of employees at period end	891	983

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

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

Consolidated financial statements

Income statement

FY 2009	€/000	1Q 2010	1Q 2009
194,925	Sales	63,117	58,849
1,934	Other operating income	2,564	548
(19,997)	Change in inventories	1,809	(3,339)
(93,457)	Raw and consumable materials and goods	(36,948)	(30,096)
(29,790)	Salaries and employee benefits	(8,926)	(8,105)
(31,960)	Other operating costs	(9,992)	(9,198)
(6,800)	Amortization, depreciation and impairment losses	(1,807)	(1,833)
14,855	Ebit	9,817	6,826
499	Financial income	303	188
(2,739)	Financial expenses	(698)	(992)
151	Exchange gains and losses	558	(568)
12,766	EBT	9,980	5,454
(3,340)	Income taxes	(2,896)	(1,552)
9,426	Net profit	7,084	3,902
(43)	(Profit)/loss attributable to minority interests	(14)	(17)
9,383	Net profit attributable to the group	7,070	3,885
0.344	Basic earnings per share	0.259	0.142
0.344	Diluted earnings per share	0.259	0.142

Comprehensive income statement

FY 2009	€/000	1Q 2010	1Q 2009
9,426	Net profit (A)	7,084	3,902
(163)	Change in reserve for differences of conversion	1,587	(63)
(163)	Total other components to be included in the comprehensive income statement (B):	1,587	(63)
9,263	Comprehensive net profit (A)+(B)	8,671	3,839
(43)	Comprehensive net profit attributable to minority interests	(14)	(17)
9,220	Comprehensive net profit attributable to the Group	8,657	3,822

Schedule showing consolidated assets-liabilities-financial situation

ASSETS			
31.12.2009	€/000	31.03.2010	31.03.2009
	Non-current assets		
52,437	Property, plant and equipment	52,135	52,603
2,954	Intangible assets	2,937	3,235
10,139	Goodwill	10,653	9,583
0	Investment property	0	127
224	Equity investments	224	224
3,231	Deferred tax assets	3,130	3,595
904	Other receivables	907	851
69,889	Total	69,986	70,218
	Non-current assets held for sale		
108	Assets held for sale	0	0
108	Total	0	0
	Current assets		
69,389	Inventories	72,035	86,379
57,710	Trade and other receivables	86,326	97,037
2,940	Current tax assets	1,123	797
1	Other financial assets	0	4
433	Derivative financial instruments	584	379
7,331	Cash and cash equivalents	4,598	4,181
137,804	Total	164,666	188,777
207,801	TOTAL ASSETS	234,652	258,995
EQUITY AND LIABILITIES			
31.12.2009	€/000	31.03.2010	31.03.2009
	Capital and reserves		
7,190	Share capital	7,190	7,190
21,047	Share premium	21,047	21,047
(2,029)	Treasury shares	(2,029)	(2,013)
30,013	Other reserves	31,600	29,991
47,872	Retained earnings	54,942	46,465
104,093	Total Group	112,750	102,680
538	Minority interests	552	543
104,631	Total equity	113,302	103,223
	Non-current liabilities		
31,432	Loans and borrowings	30,053	36,572
2,912	Deferred tax liabilities	3,456	2,845
4,902	Post-employment benefits	4,851	5,031
671	Provisions	688	655
1,813	Other non-current liabilities	1,735	2,021
41,730	Total	40,783	47,124
	Current liabilities		
44,991	Trade and other payables	55,664	51,904
1,822	Current tax liabilities	3,259	3,475
13,754	Loans and borrowings	20,296	52,672
529	Derivative financial instruments	981	275
344	Provisions	367	322
61,440	Total	80,567	108,648
207,801	TOTAL EQUITY AND LIABILITIES	234,652	258,995

Consolidated net debt

(€/000)	31.03.2010	31.12.2009	31.03.2009	31.12.2008
Cash and banks	4,598	7,331	4,181	4,306
Securities and derivative financial instruments	584	433	379	317
Other financial assets	0	1	4	24
Financial liabilities	(20,296)	(13,754)	(52,672)	(39,586)
Derivative financial instruments	(981)	(529)	(275)	(139)
Short-term net debt	(16,095)	(6,518)	(48,383)	(35,078)
Financial liabilities	(30,053)	(31,432)	(36,572)	(26,728)
Long-term net debt	(30,053)	(31,432)	(36,572)	(26,728)
Cash and banks	4,598	7,331	4,181	4,306
Securities and derivative financial instruments	584	433	379	317
Other financial assets	0	1	4	24
Financial liabilities	(50,349)	(45,186)	(89,244)	(66,314)
Derivative financial instruments	(981)	(529)	(275)	(139)
Total net debt	(46,148)	(37,950)	(84,955)	(61,806)

Changes in consolidated equity

The following table reports changes in consolidated equity between 31st December 2008 and 31st March 2010.

€/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 31.12.2008	7,190	21,047	(1,979)	1,438	1,138	(133)	27,611	27,747	14,822	98,881	526	99,407
Change in treasury shares			(50)							(50)		(50)
Payment of dividends								10,733	(14,822)	(4,089)	(31)	(4,120)
Other changes							122	9		131		131
Net profit for 2008						(163)			9,383	9,220	43	9,263
Balance at 31.12.2009	7,190	21,047	(2,029)	1,438	1,138	(296)	27,733	38,489	9,383	104,093	538	104,631
Change in treasury shares										0		0
Profit reclassification								9,383	(9,383)	0		0
Other changes										0		0
Net profit						1,587			7,070	8,657	14	8,671
Balance at 31.03.2010	7,190	21,047	(2,029)	1,438	1,138	1,291	27,733	47,872	7,070	112,750	552	113,302

Comments on the financial statements

This quarterly consolidated report has been prepared in accordance with International Financial Reporting Standards (IFRS) and in compliance with article 154-*ter* ("Financial Reports") of the Consolidated Finance Act, introduced by legislative decree 195/2007.

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 2009.

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

There has been no variation in the scope of consolidation. compared to 31 December and 31 March 2009.

Significant, non-recurring transactions or atypical, unusual transactions

- On 29 January 2010 the deed of sale was signed for the sale of a property situated in Bagnolo in Piano (RE), previously leased to a company in the Yama Group, for a consideration of € 2,400 thousand. On the same date, Emak received € 2,160 in settlement of the agreed price (a 10% deposit had been received in September 2009), giving rise to a capital gain of € 2,215 thousand.
- On 22 March 2010 the parent company, Emak S.p.a., converted trade receivables due from the subsidiary, Emak USA Inc., into reserve for future increases in share capital for US\$ 500,000, equivalent to € 371 thousand.

Treasury shares

At 31.12.2009 Emak S.p.A. held 397,233 treasury shares, worth € 2,029 thousand.

From 01.01.2010 to 31.03.2010 no treasury shares were purchased or sold by Emak S.p.A., and therefore its total holding and the relative value are unchanged compared to 31 December 2009.

DIRECTORS' REPORT

Signs of a global recovery are unevenly distributed: they are quite weak in many advanced economies, but much more evident in most emerging and developing economies. Among the advanced economies, the recovery has been stronger in the USA than in Europe and Japan. Asia leads the recovery in emerging and developing countries. Growth is also strengthening in key countries in Latin America, but continues to be sluggish in many countries in East Europe.

Income Statement

1. Sales

After a year characterised by the economic crisis, which affected sales in all segments, the 2010 financial year opened with a generalised recovery, mainly linked to the replenishment of stocks by the distribution network.

1Q consolidated sales amounted to € 63,117 thousand compared to € 58,849 thousand in the same period of 2008, an increase of 7.3%.

The following table shows the breakdown by segment of the sales in the first quarter 2010 and in the same period of the previous year.

€/000	31.03.2010	%	31.03.2009	%	% Change
Agriculture & Forestry	17,907	28.4%	15,887	27.0%	12.7%
Construction & Industry	2,937	4.6%	1,342	2.2%	118.9%
Lawn & Garden	35,660	56.5%	34,582	58.8%	3.1%
Spare parts & Accessories	6,613	10.5%	7,038	12.0%	-6.0%
Total	63,117	100%	58,849	100%	7.3%

In the *Agriculture and Forestry* segment there was a recovery of sales of products used in forestry activities and a steady growth in demand for products used for land cultivation.

Sales in the *Construction and Industry* segment benefitted from the good results obtained by the new line of products launched on the market towards the end of the previous financial year.

In the *Lawn and Gardening* segment, worth noting is the positive performance of portable products and the fall in "driven" products.

The *Spare Parts and Accessories* segment recorded a fall in sales, mainly due to the delay in the start of the spring season and to the gradual start-up of the new logistics centre.

The geographical breakdown of sales is shown in the following table for both 1Q 2010 and 1Q 2009:

€/000	31.03.2010	%	31.03.2009	%	% Change
Italy	12,115	19.2%	13,555	23.0%	-10.6%
Europe	39,299	62.3%	38,604	65.6%	1.8%
Rest of world	11,703	18.5%	6,690	11.4%	74.9%
Total	63,117	100%	58,849	100%	7.3%

The fall in sales in the Italian market was caused by the divestment of a line of products linked to the OEM business, while the core business remained stable at the same levels as in the first quarter of 2009.

In Europe, there was a slight recovery in West European countries and a fall in a number of East European countries. Sales in Russia grew compared to the same period in the previous year. Sales in the Rest of the World were driven by the excellent performance in the Turkish market and by the recovery in leading emerging markets.

2. EBITDA

EBITDA for 1Q 2010 amounts to € 11,624 thousand compared with € 8,659 thousand in the corresponding quarter of last year, an increase of 34.2% (8.7% excluding the capital gain from the sale of property).

The figure for the period has been boosted by:

- the increase in sales volumes;
- product mix;
- the capital gain from the sale of property.

The following factors had a negative effect on the figure:

- the increase in operating costs due to the higher sales and production volumes;
- the increase in personnel costs, determined by the geographical location of the most heavily utilised production plants

The Group's average number of employees, including temporary workers, was 1,127 compared to 1,139 in the same period of last year.

Ebitda as a percentage of revenues passed from 14.7% at 31 March 2009, to 18.4% at 31 March 2010 (14.9% excluding the capital gain from the sale of property).

3. EBIT

EBIT in 1Q 2010 amounted to € 9,817 thousand, against € 6,826 thousand in 1Q 2009, an increase of 43.8% (11.4% not considering the capital gain from the sale of property).

Depreciation and amortization are € 1,807 thousand, in line with the first quarter 2009.

EBIT as a percentage of sales goes from 11.6% to 15.6% (12% excluding the capital gain from the sale of property).

Non-annualized EBIT as a percentage of net invested capital has gone from 3.6% at 31 March 2009, to 6.2% at 31 March 2010 (4.8% excluding the capital gain from the sale of property).

4. Net profit

Net profit in 1Q 2010 amounts to € 7,084 thousand compared to € 3,902 of the corresponding period of last year, an increase of 81.5%.

The financial result has improved thanks to the reduction in interest rates, the decrease in the net passive financial position and the favourable trend in currencies compared to the same period of last year.

The tax rate of 29% is in line compared to the 28.5% of the same period of last year.

Balance sheet and financial position

1. Net non-current assets

During 1Q 2010 Emak Group invested €589 thousand in property, plant and equipment and intangible assets, as follows:

- € 229 thousand for product innovation;
- € 195 thousand for adjustment of production capacity and for process innovation;
- € 56 thousand for upgrading the computer network;
- € 90 thousand for adjustment of industrial buildings;
- € 19 thousand for other managerial working investments.

Investments broken down by geographical area are as follows:

- € 308 thousand in Italy;
- € 72 thousand in Europe;
- € 209 thousand in the Rest of the World.

2. Net working capital

Net working capital was € 17,314 thousand higher than at the end of December 2009, up from € 82,881 thousand to € 100,195 thousand, reflecting the following changes:

€/000	1Q 2010	1Q 2009
Net working capital at 01 January	82,881	103,199
increase/(decrease) in inventories	2,646	(2,880)
increase in trade receivables	28,026	24,388
increase in trade payables	(10,834)	7,087
other changes	(2,524)	(3,282)
Net working capital at 31 March	100,195	128,512

The trend of the net working capital is consistent with the seasonality of the sales.

3. Equity

Total equity amounts to € 113,302 thousand compared with € 104,631 thousand at 31st December 2009. Earnings per share for the first quarter 2010 are € 0.259, down from € 0.142 for the same period of last year.

4. Net financial position

Net debt increased from € 37,950 thousand at 31.12.2009 to € 46,148 thousand at 31.03.2010. The increase is mainly attributable to the increase of the net working capital.

Free cash flow from operations was € 8,891 thousand after tax, compared with € 5,735 thousand in the same period of last year.

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 31.03.2011;
- amounts due to other providers of finance falling due by 31.03.2011.

Business outlook

The macroeconomic outlook for 2010 is that of a general recovery at a global level. The situation however, remains uncertain, especially considering the risks associated with the growth in public debt in the advanced economies.

In the first quarter, the sector in which the Group operates was characterised by a cautious replenishment of stocks by the distribution network, given the uncertainty of the general economic situation and the late start to the spring season, which will lead to a shift of sales by retailers into the second quarter.

Considering the results achieved in this first part of the year, the improvement in competitive scenario and the launch of new products, the Group confirms its forecast for 2010 of an increase in turnover of around 3-5%.

The risks that could hinder the achievement of these results are mainly external factors, such as the general economic trend, rises in raw material costs, currency trends and weather conditions.

Pozzilli (IS), 14 May 2010

On behalf of the Board of Directors

Chairman

Fausto Bellamico

STATEMENT

Subject: Quarterly report at 31st March 2010.

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 March 2010, examined and approved today by the Board of Directors of the company, corresponds with the accounting documents, ledgers and records,

Yours faithfully,

Pozzilli (IS), 14th May 2010

Aimone Burani
executive in charge
of preparing the accounting statements