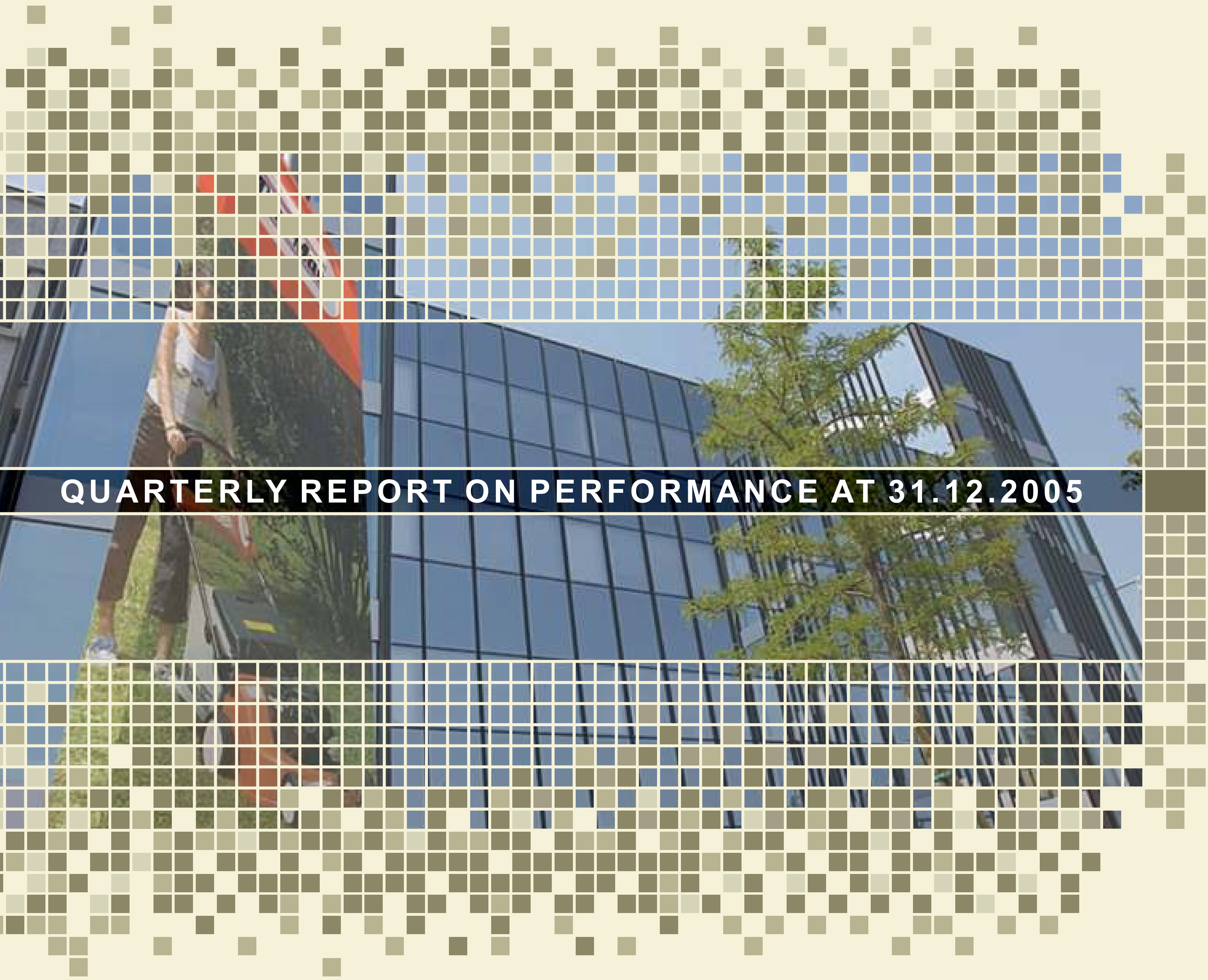
GARDENING TECHNOLOGY



QUARTERLY REPORT ON PERFORMANCE AT 31.12.2005

Oleo-Mac efco DYNAMAC

Emak®

MEMBER OF THE YAMA GROUP

Quarterly report on performance at December 31st, 2005

Consolidated financial highlights

Income statements *(€ / 000)*

	IV quarter 2005	IV quarter 2004	year 2005	year 2004
Net sales	40,661	39,408	183,446	162,785
Ebitda	2,108	4,097	22,093	22,095
Ebit	682	2,580	16,852	16,570
Net profit	351	1,030	9,445	8,832

Investment and free cash flow *(€ / 000)*

	IV quarter 2005	IV quarter 2004	year 2005	year 2004
Investment in property, plant and equipment	2,041	1,359	5,939	6,779
Investment in intangible assets	388	114	1,129	933
Free cash flow from operations	1,777	2,547	14,686	14,357

Balance sheet *(€ / 000)*

	31.12.2005	31.12.2004
Net capital employed	101,063	86,022
Net debt	(25,863)	(16,522)
Total equity	75,200	69,500

Other data

	IV quarter 2005	IV quarter 2004	year 2005	year 2004
Ebitda / Sales *(%)*	5.2%	10.4%	12.0%	13.6%
Ebit / Sales *(%)*	1.7%	6.5%	9.2%	10.2%
Net profit / Net sales *(%)*	0.9%	2.6%	5.1%	5.4%
Ebit / Net Capital employed *(%)*			16.7%	19.3%
Debt / Equity			0.34	0.24
Number of employees at period end			850	634

Segment information

(€ / 000)	Sales		Total assets		Investment in fixed assets	
	year 2005	year 2004	31.12.2005	31.12.2004	year 2005	year 2004
Italy	40,435	36,929	108,516	108,555	3,504	7,052
Europe	114,822	100,785	54,052	36,643	564	401
Rest of the world	28,189	25,071	6,817	1,397	3,000	259
Total	**183,446**	**162,785**	**169,385**	**146,595**	**7,068**	**7,712**

Consolidated financial statements: Balance Sheet

Assets *(€ / 000)*

	31.12.2005	31.12.2004
Non-current assets		
Tangible assets	32,517	30,952
Goodwill	6,305	0
Intangible assets	3,018	1,879
Investment property	399	287
Equity investments	223	223
Deferred income tax assets	2,576	2,178
Other financial assets	0	19
Trade and other receivables	63	111
Total	**45,101**	**35,649**
Non-current assets held for sale		
Assets held for sale	269	267
Total	**269**	**267**
Current assets		
Inventories	59,788	50,623
Trade and other receivables	56,991	55,795
Current income tax assets	3,002	1,775
Other financial assets	19	25
Financial derivative instruments	11	0
Marketable securities at fair value	99	256
Cash and banks	4,105	5,205
Total	**124,015**	**110,679**
TOTAL ASSETS	**169,385**	**146,595**

Equity and Liabilities *(€ / 000)*

	31.12.2005	31.12.2004
Capital and reserves		
Issued capital	7,190	7,190
Share premium	21,047	21,047
Treasury shares	(28)	(47)
Other reserves	30,354	26,243
Retained earnings	16,175	14,621
Total	**74,738**	**69,054**
Minority interests	**462**	**446**
Total equity	**75,200**	**69,500**
Non-current liabilities		
Long-term loans and borrowings	7,172	9,454
Deferred income tax liabilities	2,612	2,243
Employee benefits	5,986	5,402
Provisions for liabilities and charges	359	247
Other non-current liabilities	2,132	995
Total	**18,261**	**18,341**
Current liabilities		
Trade and other payables	49,708	44,401
Current income tax liabilities	2,674	1,539
Short-term loans and borrowings	22,884	12,461
Short-term derivative financial instruments	41	112
Provisions for liabilities and charges	617	241
Total	**75,924**	**58,754**
TOTAL EQUITY AND LIABILITIES	**169,385**	**146,595**

Consolidated financial statements:
Income Statement

(€ / 000)

	IV quarter 2005	IV quarter 2004	year 2005	year 2004
Revenues	40,661	39,408	183,446	162,785
Other operating revenues	598	670	1,588	1,355
Change in inventories	7,724	4,377	8,765	4,422
Raw and consumable materials	(30,871)	(27,644)	(114,267)	(97,926)
Payroll costs	(6,997)	(6,207)	(25,791)	(22,720)
Other operating costs	(9,007)	(6,507)	(31,648)	(25,821)
Amortization and depreciation	(1,426)	(1,517)	(5,241)	(5,525)
EBIT	**682**	**2,580**	**16,852**	**16,570**
Financial income	359	96	658	427
Financial expenses	(451)	(386)	(1,419)	(1,403)
Exchange gain and losses	527	(118)	563	(169)
EBT	**1,117**	**2,172**	**16,654**	**15,425**
Income taxes	(766)	(1,142)	(7,209)	(6,593)
Net profit	**351**	**1,030**	**9,445**	**8,832**
Profit / Loss attributable to minority interest	**(12)**	**20**	**(76)**	**(91)**
Net profit attributable to the Group	**339**	**1,050**	**9,369**	**8,741**
Basic earnings per share	**0.01**	**0.04**	**0.34**	**0.32**

Consolidated financial statements: Changes in consolidated equity

The following table shows the changes in consolidated equity at December 31st 2004 and at December 31st 2005:

(€ / 000)

	Share capital	Share premium	Treasury shares	Other reserves: Legal reserve	Other reserves: Revaluation reserve
Total at 31.12.2003	**7,190**	**21,047**	**(72)**	**1,438**	**1,138**
Changes in translation reserve					
Sale of treasury reserve			25		
Distribution of dividends					
Change arising from hedging transactions					
Other changes					
Net profit for 2004					
Total at 31.12.2004	**7,190**	**21,047**	**(47)**	**1,438**	**1,138**
Changes in translation reserve					
Sale of treasury reserve			19		
Distribution 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**

Other reserves			Retained earnings/accumulated losses				
Reserve for hedging instruments	Cumulative translation adjustment	Other reserves	Retained earnings / accumulated losses	Net profit for the period	Total Group	Equity attributable to minority interests	Total
(121)	**4**	**19,704**	**13,864**		**64,192**	**674**	**64,866**
	(63)				**(63)**		**(63)**
			19		**44**		**44**
		3,997	(8,003)		**(4,006)**	(52)	**(4,058)**
48					**48**		**48**
		98			**98**	(267)	**(169)**
				8,741	**8,741**	91	**8,832**
(73)	**(59)**	**23,799**	**5,880**	**8,741**	**69,054**	**446**	**69,500**
	199				**199**		**199**
			30		**49**		**49**
		3,839	892	(8,741)	**(4,010)**	(58)	**(4,068)**
73					**73**		**73**
			4		**4**	(2)	**2**
				9,369	**9,369**	76	**9,445**
0	**140**	**27,638**	**6,806**	**9,369**	**74,738**	**462**	**75,200**

Consolidated financial statements: Net financial position

(€ / 000)

	31.12.2005	31.12.2004	30.09.2005
Short-term:			
Cash and banks	4,105	5,205	13,419
Financial credit	110	256	30
Other financial credit	19	25	21
Financial debt	(22,884)	(12,461)	(18,507)
Other financial debt	(41)	(112)	(9)
Net financial position at short	**(18,691)**	**(7,087)**	**(5,046)**
Medium/long term:			
Cash and banks	0	0	0
Financial credit	0	0	0
Other financial credit	0	19	4
Financial debt	(7,172)	(9,454)	(3,871)
Other financial debt	0	0	0
Net financial position at medium/long	**(7,172)**	**(9,435)**	**(3,867)**
Total:			
Cash and banks	4,105	5,205	13,419
Financial credit	110	256	30
Other financial credit	19	44	25
Financial debt	(30,056)	(21,915)	(22,378)
Other financial debt	(41)	(112)	(9)
Total net financial position	**(25,863)**	**(16,522)**	**(8,913)**

Directors' report

Emak's fourth quarter consolidated sales came in at €40,661 thousand, an improvement of 3.2% on the figure of €39,408 thousand reported in the same period of 2004.
Consolidated sales for the full year (FY 2005) increased by 12.7% from €162,785 thousand to €183,446 thousand.

Sales in FY 2005 are broken down by product as follows:

(€ / 000)

	FY 2005	%	FY 2004	%	% change
Brushcutters	33,594	18.3	31,282	19.2	7.4
Chainsaws	36,992	20.2	34,752	21.3	6.4
Lawnmowers	29,051	15.8	21,614	13.3	34.4
Garden tractors	14,936	8.2	12,559	7.7	18.9
Other products and services	46,985	25.6	41,826	25.7	12.3
Sapre parts and accessories	21,888	11.9	20,752	12.8	5.5
Total	**183,446**	**100.0**	**162,785**	**100.0**	**12.7**

Volumes were higher for all product ranges; sales of lawnmowers and garden tractors were particularly strong thanks to the prolonged spell of fine weather. However, since these products carry lower-than-average margins, the increase in their sales created a worse product mix.

The geographical breakdown of sales is shown in the following table for both FY 2005 and FY 2004:

(€ / 000)

	FY 2005	%	FY 2004	%	% change
Italy	40,435	22.0	36,929	22.7	9.5
Europe	114,822	62.6	100,785	61.9	13.9
Rest of the world	28,189	15.4	25,071	15.4	12.4
Total	**183,446**	**100.0**	**162,785**	**100.0**	**12.7**

Sales on the domestic market were 9.5% higher at €40,435 thousand.

The European countries where Emak operates directly with its own trading companies, especially France and Germany, turned in a good sales performance thanks to investment in the distribution network. Demand in Eastern Europe continued to be strong.

Sales were up in the rest of the world, particularly thanks to the rebound reported in Turkey and South America. Sales in North America also recovered.

Additional information

In accordance with the related authorization by shareholders, Emak S.p.A. 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 December 31st 2005, compared with 21,968 such shares a year earlier.

Emak purchased 7,000 treasury shares between January 1st 2005 and December 31st 2005 and sold 22,969 such shares over the same period, leaving 6,000 shares in its portfolio at the end of 2005.

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.

As regards these accounting standards, please refer to the Appendix attached to the Half-year report at June 30th 2005 for details of the accounting policies adopted by the group for preparing its financial statements and the reconciliations of equity and net profit at the transition date (January 1st 2004) and at December 31st 2004.

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.

Change in scope of consolidation

Further to agreements already signed, on October 11th 2005 the parent company Emak S.p.A. purchased 100% of the shares in Victus Eco Sp. z o.o., a Polish company with registered office in Poznan (Poland) for total consideration inclusive of incidental expenses of Zloty 3,789,000 (corresponding to €978 thousand).

This company's equity amounted to Zloty 61,403 (€16 thousand) at the date of acquisition.
The difference between the purchase price and the company's equity has been recognised as goodwill.

This company has been consolidated as from the date of acquisition.
The group's consolidated income statement includes the results covering the period between the date of acquisition and the year end.

Extraordinary transactions and events

1. Purchase of Victus IT business

On November 22nd 2005 Victus Eco Sp. z o.o. purchased the business of Victus International Trading SA, a Polish company which operates in the gardening and forestry sector.

The total cost of this acquisition is shown in the following table:

(€ / 000)

	Book value	Fair value adjustments	Fair value of assets acquired
Property, plant, equipment	66	125	191
Intangible assets	2	718	720
Inventories	1,883	(43)	1,840
Trade receivables	398		398
Trade payables	(1,001)		(1,001)
Total net assets acquired	**1,348**	**800**	**2,148**
Goodwill			**5,182**
Purchase price			**7,330**

As provided by the acquisition agreement, 80% of the consideration was paid in cash on the date of acquisition, while the remaining 20% will be paid in 2008.

In the last full financial year in which they operated under normal trading conditions (from August 2004 to July 2005), the Polish company Victus Eco Sp. z o.o. and the business acquired from Victus International Trading SA had estimated sales of around Zloty 66,000 thousand, (€17,000 thousand), and estimated net profit of about Zloty 3,700 thousand (€959 thousand).

The goodwill arising from the acquisition of Victus Eco Sp. z o.o. and the business of Victus International Trading SA is attributable to the higher earnings that the group is expected to achieve on the Polish market in coming years as a result of increased sales and margins.

2. Termination of distribution agreement for US market

In December 2005 the group terminated its distribution agreement with the US importer Tilton Equipment Company.

Under the terms agreed, starting from July 2006 Emak will have its own structure for distributing its products on the North American market.

Emak has entered into this agreement with the goal of making the most of all the opportunities offered by the North American market, the world's largest for gardening and forestry products.

The termination of the agreement has involved paying an indemnity of USD 1.5 million (around €1.3 million).

Management believes that this cost will be quickly recovered thanks to the opportunities available through operating directly on such an important market.

3. Termination of distribution agreement with Yanmar in France and Germany

During the last quarter of 2005 Yanmar, a Japanese manufacturer of power products, proposed terminating its longstanding distribution agreement with Emak for the distribution of Yanmar products on the German and French markets.

The Emak Group has received an indemnity of €500,000 as a result of this agreement's termination.

This event will not harm the Emak Group's future profitability since it has replaced the products supplied by Yanmar with those of other suppliers.

4. Ruling by Tax Commission on tax assessment for fiscal years 1984-1985 and 1985-1986

The Central Tax Commission issued its rulings in the last quarter of 2005 on the assessments for fiscal years 1984-1985 and 1985-1986 received by the parent company Emak S.p.A.. The Commission confirmed most of the previous decisions expressed in the first and second levels of appeal, which were all the taxpayer's favour. It partially disallowed a few minor points to Emak's detriment.

The amount of the liability provided in the current financial report fully reflects the decisions by the Central Tax Commission for both fiscal years concerned, and totals €255 thousand (inclusive of additional tax, interest and penalties). Emak S.p.A. is nonetheless considering whether or not to mount a challenge in the Court of Appeal to the unfavourable part of this ruling.

5. Tax audit of fiscal year 2002

During the last quarter of 2005, the Reggio Emilia Tax Office carried out a partial audit of the parent company Emak S.p.A. with regard to IRPEG (corporate income tax), IRAP (regional business tax) and VAT in fiscal year 2002.

The results of the audit ended up with the issue of a report, whose findings will be reflected in an assessment, subject to discussion with the company. The resulting liability will not reasonably exceed the sum of €95 thousand, corresponding to the amount recognised as a provision.

If the Tax Office fails to accept the valid reasons of the taxpayer and confirms the tax claim in whole or in part, Emak would nonetheless consider appealing to the Tax Commission.

Balance sheet and financial position

1. Net non-current assets

During FY 2005 Emak Group invested €7,068 thousand in property, plant and equipment and intangible assets (ignoring the investment in the Victus IT business described earlier) as follows:

- €1,842 thousand for product innovation (mainly analyses, research and equipment for new products);
- €1,013 thousand for boosting production capacity and for process innovation;
- €1,232 thousand for upgrading the computer network and other investments in management infrastructure;
- €2,981 thousand for modernizing and completing existing buildings and constructing the new factory in China.

2. Net current assets

Net current assets were €7,770 thousand higher than at the end of December 2004, up from €59,012 thousand to €66,782 thousand; this increase reflected the following changes:

• increase in inventories	€	9,165	thousand
• increase in trade receivables	€	4,128	thousand
• decrease in net tax payables	€	93	thousand
• increase in trade payables	€	(4,201)	thousand
• increase in provisions for liabilities and charges	€	(376)	thousand
• increase in other receivables	€	66	thousand
• increase in other payables	€	(1,105)	thousand

The increase in net current assets since the end of last year reflects the higher volume of production and sales, as well as the first-time consolidation of a new company and the start of production at the Chinese plant.

3. Equity

Total equity was €75,200 thousand at the end of 2005 compared with €69,500 thousand a year earlier.

Earnings per share were €0.34 at December 31st 2005 up from €0.32 in the prior year.

4. Net debt

Net debt increased from €16,522 thousand at December 31st 2004 to €25,863 thousand at December 31st 2005. Improvements in operating cash flow were not enough to absorb the substantial outflows required for investment activity in 2005, particularly in the last quarter.

Free cash flow from operations was €14,686 thousand after tax, compared with €14,357 thousand in the prior year.

Long-term financial payables include not only the non-current portion of loan repayments but also the principal portion of finance leases falling due after more than 12 months.

Short-term financial payables mainly consist of:

- overdrafts;
- loan repayments falling due by December 31st 2006;
- amounts due to other providers of finance falling due by December 31st 2006.

Income statement

1. EBITDA

Revenues increased by 12.7% in FY 2005 to €183,446 thousand, up from €162,785 thousand in FY 2004. Revenues in the fourth quarter of 2005 (4Q 2005) were 3.2% higher at €40,661 thousand, up from €39,408 thousand in the corresponding quarter of 2004.

Ebitda amounted to €22,093 thousand in FY 2005 compared with €22,095 thousand in the previous year. Ebitba came to €2,108 thousand in 4Q 2005, down from €4,097 thousand in the corresponding quarter of 2004. Ebitda represented 12% of revenues, compared with 13.6% in 2004.

The results for the year benefited from higher sales volumes even if the product mix was worse.

The following factors all contributed negatively to results:

- a general increase in the cost of raw materials, leading to an overall rise in the cost of components, only partially offset by more efficient purchasing;
- an increase in payroll costs due to a rise in both average headcount and salaries;
- the costs incurred for starting up production at the Chinese plant;
- an increase in commercial and transportation costs, both associated with higher sales volumes.

A number of extraordinary items negatively affected the 4Q 2005 and FY 2005 results, in particular:

- Emak's payment of a contract termination indemnity of around €1,300 thousand to the US distributor Tilton, as offset by €500 thousand in indemnity received from Yanmar which terminated its distribution agreement with Emak for the distribution of its products in France and Germany.
- the recognition of around €400 thousand in provisions for the tax assessments described earlier;
- losses of €200 thousand for the quarter by the new Polish company attributable to start up.

The group's total number of employees amounted to 850 at December 31st 2005, compared with 634 at the end of 2004; the increase of 216 was mainly attributable to:

- 65 additional staff as a result of consolidating the Polish company Victus Eco Sp. z o.o.;
- 114 new staff for the start of production by the Chinese manufacturing company Emak Outdoor Co Ltd.;
- 35 new staff to support increased production at Comag S.r.l.

2. EBIT

Ebit was €16,852 thousand in FY 2005, corresponding to 9.2% of revenues, compared with €16,570 thousand in FY 2004, corresponding to 10.2% of revenues. Ebit was €682 thousand in 4Q 2005, corresponding to 1.7% of revenues, compared with €2,580 thousand in 4Q 2004, corresponding to 6.5% of revenues.

3. Net profit

Net profit for 2005 was €9,445 thousand, corresponding to 5.1% of revenues, compared with €8,832 thousand in the prior year, corresponding to 5.4% of revenues. Net profit in 4Q 2005 was €351 thousand, corresponding to 0.9% of revenues, compared with €1,030 thousand in 4Q 2004, corresponding to 2.6% of revenues.

Net financial income and expense improved relative to the prior year thanks to activities associated with the trend in exchange rates.

The tax rate climbed from 42.7% in 2004 to 43.3% in 2005, reflecting the absence of certain tax breaks allowed under previous tax legislation and the different distribution of taxable profit between the various countries where the Emak Group operates.

Subsequent events

The shareholders of the Polish company Victus Eco Sp. z o.o. voted on January 24th 2006:

- to increase its share capital by Zloty 9,997,500.
- to change the company name to Victus Emak Sp.z o.o.
- to adopt new articles of association.

Business outlook

FY 2006 has started with positive indications in terms of sales performance.

Orders are around 15% higher than in 1Q 2005.

While not wanting to underestimate the ever-more competitive environment in our sector, we believe that 2006 will benefit from the significant investments made in the recent past designed to strengthen the distribution network and to launch new, competitive products on the market.

Bagnolo in Piano (RE), February 14th 2006

on behalf of the Board of Directors

Chairman

Giacomo Ferretti

MEMBER OF THE YAMA GROUP

EMAK S.p.A.
Headquarter:
42011 Bagnolo in Piano (RE), Via E. Fermi 4, Italy
Stock Capital: euro 7,189,910
Entered under No. 107563 in the Reggio Emilia Company Register
V.A.T. No. 00130010358

Tel. ++39.0522.956611 - Fax ++39.0522.951555
info@emak.it - www.emak.it