



Quarterly Report at 31 March 2006

Registered office in Via E. Fermi 4, Bagnolo in Piano (RE)
Share capital: €7,189,910
Reggio Emilia Company Register number and tax code: 00130010358

Consolidated financial highlights

€/000			
FY 2005		1Q 2006	1Q 2005
183.381	Net revenues	63.259	53.913
22.268	EBITDA	10.127	8.407
17.038	EBIT	8.752	7.178
9.605	Net profit	4.963	4.134
Investment and free cash flow			
FY 2005		1Q 2006	1Q 2005
6.053	Investment in property, plant and equipment	1.700	1.072
1.192	Investment in intangible assets	146	140
14.835	Free cash flow from operations	6.338	5.363
Balance sheet			
31.12.2005		31.03.2006	31.03.2005
101.195	Net capital employed	118.461	99.239
(25.836)	Net financial position	(38.319)	(25.411)
75.359	Total equity	80.142	73.828
Other statistics			
FY 2005		1Q 2006	1Q 2005
12,1%	EBITDA / Net revenues (%)	16,0%	15,6%
9,3%	EBIT / Net revenues (%)	13,8%	13,3%
5,2%	Net profit / Net revenues (%)	7,8%	7,7%
16,8%	EBIT / Net capital employed (%)	7,4%	7,2%
0,34	Debt / Equity	0,48	0,34
856	Number of employees at period end	933	708

Information by geographical area

€/000	Sales		Total assets		assets	
	1Q 2006	1Q 2005	31.03.2006	31.12.2005	1Q 2006	1Q 2005
Italy	12.273	12.357	121.541	109.872	632	739
Europe	41.657	35.989	75.382	53.665	160	161
Rest of world	9.329	5.567	8.217	6.816	1.054	312
Total	63.259	53.913	205.140	170.353	1.846	1.212

Consolidated financial statements

Consolidated income statement

FY 2005	€/000	1Q 2006	1Q 2005
183.381	Revenues	63.259	53.913
1.629	Other operating revenues	300	290
8.817	Change in inventories	8.269	4.995
(114.246)	Raw and consumable materials	(44.098)	(36.375)
(25.763)	Payroll costs	(7.572)	(6.173)
(31.550)	Other operating costs	(10.031)	(8.243)
(5.230)	Amortization, depreciation and impairment losses	(1.375)	(1.229)
17.038	EBIT	8.752	7.178
658	Financial income	187	183
(1.419)	Financial expenses	(509)	(310)
628	Exchange gains and losses	(195)	(153)
16.905	Profit before taxes	8.235	6.898
(7.300)	Income taxes	(3.272)	(2.764)
9.605	Net profit	4.963	4.134
(73)	(Profit)/loss attributable to minority interests	(21)	(34)
9.532	Net profit attributable to the group	4.942	4.100
0,34	Basic earnings per share	0,18	0,15
0,34	Diluted earnings per share	0,18	0,15

Consolidated balance sheet

ASSETS			
31.12.2005	€/000	31.03.2006	31.03.2005
	Non-current assets		
32.557	Property, plant and equipment	32.809	30.976
3.080	Intangible assets	2.955	1.852
6.305	Goodwill	6.173	0
399	Investment property	389	278
223	Equity investments	223	223
2.922	Deferred income tax assets	2.962	1.983
0	Other financial assets	3	0
63	Other receivables	36	124
45.549	Total	45.550	35.436
	Non-current assets held for sale		
269	Assets held for sale	797	267
269	Total	797	267
	Current assets		
59.840	Inventories	67.684	55.617
56.911	Trade and other receivables	83.983	76.379
3.525	Current income tax assets	1.955	676
19	Other financial assets	16	0
38	Derivative financial instruments	99	0
99	Marketable securities at fair value	192	253
4.103	Cash and banks	4.864	3.729
124.535	Total	158.793	136.654
170.353	TOTAL ASSETS	205.140	172.357
	EQUITY AND LIABILITIES		
31.12.2005	€/000	31.03.2006	31.03.2005
	Capital and reserves		
7.190	Issued capital	7.190	7.190
21.047	Share premium	21.047	21.047
(28)	Treasury shares	(59)	0
30.354	Other reserves	30.221	26.354
16.338	Retained earnings	21.264	18.754
74.901	Total Group	79.663	73.345
458	Minority interests	479	483
75.359	Total equity	80.142	73.828
	Non-current liabilities		
7.174	Long-term loans and borrowings	6.952	11.206
2.565	Deferred income tax liabilities	2.490	2.093
5.985	Employee benefits	5.966	5.514
359	Provisions for liabilities and charges	390	346
2.132	Other non-current liabilities	2.094	956
18.215	Total	17.892	20.115
	Non-current liabilities held for sale		
0	Liabilities held for sale	224	0
0	Total	224	0
	Current liabilities		
50.430	Trade and other payables	63.582	55.619
2.811	Current income tax liabilities	6.143	4.369
22.921	Short-term loans and borrowings	36.509	18.187
0	Short-term derivative financial instruments	31	0
617	Provisions for liabilities and charges	617	239
76.779	Total	106.882	78.414
170.353	TOTAL EQUITY AND LIABILITIES	205.140	172.357

Consolidated net financial position

€/000	31.03.2006	31.12.2005	31.03.2005	31.12.2004
Cash and banks	4.864	4.103	3.729	5.205
Securities and derivative financial instrumen	290	137	253	256
Other financial assets	16	19	0	25
Financial liabilities	(36.509)	(22.921)	(18.187)	(12.461)
Derivative financial instruments (liabilities)	(31)	0	0	(112)
Short-term net debt	(31.370)	(18.662)	(14.205)	(7.087)
Other financial assets	3	0	0	19
Financial liabilities	(6.952)	(7.174)	(11.206)	(9.454)
Long-term net debt	(6.949)	(7.174)	(11.206)	(9.435)
Cash and banks	4.864	4.103	3.729	5.205
Securities and derivative financial instrumen	290	137	253	256
Other financial assets	19	19	0	44
Financial liabilities	(43.461)	(30.095)	(29.393)	(21.915)
Derivative financial instruments (liabilities)	(31)	0	0	(112)
Total net debt	(38.319)	(25.836)	(25.411)	(16.522)

Changes in consolidated equity

The following table reports changes in consolidated equity between 31 December 2005 and 31 March 2006.

C/000	SHARE CAPITAL	SHARE PREMIUM	TREASURY SHARES	OTHER RESERVES					RETAINED EARNINGS		TOTAL GROUP	EQUITY ATTRIBUTABLE TO MINORITY INTERESTS	TOTAL
				Legal reserve	Revaluation reserve	Reserves for hedging instruments	Cumulative translation adjustment	Other reserves	Retained earnings/ (accumulated losses)	Net profit for the period			
Balance at 31.12.2004	7.190	21.047	(47)	1.438	1.138	(73)	(59)	23.799	5.880	8.741	69.054	446	69.500
Change in cumulative translation adjustment							199				199		199
Change in treasury shares			19						31		50		50
Allocation of net profit and distribution of dividends								3.839	892	(8.741)	(4.010)	(59)	(4.069)
Net change in value of hedging instruments						73					73		73
Other changes								0	3		3	(2)	1
Net profit for 2005										9.532	9.532	73	9.605
Balance at 31.12.2005	7.190	21.047	(28)	1.438	1.138	0	140	27.638	6.806	9.532	74.901	458	75.359
Change in cumulative translation adjustment							(133)		(16)		(149)		(149)
Change in treasury shares			(31)								(31)		(31)
Allocation of net profit									9.532	(9.532)	0		0
Other changes											0		0
Net profit for the period										4.942	4.942	21	4.963
Balance at 31.03.2006	7.190	21.047	(59)	1.438	1.138	0	7	27.638	16.322	4.942	79.663	479	80.142

Emak at 31 March 2006

Directors' report

Emak's first quarter consolidated sales came in at €63,259 thousand, an improvement of 17.3% on the figure of €53,913 thousand reported in the same period of 2005.

Sales in the first quarter of 2006 (1Q 2006) are broken down by product in the following table which also shows the prior year comparables.

€/000	31.03.2006	%	31.03.2005	%	% change
Brushcutters	13,865	21.9%	10,868	20.2%	27.6%
Chainsaws	9,149	14.5%	9,283	17.2%	-1.4%
Lawnmowers	14,161	22.4%	12,780	23.7%	10.8%
Garden tractors	6,374	10.1%	4,177	7.7%	52.6%
Other products	13,937	22.0%	11,698	21.7%	19.1%
Spare parts and accessories	5,773	9.1%	5,107	9.5%	13.0%
Total	63,259	100%	53,913	100%	17.3%

The good performance by brushcutters, more or less everywhere, was mainly thanks to availability of products manufactured in the Chinese factory, which started to gradually come on stream in 2005.

The excellent sales of garden tractors were particularly concentrated in the French market and reflected an improved and enlarged product range.

The slight decline in chainsaw sales, mostly on the Italian market, was mainly caused by the poor state of the market; this downturn should be absorbed by a recovery in sales in the second half of the year, when demand for this product is traditionally stronger, partly thanks to the introduction of new models of particular interest to the market.

The geographical breakdown of sales is shown in the following table for both 1Q 2006 and 1Q 2005:

€/000	31.03.2006	%	31.03.2005	%	% change
Italy	12,273	19.4%	12,357	22.9%	-0.7%
Europe	41,657	65.9%	35,989	66.8%	15.7%
Rest of world	9,329	14.7%	5,567	10.3%	67.6%
Total	63,259	100%	53,913	100%	17.3%

The slight fall in sales on the Italian market was mainly caused by the late start to the season and an economy that appears weaker than the rest of Europe.

France, Germany and Eastern Europe all reported a healthy growth in sales, also thanks to the start of direct sales on the Polish market by Victus Emak, the new subsidiary purchased at the end of 2005.

The excellent performance in the rest of the world was mostly concentrated in Turkey and South America; the growth in sales in India was encouraging, even if volumes are not yet very significant.

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 6,318 treasury shares between 31 December 2005 and 30 April 2006, meaning that it held 12,318 such shares, worth €59 thousand, at the end of April 2006.

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.

The reconciliations between the financial statements at 31 March 2005 prepared under Italian GAAP and the same statements prepared under IAS/IFRS are attached to this report.

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 applied 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.

Scope of consolidation

There have been no changes in the scope of consolidation between 31 December 2005 and 31 March 2006. Compared to 31 March 2005 Victus Emak Sp. z.o.o. joined consolidation area.

Extraordinary transactions and events

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

Balance sheet and financial position

1. Net non-current assets

During 1Q 2006 Emak Group invested €1,846 thousand in property, plant and equipment and intangible assets as follows:

- €377 thousand for product innovation (mainly analyses, research and equipment for new products);
- €183 thousand for boosting production capacity and for process innovation;
- €341 thousand for upgrading the computer network and other investments in management infrastructure;
- €945 thousand for modernizing and completing existing buildings and constructing the new factory in China.

2. Net current assets

Net current assets were €17,116 thousand higher than at the end of December 2005, up from €66,419 thousand to €83,535 thousand; this increase reflected the following changes:

- increase in inventories	€8,102	thousand
- increase in trade receivables	€26,920	thousand
- increase in net tax payables	(€4,902)	thousand
- increase in trade payables	(€13,944)	thousand
- increase in other receivables	€171	thousand
- decrease in other payables	€769	thousand

The increase in net current assets since 31 December 2005 was attributable to the larger volume of business and the seasonal pattern of sales.

3. Equity

Total equity was €80,142 thousand at the end of March 2006 compared with €75,359 thousand at 31 December 2005. Earnings per share were €0.18 at 31 March 2006 up from €0.15 in the corresponding period of the prior year.

4. Net financial position

Net debt increased from €25,836 thousand at 31 December 2005 to €38,319 thousand at 31 March 2006. The increase was mainly due to working capital needs.

Free cash flow from operations was €6,338 thousand after tax, compared with €5,363 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 March 2007;
- amounts due to other providers of finance falling due by 31 March 2007.

Income statement

1. EBITDA

Revenues increased by 17.3% in 1Q 2006 to €63,259 thousand, up from €53,913 thousand in 1Q 2005. Assuming the same scope of consolidation, the increase would have been 10.9%.

Ebitda amounted to €10,127 thousand in 1Q 2006 compared with €8,407 thousand in the corresponding quarter of last year. As a percentage of revenues, Ebitda reported a 16% margin, compared with 15.6% in the corresponding period of 2005.

The following factors contributed positively to the results for the period:

- the increase in sales volumes;
- the mix of distribution channels;
- the consolidation of Polacca Victus Emak Sp. z o.o.;
- the progressive achievement of full-swing operations by the Chinese factory.

The following factors all contributed negatively to results:

- a general increase in the cost of raw materials;
- an increase in payroll costs due to a rise in both average headcount and salaries and greater use of temporary staff;
- changes in the product and market mix.

The group's total number of employees amounted to 933 at 31 March 2006, compared with 856 at the end of December 2005. The increase was mainly attributable to:

- 21 new employees to support the increase in production by Emak S.p.A.;
- 31 new employees for the start of production at the Chinese facility Emak Outdoor Co Ltd.;
- 23 new employees to support the increase in production by Comag S.r.l.

2. EBIT

Ebit was €8,752 thousand in 1Q 2006, corresponding to 13.8% of revenues, compared with €7,178 thousand in 1Q 2005, corresponding to a margin of 13.3%.

3. Net profit

Net profit for 1Q 2006 was €4,963 thousand, corresponding to 7.8% of revenues, compared with €4,134 thousand in 1Q 2005, corresponding to a margin of 7.7%.

Net financial income and expense were down relative to 1Q 2005 due to the increase in net debt and interest rates.

The tax rate of 39.7% was in line with the corresponding quarter of last year.

Subsequent events

1. 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.

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

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 (employees)	(23)
Total net assets sold	304
Capital gain	201
Disposal price	505

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

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 will start operating as from July. The aim is to have a direct presence in this very important market in order to further develop the group's turnover.

Business outlook

After a good first quarter mostly featuring pre-season sales, the spring season got off to a late start; the initial signs from the market, now that the season has begun, are positive and the order book continues to look strong.

There continue to be some concerns over pressures on raw material prices, which are not easily passed on to the market.

Bagnolo in Piano (RE), 12 May 2006

on behalf of the Board of Directors

Chairman

Giacomo Ferretti