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## Quarterly Report at 30.09.2009

## Emak Group Financial Highlights

### Income statement (€/000)

Y 2008		3Q 2009	3Q 2008	9 months 2009	9 months 2008
243,449	Net sales	36,715	47,679	156,449	198,786
31,657	EBITDA (1)	2,980	4,814	18,892	28,963
24,913	EBIT	1,296	3,136	13,675	24,184
14,866	Net profit	575	1,268	8,049	16,011

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

Y 2008		3Q 2009	3Q 2008	9 months 2009	9 months 2008
14,201	Investment in property, plant and equipment	1,333	3,734	6,111	8,751
958	Investment in intangible assets	143	315	392	685
21,610	Free cash flow from operations (2)	2,259	2,946	13,266	20,790

### Balance sheet (€/000)

31.12.2008		30.09.2009	30.09.2008
161,213	Net capital employed	143,076	141,037
(61,806)	Net debt	(40,247)	(38,963)
75,359	Total equity	102,829	102,074

### Other statistics

Y 2008		3Q 2009	3Q 2008	9 months 2009	9 months 2008
13.0%	EBITDA / Net sales (%)	8.1%	10.1%	12.1%	14.6%
10.2%	EBIT/ Net sales (%)	3.5%	6.6%	8.7%	12.2%
6.1%	Net profit / Net sales (%)	1.6%	2.7%	5.1%	8.1%
15.5%	EBIT / Net capital employed (%)			9.6%	17.1%
0.82	Debt / Equity			0.39	0.38
1,049	Number of employees at period end			908	1,005

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

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

## Consolidated Income Statement

Y 2008	€/000	III Q 2009	III Q 2008	9 months 2009	9 months 2008
243,449	Sales	36,715	47,679	156,449	198,786
2,391	Other operating incomes	336	279	1,365	1,207
13,169	Change in inventories	(6,862)	(739)	(26,642)	(1,605)
(151,434)	Raw and consumable materials and goods	(14,643)	(26,635)	(66,288)	(113,230)
(34,001)	Salaries and employee benefits	(6,435)	(7,563)	(22,091)	(25,657)
(41,917)	Other operating costs	(6,131)	(8,207)	(23,901)	(30,538)
(6,744)	Amortization, depreciation and impairment losses	(1,684)	(1,678)	(5,217)	(4,779)
<b>24,913</b>	<b>Ebit</b>	<b>1,296</b>	<b>3,136</b>	<b>13,675</b>	<b>24,184</b>
588	Financial income	163	211	406	426
(3,941)	Financial expenses	(696)	(970)	(2,338)	(2,848)
(655)	Exchange gains and losses	154	(305)	(289)	163
<b>20,905</b>	<b>EBT</b>	<b>917</b>	<b>2,072</b>	<b>11,454</b>	<b>21,925</b>
(6,039)	Income taxes	(342)	(804)	(3,405)	(5,914)
<b>14,866</b>	<b>Net profit</b>	<b>575</b>	<b>1,268</b>	<b>8,049</b>	<b>16,011</b>
(44)	(Profit)/loss attributable to minority interests	(3)	(7)	(39)	(38)
<b>14,822</b>	<b>Net profit attributable to the group</b>	<b>572</b>	<b>1,261</b>	<b>8,010</b>	<b>15,973</b>
<b>0.543</b>	<b>Basic earnings per share</b>	<b>0.021</b>	<b>0.046</b>	<b>0.294</b>	<b>0.585</b>
<b>0.543</b>	<b>Diluted earnings per share</b>	<b>0.021</b>	<b>0.046</b>	<b>0.294</b>	<b>0.585</b>

### Comprehensive income statement

Y 2008	Figures in thousands of euros	III Q 2009	III Q 2008	9 months 2009	9 months 2008
<b>14,866</b>	<b>Net profit (A)</b>	<b>575</b>	<b>1,268</b>	<b>8,049</b>	<b>16,011</b>
(343)	Profits/(losses) deriving from the conversion of foreign company accounts	(102)	510	(621)	1,045
(343)	<b>Total other components to be included in the comprehensive income statement (B):</b>	(102)	510	(621)	1,045
<b>14,523</b>	<b>Comprehensive net profit (A)+(B)</b>	<b>473</b>	<b>1,778</b>	<b>7,428</b>	<b>17,056</b>
(44)	Comprehensive net profit attributable to minority interests	(3)	(7)	(39)	(38)
<b>14,479</b>	<b>Comprehensive net profit attributable to the group</b>	<b>470</b>	<b>1,771</b>	<b>7,389</b>	<b>17,018</b>

## Consolidated balance sheet

### ASSETS

31.12.2008	€/000	Notes	30.06.2009	30.06.2008
	<b>Non-current assets</b>			
50,991	Property, plant and equipment	0	51,804	47,186
3,318	Intangible assets	0	3,005	3,133
10,101	Goodwill	0	9,929	11,167
136	Investment property	0	0	145
224	Equity investments		224	224
3,320	Deferred tax assets	0	3,374	3,440
0	Other financial assets		4	0
852	Other receivables	0	903	854
<b>68,942</b>	<b>Total</b>		<b>69,243</b>	<b>66,149</b>
	<b>Non-current assets held for sale</b>			
	<b>Current assets</b>			
89,258	Inventories	0	62,626	74,935
72,897	Trade and other receivables	0	53,073	66,782
3,440	Current tax assets		889	1,624
24	Other financial assets		1	40
317	Derivative financial instruments		0	34
0	Marketable securities at fair value		0	0
4,306	Cash and cash equivalents		8,282	15,416
<b>170,242</b>	<b>Total</b>		<b>124,871</b>	<b>158,831</b>
<b>239,184</b>	<b>TOTAL ASSETS</b>		<b>194,222</b>	<b>224,980</b>

### EQUITY AND LIABILITIES

31.12.2008	€/000	Notes	30.06.2009	30.06.2008
	<b>Capital and reserves</b>			
7,190	Share capital		7,190	7,190
21,047	Share premium		21,047	21,047
(1,979)	Treasury shares		(2,029)	(1,840)
30,054	Other reserves		29,555	31,442
42,569	Retained earnings		46,532	43,714
<b>98,881</b>	<b>Total Group</b>	<b>0</b>	<b>102,295</b>	<b>101,553</b>
<b>526</b>	<b>Minority interests</b>		<b>534</b>	<b>521</b>
<b>99,407</b>	<b>Total equity</b>		<b>102,829</b>	<b>102,074</b>
	<b>Non-current liabilities</b>			
26,728	Loans and borrowings	0	32,926	16,433
3,044	Deferred tax liabilities	0	2,847	2,666
5,017	Post-employment benefits	0	4,946	5,003
638	Provisions	0	664	628
2,228	Other non-current liabilities	0	1,884	2,445
<b>37,655</b>	<b>Total</b>		<b>43,267</b>	<b>27,175</b>
	<b>Current liabilities</b>			
59,902	Trade and other payables	0	29,543	52,243
2,167	Current tax liabilities		2,648	5,124
39,586	Loans and borrowings	0	15,212	37,993
139	Derivative financial instruments	0	396	27
328	Provisions	0	327	344
<b>102,122</b>	<b>Total</b>		<b>48,126</b>	<b>95,731</b>
<b>239,184</b>	<b>TOTAL EQUITY AND LIABILITIES</b>		<b>194,222</b>	<b>224,980</b>

## Consolidated net debt

€/000	30.09.2009	30.06.2009	31.12.2008	30.09.2008
Cash and banks	8,282	9,885	4,306	15,416
Securities and derivative financial instruments	0	5	317	34
Other financial assets	1	1	24	40
Financial liabilities	(15,212)	(37,182)	(39,586)	(37,993)
Derivative financial instruments	(396)	(326)	(139)	(27)
<b>Short-term net debt</b>	<b>(7,325)</b>	<b>(27,617)</b>	<b>(35,078)</b>	<b>(22,530)</b>
Other financial assets	4	4	0	0
Financial liabilities	(32,926)	(34,494)	(26,728)	(16,433)
<b>Long-term net debt</b>	<b>(32,922)</b>	<b>(34,490)</b>	<b>(26,728)</b>	<b>(16,433)</b>
Cash and banks	8,282	9,885	4,306	15,416
Securities and derivative financial instruments	0	5	317	34
Other financial assets	5	5	24	40
Financial liabilities	(48,138)	(71,676)	(66,314)	(54,426)
Derivative financial instruments	(396)	(326)	(139)	(27)
<b>Total net debt</b>	<b>(40,247)</b>	<b>(62,107)</b>	<b>(61,806)</b>	<b>(38,963)</b>

## Changes in consolidated equity

The following table reports changes in consolidated equity between 31<sup>st</sup> December 2007 and 30<sup>th</sup> September 2009.

C/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 31.12.2007	7.190	21.047	(1.516)	1.438	1.138	210	27.611	18.625	15.181	90.924	515	91.439
Change in translation reserve						(343)				(343)		(343)
Change in treasury shares			(463)							(463)		(463)
Profit reclassification and Payment of dividends								9.173	(15.181)	(6.008)	(44)	(6.052)
Other changes								(51)		(51)	11	(40)
Net profit for 2008									14.822	14.822	44	14.866
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 translation reserve						(621)				(621)		(621)
Change in treasury shares			(50)							(50)		(50)
Profit reclassification and Payment of dividends								10.733	(14.822)	(4.089)	(31)	(4.120)
Other changes							122	42		42		42
Net profit									8.010	8.010	39	8.049
Balance at 30.09.2009	7.190	21.047	(2.029)	1.438	1.138	(754)	27.733	38.522	8.010	102.295	534	102.707

## **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 2008.

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 have been no changes in the scope of consolidation compared to 30<sup>th</sup> September 2008 and 31<sup>st</sup> December 2008.

## **Significant, non-recurring transactions or atypical, unusual transactions**

- A sales contract for the sale of property situated in Bagnolo in Piano (RE), previously rented to a company in the YAMA Group, was undersigned on 7 August 2009. The consideration for this transaction is € 2,400 thousand, of which 10% was received in September 2009 in the form of a down payment. The balance of the consideration will be paid by 31 January 2010 in correspondence with the signing of the deed.
- Following the authorisation granted in July by the Chinese authorities, an increase in the share capital of the subsidiary, Jiangmen Emak Outdoor Power Equipment Co.Ltd., was subscribed for US\$ 1,078 thousand according to the existing shareholdings of Emak S.p.A. and Simest S.p.A. (respectively 51% and 49%). The relevant payments were made by Emak S.p.A in September and by Simest S.p.A. in October.

## **Treasury shares**

At 31.12.2008 Emak S.p.A. held 382,163 treasury shares, worth € 1,979 thousand.

From 01.01.2009 to 30.09.2009 Emak S.p.A. purchased 15,070 treasury shares. As a result, at 30<sup>th</sup> September 2009 the company holds 397,233 treasury shares, worth € 2,029 thousand.

## DIRECTOR'S REMARKS

### Comments on the income statement

#### 1. SALES

Consolidated turnover in the third quarter of 2009 amounted to € 36,715 thousand compared to € 47,679 thousand in the same period of the previous year, a decrease of 23%.

In the first nine months of the year the Group achieved a sales turnover of € 156,449 thousand, a decline of 21.3% compared to the same period of 2008.

The table below shows the sales in the first nine months of 2009, broken down by segment, compared with the same period of the prior year.

€/000	30.09.2009	%	30.09.2008	%	% Change
Agriculture & Forestry	48,056	30.7%	59,175	29.8%	-18.8%
Construction & Industry	3,140	2.0%	5,318	2.7%	-41.0%
Lawn & Garden	81,061	51.8%	110,013	55.3%	-26.3%
Spare parts & Accessories	24,192	15.5%	24,280	12.2%	-0.4%
<b>Total</b>	<b>156,449</b>	<b>100%</b>	<b>198,786</b>	<b>100%</b>	<b>-21.3%</b>

The economic crisis has significantly affected the trend of sales of all segments, and in particular those associated with *Construction and Industry*.

Sales of *Spare parts & Accessories*, the consumption of which is linked to the use of the existing machine range, have held up.

Within the *Agriculture & Forestry* segment, there has been a slight fall in the products associated with land cultivation compared to those linked to forestry activities.

The *Lawn and Garden* sector, whose season normally ends in the third quarter, has suffered from the high level of stocks in the distribution network and from the general fall in demand.

The geographical breakdown of sales is shown in the following table for the first nine months of 2009 and 2008.

€/000	30.09.2009	%	30.09.2008	%	% Change
Italy	32,933	21.1%	36,881	18.5%	-10.7%
Europe	101,294	64.7%	136,084	68.5%	-25.6%
Rest of world	22,222	14.2%	25,821	13.0%	-13.9%
<b>Total</b>	<b>156,449</b>	<b>100%</b>	<b>198,786</b>	<b>100%</b>	<b>-21.3%</b>

The decrease in sales has arisen especially in Eastern European Countries and Russia, while in the Rest of the World the negative trend was mitigated by the good performance in some emerging markets.

#### 2. EBITDA

Ebitda in the third quarter amounts to € 2,980 thousand, compared to € 4,814 in the corresponding quarter of last year, a decrease of 38.1%. Lower sales volumes and the product mix had a negative impact on the figure.

In the first nine months of 2009, Ebitda amounts to € 18,892 thousand, against € 28,963 thousand in the same period of 2008, a decline of 34.8%.

The figure for the period was boosted by the following factors:

- an increase in sales prices;
- containment of operating costs;
- a reduction in employment costs as a result of the realignment of staff in correspondence to the fall in production volumes and turnover.

The Group's average number of employees and temporary workers in the first nine months of 2009 was 967, while it was 1,080 in the same period of last year.

The Group's total number of employees amounted to 908 at 30<sup>th</sup> September 2009, compared with 1.049 at the end of December 2008.

Conversely, the following factors had a negative effect on the figure:

- lower sales volumes;
- the product mix;
- foreign currencies trends.

Ebitda as a percentage of revenues has moved from 14.6% in 2008, to 12.1% in 2009.

### **3. EBIT**

In the third quarter of 2009, Ebit amounts to € 1,296 thousand against € 3,136 thousand in the corresponding quarter in the last financial year, a decrease of 58.7%.

In the first nine months of 2009 Ebit is € 13,675 thousand, while it was € 24,184 thousand in the same period of 2008, a decline of 43.5%.

In the nine months Ebit as a percentage of sales has moved from 12.2% in 2008, to 8.7% in 2009.

Ebit as a percentage of net invested capital (non-annualized) has moved from 17.1% at 30<sup>th</sup> September 2008, to 9.6% at 30<sup>th</sup> September 2009.

### **4. Net profit**

Net profit in third quarter of 2009 amounts to € 575 thousand, against € 1,268 thousand for the corresponding quarter in the last financial year, a decrease of 54.7%.

In the first nine months of the year, the Group has registered a net profit of € 8,049 thousand compared to € 16,011 thousand for the same period of 2008, a decline of 49.7%.

Financial management has improved with regards to borrowing costs, thanks to the fall in interest rates. On the other hand, the trend in exchange rates has had a negative effect.

The tax rate in the period under consideration is 29.7%, higher than the 27% in the same period of last year, due to an unfavourable distribution of profits in the countries in which the Group operates.



## Comments on the balance sheet

### 1. Net non-current assets

During the first nine months of 2009 the Emak Group invested € 6,503 thousand in property, plant and equipment and intangible assets as follows:

- € 1,130 thousand for product innovation;
- € 432 thousand for boosting production capacity and for process innovation;
- € 507 thousand for upgrading the computer network;
- € 4,355 for the construction of new industrial buildings;
- € 79 thousand for other investments in operating activities.

Investments are broken down by geographical area as follows:

- € 3,997 thousand in Italy;
- € 166 thousand in Europe;
- € 2,340 thousand in the Rest of the World.

### 2. Net working capital

Net working capital at 30<sup>th</sup> September 2009 is € 19,129 thousand lower than at the end of December 2008, moving from € 103,199 thousand to € 84,070 thousand, broken down into the following movements:

€/000	3Q 2009	3Q 2008
<b>Net working capital at 01 January</b>	<b>103,199</b>	<b>81,071</b>
increase/(decrease) in inventories	(26,632)	8,501
increase in trade receivables	(18,792)	2,956
increase in trade payables	28,426	(2,940)
other changes	(2,131)	(3,959)
<b>Net working capital at 30 September</b>	<b>84,070</b>	<b>85,629</b>

The fall in inventories and in trade payables is due to the ongoing reduction in stocks and to the adjustment of production plans to effective demand.

The fall in trade receivables is due both to a good performance in collections and to the decline of sales.

### 3. Equity

Total equity amounts to € 102,829 thousand compared to € 99,407 at 31<sup>st</sup> December 2008. Earnings per share at 30<sup>th</sup> September 2009 are € 0.294 against € 0.585 for the same period of last year.

### 4. Net financial position

Net debt has decreased from € 61,806 thousand at 31<sup>st</sup> December 2008 to € 40,247 thousand at 30<sup>th</sup> September 2009, mainly due to the reduction of net working capital.

In the first nine months free cash flow after tax is € 13,266 thousand, compared with € 20,790 thousand in the same period of last year. In the third quarter, the figure amounts to € 2,259 thousand compared with € 2,946 reported in the same period of the previous year.

Long-term financial payables include both principal amounts of outstanding loans and 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 30<sup>th</sup> September 2010;
- amounts due to other providers of finance falling due by 30<sup>th</sup> September 2010.

### **Forecast operating trends**

Measures taken to contain costs and to control the level of inventories implemented by the Group in order to protect margins have produced good results.

The outstanding orders with regards to the last quarter should lead to a sales turnover for the end of the year about 20% lower than the previous year.

Considering the low levels of inventories held in the distribution network, with a stabilization and recovery in demand, a change is expected in the mix of stocks in the network in the first months of the next financial year and a resulting upturn in turnover.

The trend in exchange rates, the prices of raw materials, weather conditions, as well as the general economic situation, are all external factors which will affect the future results of the Group.

Bagnolo in Piano (RE), 13 November 2009

On behalf of the Board of Directors

The Chairman

**Giacomo Ferretti**

STATEMENT

Subject: Quarterly report at 30<sup>th</sup> September 2009

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 30<sup>th</sup> September 2009, examined and approved today by the Board of Directors of the company, corresponds with the accounting documents, ledgers and records,

Faithfully

Bagnolo in Piano (RE), 13<sup>th</sup> November 2009

Aimone Burani  
Executive in charge  
of preparing the accounting statements