ANNUAL REPORT 2008

Emak
our power, your passion

ANNUAL REPORT 2008

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Notice of the annual general meeting

Shareholders are invited to the Annual General Meeting on 16 April 2009, at 10.00, at the Company's registered o0ffice in Bagnolo in Piano (RE), Via Fermi, 4, and, if necessary, in second convocation on 17 April 2009, at the same place and time, in order to discuss and resolve on the following:

agenda

1. Presentation of the Financial Statements and Consolidated Financial Statements at 31 December 2008, the Directors' Report, the Board of Statutory Auditors' Report and the External Auditors' Report; relative and ensuing resolutions;
2. Proposal to authorise the acquisition and disposal of treasury shares in accordance with articles 2357 and following of the civil code; ensuing resolutions.

It should be noted that, in accordance with legal requirements and the articles of association, in order to participate in the General Meeting, notification issued by authorised Intermediaries certifying possession of the relative shareholding must arrive at Company's registered office at least two working days before the date fixed in first convocation.

The financial statements, consolidated financial statements and the Directors' Report shall be available to the General Public from 16/3/2009 at the company's registered office, at Borsa Italiana S.p.A. and on the www.emak.it website in accordance with art. 2.2.3., point 3, letter a) of the Market Regulations drawn up and managed by Borsa Italiana S.p.A..
he remaining documentation relating to the items on the agenda shall be made available to the General Public according to the prescribed terms and in the same forms as described above.

Shareholders have the right to obtain a copy.

Bagnolo in Piano, (RE) 14 March 2009

On behalf of the Board of Directors
The Chairman – Giacomo Ferretti

Corporate Officers

The shareholders of the parent company Emak S.p.A. voted in the Annual General Meeting held on 27 April 2007 to appoint the Board of Directors for the three years 2007, 2008 and 2009; the Board of Statutory Auditors was also appointed for the same term, and the auditing firm, *Fidital revisione ed organizzazione contabile S.r.l.*, was appointed as independent auditors for the financial years from 2007 to 2015. At the same AGM the shareholders of the parent company Emak S.p.A. approved the appointment of Stefano Slanzi as director, replacing Ivano Salsapariglia further to his resignation.

Chairman	Giacomo Ferretti
Deputy Chairman	Aimone Burani
Chief Executive Officer	Fausto Bellamico
Executive Director	Stefano Slanzi
	Luigi Bartoli
Independent Directors	Ivano Accorsi
	Andrea Barilli
	Gian Luigi Basini
Directors	Carlo Baldi
	Paola Becchi
	Giuliano Ferrari
	Vilmo Spaggiari
	Guerrino Zambelli
Audit Committee	
Chairman	Andrea Barilli
	Ivano Accorsi
	Gian Luigi Basini
Remuneration Committee	
Chairman	Andrea Barilli
	Ivano Accorsi
	Gian Luigi Basini
Board of Statutory Auditors	
Chairman	Marco Montanari
Acting auditors	Claudia Catellani
	Martino Masini
Alternate auditors	Mario Venezia
	Eugenio Poletti
Independent Auditors	Fidital Revisione e Organizzazione Contabile S.r.l.
Financial Reporting Officer	Aimone Burani
Supervisory Body as per Legislative Decree 231/01	
Chairman	Francesca Baldi
Acting members	Roberto Bertuzzi
	Guido Ghinazzi

Group Structure

The Emak Group is structured as follows at 31 December 2008:

EMAK S.p.A.

- COMAG Srl (I) 99,4%
- EMAK SUMINISTROS ESPANA SA (E) 90%
- EMAK U.K. LTD (UK) 100%
- EMAK BENELUX N.V. (B) 99,9%
- EMAK DEUTSCHLAND GmbH (D) 100%
- EMAK FRANCE SAS (F) 100%
- JIANGMEN EMAK OUTDOOR POWER EQUIPMENT Co. Ltd. (CHINA) 100% (1)
- VICTUS-EMAK Sp. z.o.o. (PL) 100%
- EMAK USA Inc. (USA) 100%
- TAILONG (ZHUHAI) MACHINERY MANUFACTURING EQUIPMENT Ltd. (CHINA) 100%

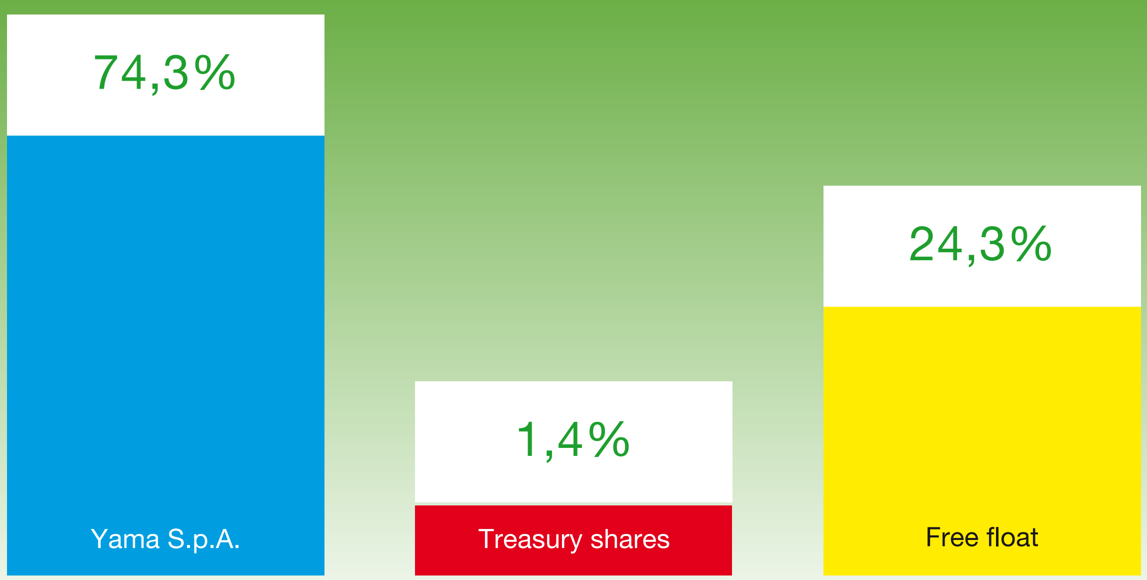
The group's interest in Jiangmen Emak Outdoor Power Equipment Co. Ltd. includes the 49% interest held by Simest S.p.A.. Under the contract signed in December 2004 and subsequent additions thereto, the interest held by Simest S.p.A. is the subject of a binding agreement for repurchase by Emak S.p.A. on 30 June 2013.

Principal shareholders of Emak S.p.A.

The list of shareholders of Emak S.p.A. at 31 December 2008 is set out below.
Share capital consists of 27,653,500 shares of par value €0.26 each.
The company has been listed on the Milan Stock Exchange since 25 June 1998. In September 2001 the company's stock was assigned to the STAR segment of the market, which has higher standards in terms of reporting, stock liquidity and corporate governance.

Principal shareholders	Number of shares	%
Yama S.p.A.	20,542,500	74.29%
Treasury shares held at 31.12.2008	382,163	1.38%
Free float	6,728,837	24.33%
Total number of shares	27,653,500	100.00%

Main shareholders at 31.12.2008



Financial highlights

Income statement (€/000)

	FY 2008	FY 2007
Net sales	243,449	217,834
EBITDA (1)	31,657	29,992
EBIT	24,913	24,472
Net profit	14,866	15,246

Investment and free cash flow (€/000)

	FY 2008	FY 2007
Investment in property, plant and equipment	14,201	7,927
Investment in intangible assets	958	679
Free cash flow from operations (2)	21,610	20,766

Balance sheet (€/000)

	31.12.2008	31.12.2007
Net capital employed	161,213	122,481
Net debt	(61,806)	(31,042)
Total equity	99,407	91,439

Other statistics

	FY 2008	FY 2007
EBITDA / Net sales (%)	13.0%	13.8%
EBIT/ Net sales (%)	10.2%	11.2%
Net profit / Net sales (%)	6.1%	7.0%
EBIT / Net capital employed (%)	15.5%	20.0%
Debt / Equity	0.62	0.34
Number of employees at period end	1,049	844

Share information and prices

	31.12.2008	31.12.2007
Earnings per share (€)	0.543	0.55
Equity per share (€) (3)	3.65	3.32
Official price (€)	3.96	5.30
Maximum share price in period (€)	5.30	6.92
Minimum share price in period (€)	3.50	4.83
Stockmarket capitalization (€/million)	109	146
Average number of oustanding shares	27,312,193	27,581,709
Number of shares comprising share capital	27,653,500	27,653,500
Cash flow per share: net profit + amortization/depreciation (€) (4)	0.79	0.75
Dividend per share (€)	0.15	0.22

(1) “Ebit” plus “Amortization, depreciation and impairment losses”
(2) “Net Profit” plus “Amortization, depreciation and impairment losses”
(3) “Group Equity” divided by “Number of outstanding shares at period end”
(4) “Group Net Profit + Amortization/depreciation “ divided by “Average number of outstanding shares”

DIRECTORS' REPORT

Directors' Report

Dear Shareholders,

Emak's consolidated financial statements at 31 December 2008 closed with a net profit of € 14,866 thousand compared with €15,246 thousand in 2007, representing a decrease of 2.5%.
The Group's share of net profit was € 14,822 thousand compared with € 15,181 thousand in 2007.
The Group consisted of eleven companies at 31 December 2008, all of which have been consolidated on a line-by-line basis.
Net sales increased by 11.8% compared with 2007, reaching € 243,499 thousand.
EBITDA (earnings before interest, tax, depreciation and amortization) was € 31,657 thousand compared with € 29,992 thousand in 2007, representing an increase of 5.6%.
EBIT (earnings before interest and tax) was € 24,913 thousand compared with € 24,472 thousand in 2007, representing an increase of 1.8%.
Net debt increased from € 31,042 thousand at the end of 2007 to € 61,806 thousand at the end of 2008.
The financial statements of Emak S.p.A., the Group's parent company, closed with a net profit of € 8,384 thousand at 31 December 2008 compared with € 9,813 thousand in 2007, representing a decrease of 14.6%.

1. Economic situation

2008 was characterized by the changed trend in the global economy. During the first half of the year, in fact, the macroeconomic scenario was positive and growing, despite the sudden rise in raw material prices. In the second half, and especially in the last quarter, almost all the major advanced economies experienced a serious economic slowdown, affected by the sharp fall of financial assets prices, the squeezing of credit availability and the worsening of consumer and business confidence. On the other hand, emerging economies have been penalized by the outflow of foreign capital.
Global growth was 3.4% at the end of the year. The advanced economies had an average GDP growth of 1%. Italy (-0.6%) and Japan (-0.3%) are the only two countries that ended the year with a negative result. Emerging countries (+6.3%) and Eastern European countries (+3.2%) continued to grow, though at lower rates than in previous years.
Following on from the 2008 closing figures, forecasts for next year indicate global growth of 0.5%, with negative growth for all Western Countries and positive but relatively slower growth for emerging countries and Eastern Europe.

2. Industry performance

Global demand for Emak's reference products is estimated at € 16 billion, 65% of which relates to markets where the Group is directly present.
The demand for machinery for gardening and forestry is mainly influenced by weather conditions. The demand for garden products is also affected by the economic cycle, per capita purchasing power, the proportion of income set aside for leisure activities and more generally the trend towards a "gardening culture". 80% of the demand in advanced countries is concentrated in North America and Europe, and is mainly for replacement. In the Rest of the World the most important markets are South America and the Far East. Global demand in 2008 was relatively stable compared to 2007: the contraction of the American market was compensated by the good performance of Eastern Europe and the Far East. Demand was generally weak in the Italian market. The Western European market was stable, with the exception of some countries that suffered to a greater extent the effects of the macroeconomic situation.

3. Strategy

Emak Group seeks to be one of Europe's leaders in the forestry and gardening equipment sector and one of the benchmark players at a global level in the supply of technological solutions and a state-of-the-art service. The aim is to make the work of our professional customers and consumers both efficient and pleasant, guaranteeing them the best value for money. The mission in brief is: "State-of-the-art solutions with the best value for money for the customer".
The principle goals of the company's mission are **to satisfy final customer**s, anticipating and exceeding their expectations and **to create value** both for the benefit of shareholders and of stakeholders (employees, suppliers, dealers, the community and the financial system).

a) STRATEGIC POLICIES AND MAIN GOALS

The objective of creating value is achieved through Emak's ability to satisfy the final customer. For this purpose Emak intends to concentrate its efforts on five factors:

- **Product innovation**, to offer its final customers a range of state-of-the-art and innovative products in terms of reliability, performance, design and comfort.
- **Level of service**, to offer its final customers a state-of-the-art and excellent level of service in terms of delivery and pre and post-sales assistance.
- **Competitiveness**, to offer the customer the best possible value for money.
- **Development of the business**, to guarantee a deep-rooted and widespread presence in all international markets.
- **Development of human resources and relations with the customer**, to build an organisation directed towards the customer and which knows how to combine enthusiasm, empathy, competence and ethical standards.

b) VALUES

We at Emak are convinced that a business can only attain successful results if it is founded upon strong and positive values, such as those that inspired our founding shareholders and which we have continued to keep alive, such as:
- **ethical standards**: compliance with regulations, transparency, safeguarding the rights of people and the environment;
- **competence**: investments in training and continuous learning, and the development of professionalism;
- **team spirit**: working as a team in order to achieve shared goals, respect for people's roles, trust in others;
- **innovative spirit**: new and challenging goals, innovative solutions, new ideas, openness to change.

c) CORPORATE RESPONSIBILITY AND CERTIFICATIONS

Emak's commitment regarding **Corporate Responsibility** is demonstrated by the wish to measure, manage and integrate the environmental, social and economic impact of the company's activities, convinced that only responsible choices will guarantee the company and the wider community sustainable development over time. Well aware of its role in the wider social and economic context, Emak seeks to develop through the creation of value to the benefit of the company itself and to all interested parties, combining:
- **economic sustainability**; that is, the commitment to invest in the growth of the company and of the Group, ensuring continuity over time through a detailed strategic plan based on the five fundamental critical factors for success;
- **social sustainability**, understood as the intention to take into account the legitimate expectations of stakeholders (whether employees, shareholders or suppliers) and to redistribute the value created in the common interest;
- **environmental sustainability**, through the identification, regulation, control and gradual reduction of environmental impacts deriving directly or indirectly from the company's activities.

In line with its principles and mission, Emak has set about this course of action by formalising an integrated quality, ethical and environmental policy and by implementing a management system incorporating the three main international standards: ISO 9001:2000, ISO 14000:2004 and SA 8000:2001.

4. Market segmentation and the Emak brands

Emak, founded in 1992 from the merger between OLEO-MAC and EFCO, is one of the top European operators in the manufacture and distribution of outdoor power equipment for gardening, forestry, agriculture and construction, with products such as brush cutters, lawnmowers, chainsaws, motor hoes and power cutters.

Emak's reference market for its products can be differentiated according to two different criteria: the final customer and the distribution channel. On the basis of the use made of Emak's machines, the final customer can be classified as a consumer/private customer (who uses the products for their own gardening purposes), a semi-professional consumer/farmer (who works larger plots of land compared to the private consumer), and a professional (whose business activity is trading in the products). The distribution channel, on the other hand, includes large-scale organised distribution serving general consumers, and specialised dealers (or the traditional distribution channel) serving all types of clientele that demand a high level of pre and post-sale service.

With regards to sales distribution channels, Modern Distribution (DIY) accounts for almost half of global demand (in volume terms). The figure is largely influenced by the North American market, where the DIY channel accounts for about 2/3 of the demand.
The breakdown in terms of value gives a different picture, with the traditional channel serving at least half of the global demand. Alternative channels represent 10% of the market: ironmongers (Mediterranean Europe, South America and the Middle East) and, typically only in Western Europe, garden centres, farm cooperatives and group purchasing organizations.
From a distribution point of view, Emak achieves almost all of its sales in the traditional channel.

The Group operates on the market with the following brands: Oleo-Mac; Efco; Victus; Bertolini; Nibbi and Staub.

Oleo-Mac and Efco are the Group's two brands intended for the specialized-dealer channel. The core offer is represented by gardening and forestry products, although the progressive widening of the offer has also allowed the two brands to penetrate synergic segments (in terms of the distribution channel) such as small-scale agriculture and open-space cleaning.
Bertolini and Nibbi are the Group's two brands intended for medium-scale agriculture, again through the specialized-dealer channel. In most cases there is some overlapping with the distribution of the Oleo-Mac and Efco brands, even though a part of the sales is directed towards more specialized agricultural dealers (i.e. dealers in farming machines and tractors).

Staub (distributed in France) is a historic brand in the land cultivation sector (with more than 100 years' tradition) for products like motor hoes and tillers. The brand is sold by specialized dealers that sell small/ medium agriculture, gardening and forestry products.

Victus is a range of products sold through intermediate European distribution channels, such as group purchasing organizations, ironmonger chains and farming cooperatives.

5. Research and development

Research and development activities in 2008 were conducted in accordance with the Group's Business Plan, which views product innovation as the main driver of the Group's growth.

As a matter of fact, the bulk of planned investment expenditure is devoted to developing new products, with the aim of launching an average of between 10 and 15 new models every year on the market. 20 new products (including both completely new products and updated versions) went into production in 2008.

R&D activities were focused on the launch of new product families, fitted with motorizations complying with the new emissions regulations relating to the transition to the Euro 2 phase, and on the substitution or the renewal of existing product families.

Design renewal involves all the main product families and especially the grass-cutting machines: the range of brush cutters has been completely updated in order to strengthen the offer, improve competitiveness and the "value for money" offered to our customers.

The launch of the new MULTIMATE range is a particularly important development: it's a new product family for garden care characterized by a single power unit on which five different applications can be easily applied.

Significant resources have also been allocated to the development of new technologies aimed at the reduction of energy consumption, the protection of the environment and improved ergonomics through considerable reductions in noise emissions and vibrations.

The company incurred a total of € 4,677 thousand in R&D costs charged directly to the income statement during the year (€ 4,540 thousand in 2007).

6. Human resources

The workforce at 31st December 2008 can be broken down by country in the following table:

Workforce	31.12.2008	31.12.2007
Italy	514	464
France	44	43
Belgium	4	6
UK	15	16
Spain	21	17
Germany	19	17
Poland	58	60
China	367	214
USA	7	7
Total	**1,049**	**844**

In 2008 the total workforce in Emak Group in 2008 increased from 844 to 1,049, excluding temporary workers. This increase is mainly due to the acquisitions made during the year: Bertolini S.p.A. (58 employees) and Tailong (Zhuhai) Machinery Manufacturing Equipment Ltd. (110 employees Moreover, there was an increase in the workforce of the Chinese subsidiary Jiangmen Emak Outdoor Power Equipment Co. Ltd. as a result of the growth in the factory's productivity .
In Emak SpA, management and technical training is carried out according to established programs. A total of 8,446 hours of technical - specialized instruction and training were provided in 2008, 452 hours of which relate to work safety.

7. Significant events in the year

There have been no significant events in 2008 except for those described in notes 7 and 8 of the Notes to the Consolidated Financial Statements.

8. Balances or transactions arising from atypical and unusual, significant and non recurring operations.

Please refer to notes 7 and 8 of the attached consolidated financial statements.

9. Emak Group - overview of results

Highlights from the consolidated income statement

€/000	FY 2008	%	FY 2007	%	Change
Net sales	243,449	100	217,834	100	11.8%
EBITDA	31,657	13.0	29,992	13.8	5.6%
EBIT	24,913	10.2	24,472	11.2	1.8%
Profit before taxes	20,905	8.6	22,615	10.4	-7.6%
Net profit	14,866	6.1	15,246	7.0	-2.5%

Sales

The table below shows sales in 2008, broken down by segment, compared with the previous financial year.

€/000	31.12.2008	%	31.12.2007	%	Change
Agriculture & Forestry	77,606	31.9	56,574	26.0	37.2%
Construction & Industry	6,620	2.7	5,673	2.6	16.7%
Lawn & Garden	129,052	53.0	131,890	60.5	-2.2%
Spare parts & Accessories	30,171	12.4	23,697	10.9	27.3%
Total	**243,449**	**100**	**217,834**	**100**	**11.8%**

Consolidated sales for the full year 2008 grew by 11.8%, reaching €243,449 thousand, compared to €217,834 thousand in the previous year. The increase would have been 3% maintaining the same scope of consolidation.

The increase in sales in the Agriculture&Forestry sector is attributable to the positive performance of agricultural products – largely due to the new scope of consolidation - , which more than compensated for the decrease in forestry products.
The increase in the Construction & Industry segment was mainly determined by the OEM business.
Sales in the Gardening segment decreased slightly compared to the previous year because of the reduction in pre-seasonal orders as a consequence of the downturn in the global economy.
Finally, the positive result of the Spare Parts&Accessories segment was boosted by the new scope of consolidation.

The geographical breakdown of sales in 2008, and comparisons with the previous year, is shown in the following table:

€/000	31.12.2008	%	31.12.2007	%	Change
Italy	47,993	19.7	41,082	18.9	16.8%
Europe	158,837	65.2	145,206	66.7	9.4%
Rest of world	36,619	15.1	31,546	14.5	16.1%
Total	**243,449**	**100**	**217,834**	**100**	**11.8%**

The growth achieved in the Italian market was boosted by the new scope of consolidation. In the European market, the positive results obtained in the Eastern countries more than compensated for the decrease in the Western countries. Sales in the Rest of the World benefited from the positive trend of the South American market and the growth in activities of the subsidiary Emak USA Inc.

Profits

EBITDA
Ebitda increased by 5.6%, to € 31,657 thousand, up from € 29,992 thousand in the previous year. In comparative terms, excluding non-recurring components in 2007, the increase in Ebitda was 10%.

The following factors contributed positively to the full-year results:
- the increase in sales volumes;
- capital gains arising on the sale of capital assets for € 650 thousand;
- the trend in sales prices.

The following factors have, on the other hand, contributed negatively to the full-year results:

- the trend in costs of raw materials;
- costs of an extraordinary nature deriving from the new scope of consolidation.

Ebitda as a percentage of sales has moved from 13.8% (13.2% excluding the non-recurrent components referred to above) at 31 December 2007, to 13% at 31 December 2008.

EBIT
In 2008, Ebit amounted to € 24,913 thousand against € 24,472 thousand in the last financial year, an increase of 1.8%. In comparative terms, excluding the non-recurring items already referred in the above paragraph, the increase in Ebit in 2008, compared to the previous financial year, was 7.1%.

Amortisation and depreciation costs have increased as a result of the new scope of consolidation and from the introduction of a number of production facilities.

Ebit as a percentage of sales has moved from 11.2% (10.7% excluding the non-recurrent components referred to above) at 2007, to 10.2% (14.8% for comparative scope of consolidation) at 2008.

Ebit as a percentage of net invested capital has moved from 20% (19.1% excluding the non-recurrent components referred to above) at 2007, to 15.5% at 2008.

Net profit
Net profit was €14,866 thousand, equal to 6.1% of sales, compared to €15,246 thousand (7% of sales) in 2006.

The net financial result for the 2008 derives from the increase in net financial liabilities and in interest rates and from the negative trend in currency exchanges in the last quarter.

The full-year 2008 tax rate of 28.9% was down from that of 32.6% in the full-year 2007, mainly due to differences in tax rules applied in the various countries where the group operates, to the reduction in tax rates in Italy and partially due to the benefit deriving from the redemption of a number of deductions made in previous years.

Highlights from the consolidated balance sheet

€/000	31.12.2008	31.12.2007
Net non-current assets	58,014	41,410
Net working capital	103,199	81,071
Total net capital employed	**161,213**	**122,481**
Equity attributable to the group	98,881	90,924
Equity attributable to minority interests	526	515
Net debt	(61,806)	(31,042)

Net non-current assets
During 2008 Emak Group invested € 15,159 thousand in property, plant and equipment and intangible assets as follows:

- € 4,964 thousand for product innovation;
- € 2,669 thousand for boosting production capacity and for process innovation;
- € 1,270 thousand for upgrading the computer network;
- € 6,215 thousand for extension and construction work on buildings;
- € 41 thousand for other investments for operating activities.

Investments broken down by geographical area are as follows:

- € 11,853 thousand in Italy;
- € 445 thousand in Europe;
- € 2,861 thousand in the Rest of the World.

Net working capital
Net working capital is € 22,128 thousand higher than at the end of December 2007, moving from € 81,071 thousand to € 103,199 thousand.

The chart below shows the changes in net working capital in 2008 compared to the previous year:

€/000	FY 2008	FY 2007
Net working capital at 01 January	**81,071**	**81,785**
increase/(decrease) in inventories	22,825	(1,868)
increase/(decreases) in trade receivables	9,858	434
(increase)/decreases in trade payables	(11,772)	(548)
other changes	1,217	1,268
Net working capital at 31 December	**103,199**	**81,071**

The increase in net working capital in 2008 is mainly attributable to the new scope of consolidation and to the increase in stocks resulting from the downturn in the world economy in the last quarter.

Equity
Total equity amounts to €99,407 thousand compared with €91,439 thousand at 31st December 2007.
Earnings per share for the year are €0.543, up from €0.550 last year.

Net financial position

€/000	31.12.2008	31.12.2007
Cash and banks	4,306	6,036
Securities and derivative financial instruments	317	91
Other financial assets	24	4
Financial liabilities	(39,586)	(23,840)
Derivative financial instruments	(139)	(189)
Short-term net debt	**(35,078)**	**(17,898)**
Financial liabilities	**(26,728)**	**(13,144)**
Long-term net debt	(26,728)	(13,144)
Cash and banks	4,306	6,036
Securities and derivative financial instruments	317	91
Other financial assets	24	4
Financial liabilities	(66,314)	(36,984)
Derivative financial instruments	(139)	(189)
Total net debt	**(61,806)**	**(31,042)**

Net debt increased from € 31,042 thousand at 31 December 2007 to € 61,806 thousand at 31 December 2008. The change has been caused by increased working capital requirements, the new scope of consolidation and by the significant investments made in the year.

Free cash flow from operations in 2008 was €21,610 thousand after tax, compared with €20,766 thousand last year.

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 2009;
- amounts due to other providers of finance falling due by 31st December 2009.

The net financial position does not contain any balances with related parties either at 31st December 2007 or at 31st December 2008.

10. Performance of subsidiaries

The figures reported are taken from the financial statements of subsidiaries drawn up in accordance with international IAS/IFRS standards.

Emak S.p.A.

The table below summarises the Parent company's key economic indicators:

€/000	FY 2007	%	FY 2006	%	Change
Net sales	187,465	100	157,996	100	187%
EBITDA	17,959	96	17,852	113	6%
EBIT	14,382	77	14,742	93	-24%
Profit before taxes	12,904	69	15,307	97	-157%
Net profit	**8,384**	**45**	**9,813**	**62**	**-146%**

The profitability of the Parent company has been significantly affected by factors relating to the absorption of Bertolini S.p.A., which has led, in the short-term, to a more than proportionate increase in structure costs, increased amortisation and depreciation charges, greater personnel costs and one-off costs associated with the reorganisation of all the company's principle processes.

The increase in the net negative financial position, in interest payable and the fall in dividends collected from subsidiary companies have led to a deterioration in the net financial result compared to the previous year.

The company's balance sheet and financial position at 31st December 2008 are summarized as follows:

€/000	**31.12.2008**	**31.12.2007**
Net non-current assets	41,047	27,301
Net working capital	74,326	59,946
Total net capital employed	**115,372**	**87,247**
Equity	79,702	77,790
Net cash (debt)	(35,670)	(9,457)

The increase in the net negative financial position is due to acquisitions made in the year, to the consequent increase in net working capital and to the significant investments made.

With regards to the reconciliation between the income statement and balance sheet of the Parent company and those of the Group, reference should be made to note 40 of the consolidated financial statements.

Emak France SAS
The company made a profit of €434 thousand, against €950 thousand in 2007. Turnover was €36,400 thousand, against €38,374 thousand in 2007, a decrease of 5.1%.

The result has been affected by the slowdown in sales in the latter part of the year, which has not permitted an immediate review and reduction of structural costs.

The company distributes Emak products in France.

Jiangmen Emak Outdoor Power Equipment Co. Ltd.
The company made a profit of €3,732 thousand, against €3,040 thousand in 2007. Turnover was €43,868 thousand, against €28,598 thousand in 2007. The increase is attributable to the achievement of greater production volumes.

From 2008 the company is liable to pay tax on income at a rate of 12.5%, while it was not subject to tax in previous years (benefiting from a "tax holiday").

Victus-Emak Sp. z o.o.
The company made a profit of €2,765 thousand, against €2,052 thousand in 2007. Turnover was €25,453 thousand, against €23,635 thousand in 2007, an increase of 7.7%.

The result has been boosted by a mix of sales in more remunerative distribution channels and by the revaluation of the local currency against the Euro.

The company distributes Emak products in the Polish market.

Comag S.r.l.
The company made a loss of €102 thousand, against a profit of €436 thousand in 2007. Turnover was €17,210 thousand, against €18,459 thousand in 2007. The fall in turnover was caused by a decrease in production volumes. Profit was adversely affected by an increase in the cost of raw materials, by an increase in structural costs and by increased depreciation charges associated with implemented investment plans.

Further to the investment plan implemented with relation to Law 488/92, revenues from capital grants were capitalised in 2008 to the amount of €279 thousand.

Emak Deutschland GmbH
The company made a loss of €148 thousand, against a loss of €178 thousand in 2007. Turnover was €10,393 thousand, against €10,642 thousand in 2007, a decrease of 2.3%.

The result for 2008 was adversely affected by the trend in demand for certain product families, preventing the effective application of previous years' investments. In addition an adjustment in the calculation of deferred taxes receivable with relation to past losses had a negative effect of around € 100 thousand.

The company distributes Emak products in Germany.

Emak Suministros España SA
The company made a net profit of €440 thousand, against €631 thousand in 2007. Turnover was €7,602 thousand, compared to €8,943 thousand in 2007, a decrease of 15%.

The results were influenced by the notably negative trend in the Iberian economy. These unfavourable conditions have offset any benefits deriving from the reorganisation of the company carried out at the end of 2007.

The company distributes Emak products in Spain

Emak U.K. LTD
The company made a loss of €110 thousand, against a profit of €64 thousand in 2007. Turnover was €4,557 thousand, a decreases of 25.8% compared to the turnover of €6,140 thousand in 2007.

The company's performance has been affected by the unfavourable economic situation in the U.K. and the fall in value of British Sterling against the Euro.

The company distributes Emak products in Great Britain.

Emak Benelux N.V.
Emak Benelux N.V. made a loss of €19 thousand, against a profit of €46 thousand in 2007.
Turnover was €2,675 thousand, a fall of 12.2% from the 2007 turnover of €3,046.

The company's performance has suffered from a significant decrease in internal demand (Belgium), as well as a fall in sales in Holland.

The company distributes Emak products in the Belgian and Dutch markets.

Emak USA Inc.
The company made a profit of €11 thousand, against a loss of €247 thousand in the previous financial year.
Turnover was €3,158 thousand, compared to €1,500 thousand in 2007.

The positive result is down to the progressive expansion of the distribution network in the US market.

The company distributes Emak products in the North American market.

Tailong (Zhuhai) Machinery Manufacturing Equipment Ltd.
The company closed with a profit of €439 thousand and with a turnover of € 2,060 thousand (these figures refer to the second half-year of 2008, the period in which the company formed part of the Group).

The company was acquired in July 2008. Details about the acquisition and on the nature of the operations carried out are described in note 7 of the Notes to the Consolidated Financial Statements.

11. Related party transactions

Please refer to note 38 to the consolidated financial statements and note 36 to the individual financial statements for information about related party transactions.

12. Buy-back of Emak S.p.A. shares

In accordance with the related authorization by shareholders, Emak S.p.A. has purchased treasury shares on the market for the purpose of improving the stock's liquidity.

Emak S.p.A. held 277,413 treasury shares at 31st December 2007, worth €1,516 thousand.
During the 2008 Emak S.p.A. purchased 104,750 treasury shares worth €463 thousand. As a result at 31 December 2008 the company held in portfolio 382,163 treasury shares, worth €1,979 thousand.

During the months of January and February 2008, Emak S.p.A. purchased 1,800 treasury shares, worth €7 thousand, taking its total holding at 28th February 2009 to 383,963 such shares, worth a total of €1,986 thousand.

13. Corporate governance and other information required by Issuers Regulations

Emak S.p.A. complies with the Self-disciplinary Code, approved by the Committee set up by Borsa Italiana s.p.a. and reviewed by the latter in March 2006. The Code is available to the public at the Italian Stock Exchange's official website under the section "Documents" and subsequently "Publications".
Emak S.p.A. complies with the Self-disciplinary requirements according to the terms and details set out in the special report on corporate governance as per arts. 124-bis of Legislative Decree 58/1998 and 89-bis of the Issuers Regulations approved through Consob resolution no. 11971/1999.
The report is available to the public in the prescribed terms at the company's registered office, at the offices of Borsa Italiana S.p.A. and on the website: www.emak.it under the section "Investor Relations" and subsequently "Documentazione societaria".

* * * * * *

In compliance with article 79 of the Issuers Regulations (CONSOB Resolution 11971 of 14 May 1999 and subsequent amendments thereto), the following table presents the equity interests held in Emak S.p.A. and its subsidiaries by directors, statutory auditors and general managers:

€/000	Term in office	Emoluments of office	Benefits in kind	Bonuses and other incentives	Other remuneration
Giacomo Ferretti *Chairman and Executive Director*	01.01.08-31.12.08	142	-	111	(a) -
Fausto Bellamico *General Manager and CEO*	01.01.08-31.12.08	53	3	154	(a) 207
Aimone Burani *Deputy Chairman And Executive Director*	01.01.08-31.12.08	25	3	88	(a) 184
Stefano Slanzi *Director and Vice G M*	28.04.08-31.12.08	9	2	86	(a) 208
Carlo Baldi *Director*	01.01.08-31.12.08	2	-	-	(b) 41
Andrea Barilli *Director*	01.01.08-31.12.08	18	-	-	-
Vilmo Spaggiari *Director*	01.01.08-31.12.08	2	-	-	-
Guerrino Zambelli *Director*	01.01.08-31.12.08	2	-	-	-
Paola Becchi *Director*	01.01.08-31.12.08	2	-	-	-
Ivano Salsapariglia *Director*	01.01.08-26.03.08	1	-	-	-
Giuliano Ferrari *Director*	01.01.08-31.12.08	2	-	-	-
Luigi Bartoli *Director*	01.01.08-31.12.08	14	2	-	(a) 76
Ivano Accorsi *Director*	01.01.08-31.12.08	12	-	-	-
Gianluigi Basini *Director*	01.01.08-31.12.08	12	-	-	-
Marco Montanari *Chairman of Board of Statutory Auditors*	01.01.08-31.12.08	19	-	-	-
Claudia Catellani *Acting auditor*	01.01.08-31.12.08	12	-	-	(b) 14
Martino Masini *Acting auditor*	01.01.08-31.12.08	12	-	-	-

a) Remuneration as company employee and provision of related employee termination indemnity, emoluments for other offices held in subsidiaries and other remuneration.
(b) Includes consulting fees.

In compliance with article 79 of the Issuers Regulations (CONSOB Resolution 11971 of 14 May 1999 and subsequent amendments thereto), the following table presents the equity interests held in Emak S.p.A. and its subsidiaries by directors, statutory auditors and general managers:

Full name	Shares held in	No. Shares held on 01.01.2008	No. Shares purchased	No. Shares sold	No. Shares held in 31.12.2008
Directors					
Giacomo Ferretti	Emak S.p.A.	10,000	20,499	-	30,499
Aimone Burani	Emak S.p.A.	5,000	-	-	5,000
Fausto Bellamico	Emak S.p.A.	10,000	-	-	10,000
Ivano Accorsi	Emak S.p.A.	2,000	-	-	2,000
Andrea Barilli	Emak S.p.A.	1,000	-	-	1,000
Board of Statutory Auditors					
Martino Masini	Emak S.p.A.	17,000	-	-	17,000

14. Outstanding disputes

There are no outstanding disputes other than those discussed in note 35 to the consolidated financial statements, to which the reader should refer.

15. Other information

We declare to have checked and revised the company's Security Plan on 10th March 2009 in compliance with Appendix B to Decree 196/2003.

In accordance with the provisions of arts. 36 and 39 of Market Regulations,- Consob Resolution n° 16191- Emak S.p.A. makes it known that it currently holds a controlling interest in two companies of a significant size, incorporated and regulated by the laws of a state which is not a member of the European Union, both regulated by legislation in force in the People's Republic of China:

- Jiangmen Emak Outdoor Power Equipment Co. Ltd;
- Tailong (Zhuhai) Machinery Manufacturing Equipment Ltd.

With regards to both companies, Emak S.p.A. complies with the aforementioned legislative provisions.

16. Business outlook, principle risks and elements of uncertainty.

The strong and persistent fall in world demand has also affected the sector in which Emak operates. Taking account of the uncertain and evolving macro-economic situation, it is reasonable to predict a fall in sales of between 6% and 8% compared to 2008.
In order to avoid compromising the company's economic, balance sheet and financial stability, the Group has taken actions aimed at controlling structural costs, the rationalisation of investments and the reorganisation of processes, including the setting up of an income support fund.

In the medium-term, however the company's development strategies based on product innovation, business development and growth (organically and through acquisitions) shall be maintained.

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

The trend in the fall of turnover already experienced in the fourth quarter of 2008 has continued in the early months of 2009.

For an analysis of the impact of risks of a financial nature reference should be made to the appropriate paragraphs in the notes to the consolidated accounts.

17. Subsequent events

There are no significant subsequent events.

18. Proposed allocation of net profit for the year

Shareholders,

We are submitting for your approval the financial statements for the year ended 31st December 2008, which report a net profit of €8,383,851.
The Board of Directors is proposing that a dividend of €0.150 be distributed to every outstanding share.

We therefore invite you to adopt the following resolution:

«The AGM of Shareholders of Emak S.p.A.

resolves

a. to approve the financial statements for the year ended 31st December 2008 reporting a net profit of €8,383,851;

b. to allocate the net profit of €8,383,851 as follows:

- to the shareholders, a dividend of €0.150 for each of the outstanding shares, gross of legally required withholdings, but not for the treasury shares held by the company itself, with the shares going ex-div on 1st June 2009 and the dividend paid on 4th June 2009;
- the remainder to retained earnings, since the legal reserve has reached the maximum limit required by law.»

Bagnolo in Piano (RE), 16 March 2009

On behalf of the Board of Directors
The Chairman – Giacomo Ferretti

EMAK GROUP
CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2008

Emak Group
Consolidated financial statements at 31 December 2008

Consolidated financial statements

Consolidated income statement

€/000	Notes	Year 2008	Year 2007
Sales	10	243,449	217,834
Other operating incomes	10	2,391	2,104
Change in inventories		13,169	(1,474)
Raw and consumable materials and goods	11	(151,434)	(126,500)
Salaries and employee benefits	12	(34,001)	(27,671)
Other operating costs	13	(41,917)	(34,301)
Amortization, depreciation and impairment losses	14	(6,744)	(5,520)
Ebit		**24,913**	**24,472**
Financial income	15	588	591
Financial expenses	15	(3,941)	(2,634)
Exchange gains and losses	15	(655)	186
EBT		**20,905**	**22,615**
Income taxes	16	(6,039)	(7,369)
Net profit		**14,866**	**15,246**
(Profit)/loss attributable to minority interests		**(44)**	**(65)**
Net profit attributable to the group		**14,822**	**15,181**
Basic earnings per share	**17**	**0.543**	**0.550**
Diluted earnings per share	**17**	**0.543**	**0.550**

Consolidated balance sheet

ASSETS

€/000	Notes	31.12.2008	31.12.2007
Non-current assets			
Property, plant and equipment	18	50,991	38,689
Intangible assets	20	3,318	2,795
Goodwill	21	10,101	6,773
Investment property	19	136	174
Equity investments	22	224	224
Deferred tax assets	30	3,320	2,845
Other receivables	24	852	854
Total		**68,942**	**52,354**
Current assets			
Inventories	25	89,258	66,434
Trade and other receivables	24	72,897	63,373
Current tax assets	30	3,440	3,071
Other financial assets		24	4
Derivative financial instruments	23	317	86
Marketable securities at fair value		-	5
Cash and cash equivalents	26	4,306	6,036
Total		**170,242**	**139,009**
TOTAL ASSETS		**239,184**	**191,363**

EQUITY AND LIABILITIES

€/000		31.12.2008	31.12.2007
Capital and reserves			
Share capital		7,190	7,190
Share premium		21,047	21,047
Treasury shares		(1,979)	(1,516)
Other reserves		30,054	30,397
Retained earnings		42,569	33,806
Total Group	**27**	**98,881**	**90,924**
Minority interests		**526**	**515**
Total equity		**99,407**	**91,439**
Non-current liabilities			
Loans and borrowings	29	26,728	13,144
Deferred tax liabilities	30	3,044	3,204
Post-employment benefits	31	5,017	4,562
Provisions	32	638	582
Other non-current liabilities	33	2,228	2,596
Total		**37,655**	**24,088**
Current liabilities			
Trade and other payables	28	59,902	49,639
Current tax liabilities	30	2,167	1,788
Loans and borrowings	29	39,586	23,840
Derivative financial instruments	23	139	189
Provisions	32	328	380
Total		**102,122**	**75,836**
TOTAL EQUITY AND LIABILITIES		**239,184**	**191,363**

STATEMENT OF CHANGES IN CONSOLIDATED EQUITY
AT 31.12.2007 AND AT 31.12.2008

				OTHER RESERVES	
€/000	SHARE CAPITAL	SHARE PREMIUM	REVALUATION RESERVE	LEGAL RESERVE	REVALUATION RESERVE
Balance at 31.12.2006	**7,190**	**21,047**	**(527)**	**1,438**	**1,138**
Change in translation reserve					
Change in treasury shares			(989)		
Payment of dividends					
Other changes					
Net profit for 2006					
Balance at 31.12.2007	**7,190**	**21,047**	**(1,516)**	**1,438**	**1,138**
Change in translation reserve					
Change in treasury shares			(463)		
Payment of dividends					
Other changes					
Net profit for 2007					
Balance at 31.12.2008	**7,190**	**21,047**	**(1,979)**	**1,438**	**1,138**

OTHER RESERVES		RETAINED EARNINGS				
CUMULATIVE TRANSLATION ADJUSTMENT	OTHER RESERVES	RETAINED EARNINGS	NET PROFIT FOR THE PERIOD	TOTAL GROUP	EQUITY ATTRIBUTABLE TO MINORITY INTERESTS	TOTAL
36	**27,611**	**12,221**	**11,239**	**81,393**	**483**	**81,876**
174				174		174
		40		(949)		(949)
		6,400	(11,239)	(4,839)	(42)	(4,881)
		(36)		(36)	9	(27)
			15,181	15,181	65	15,246
210	**27,611**	**18,625**	**15,181**	**90,924**	**515**	**91,439**
(343)				(343)		(343)
				(463)		(463)
		9,173	(15,181)	(6,008)	(44)	(6,052)
		(51)		(51)	11	(40)
			14,822	14,822	44	14,866
(133)	**27,611**	**27,747**	**14,822**	**98,881**	**526**	**99,407**

Consolidated Cash Flow Statement

€/000	Notes	2008	2007
Cash flow from operations			
Net profit for period		**14,866**	**15,246**
Amortization, depreciation and impairment losses	14	6,744	5,520
(Capital gains)/losses on disposal of property, plant and equipment		(670)	(536)
Decreases/(increases) in trade and other receivables		(1,086)	(5,807)
Decreases/(increases) in inventories		(13,298)	1,868
(Decreases)/increases in trade and other payables		1,910	5,158
Change in post-employment benefits	31	(194)	(1,234)
Decreases/increases in provision for liabilities	32	(75)	110
Decreases/increases in derivate financial instruments		(281)	(126)
Net cash generated by operations		**7,916**	**20,199**
Cash flow from investment activities			
Increases in property, plant and equipment and intangible assets		(15,264)	(8,625)
(Increases) and decreases in financial assets		(16)	5
Proceeds from disposal of property, plant and equipment		702	805
Bertolini merger (1)	7	(2,550)	0
Tailong acquisition (2)	7	(23,661)	(7,815)
Net cash absorbed by investment activities		**(23,661)**	**(7,815)**
Cash flow from financial activities			
Change in equity		(502)	(976)
Change in short and long-term loans and borrowings		10,291	4,227
Change in finance leases		(465)	(524)
Dividends paid		(6,052)	(4,881)
Change in translation reserve		(343)	174
Net cash absorbed by financial activities		**2,929**	**(1,980)**
NET INCREASE IN CASH AND CASH EQUIVALENTS		**(12,816)**	**10,404**
OPENING CASH AND CASH EQUIVALENTS		**(2,516)**	**(12,920)**
CLOSING CASH AND CASH EQUIVALENTS		**(15,332)**	**(2,516)**

ADDITIONAL INFORMATION ON THE CASH FLOW STATEMENT

€/000		2008	2007
RECONCILIATION OF CASH AND CASH EQUIVALENTS			
Opening cash and cash equivalents, detailed as follows:	**26**	**(2,516)**	**(12,920)**
Cash and cash equivalents		6,036	4,028
Overdrafts		(8,552)	(16,948)
Closing cash and cash equivalents, detailed as follows:	**26**	**(15,332)**	**(2,516)**
Cash and cash equivalents		4,306	6,036
Overdrafts		(19,638)	(8,552)
Other information:			
Tax paid		(5,128)	(8,401)
Interest income		465	355
Interest paid		(3,071)	(1,941)
Change in related party receivables and service transactions		198	(1,043)
Change in related party payables and service transactions		(2,088)	912
(1) detail of the effect of the Bertolini merger			
movements attributable to operating activities		(10,834)	0
movements attributable to investment activities		(3,467)	0
movements attributable to financial activities		7,768	0
(1) Total effect of the merge		**(6,533)**	**0**
(2) detail of the effect of the Tailong acquisition			
movements attributable to operating activities		963	0
movements attributable to investment activities		(4,164)	0
movements attributable to financial activities		651	0
(2) Total effect of the change in the scope of consolidation.		**(2,550)**	**0**

Explanatory notes to the consolidated financial statements of Emak Group

Notes to the consolidated financial statements - Contents

1. General information

The Board of Directors approved the consolidated financial statements of Emak S.p.A. for the year ended 31 December 2008 on 16 March 2008 and authorized their immediate publication in a press release of the same date.

The Emak Group is one of Europe's leading producers of gardening, forestry and small-scale agricultural machinery, such as chainsaws, brushcutters, lawnmowers, trimmers and a vast assortment of accessories.

The parent company is a public limited company, whose shares are listed on the Italian stock exchange. Its registered office is in Via Fermi 4, Bagnolo in Piano (Reggio Emilia), Italy.

The group has approximately 1,050 employees.

EMAK is controlled by YAMA S.p.A., which holds the majority of its share capital on a permanent basis and, in accordance with the law and with the articles of association, appoints its corporate Bodies.
EMAK S.p.A.'s Board of Directors, however, makes its own strategic decisions and operates autonomously.

EMAK S.p.A. has set up specific procedures for regulating decisions that place certain Directors in positions of conflict of interest and for the carrying out of related party transactions. The aim in all cases is to protect the company and its assets in the best way possible.

The Yama Group's main business is in the sectors of agricultural and gardening machinery and equipment, engine parts, finance and real estate.

The figures presented in the notes are expressed in thousands of euro, unless otherwise stated.

2. Summary of principal accounting policies

The principal accounting policies used for preparing these consolidated financial statements are discussed below, and unless otherwise indicated, have been uniformly applied to all years presented.

2.1 General methods of preparation

The consolidated financial statements have been prepared in accordance with the IFRS issued by the International Accounting Standards Board and adopted by the European Union at the date of preparing this report. The term IFRS also refers to all revised international accounting standards (IAS) and all interpretations by the International Financial Reporting Interpretations Committee (IFRIC), previously named the Standing Interpretations Committee (SIC). The consolidated financial statements have been prepared under the historical cost method, except for those financial assets and liabilities (including derivative instruments) measured at fair value.

The group has adopted the following formats for its financial statements as required by IAS 1:
- Balance Sheet: based on the distinction between current and non-current assets and current and non-current liabilities;
- Income Statement: based on a classification of items of income and expense according to their nature;
- Cash flow Statement: based on a presentation of cash flows using the indirect method.

The preparation of financial statements under IFRS requires management to make use of accounting estimates. The matters involving a high degree of judgement or complexity and the areas in which the assumptions and estimates could have a significant impact on the consolidated financial statements are discussed in note 5.

2.2 Methods of consolidation

The consolidated financial statements include the financial statements of Emak S.p.A. and the Italian and foreign companies over which Emak exercises direct or indirect control by governing their financial and operating policies and receiving the related benefits. The subsidiary Jiangmen Emak Outdoor Power Equipment Co. Ltd. has been consolidated as a wholly-owned subsidiary in view of the commitment to buy back the 49% interest held by Simest S.p.A.. Subsidiaries are consolidated line-by-line from the date that the group obtains control.

The acquisition of subsidiaries is accounted for using the purchase method. The cost of acquisition initially corresponds to the fair value of the assets acquired, the financial instruments issued and the liabilities at the date of acquisition, as increased for any directly attributable acquisition costs, and ignoring any minority interests. The excess of the cost of acquisition over the group's share of the fair value of the net assets acquired is recognized as goodwill. If the cost of acquisition is lower, the difference is directly expensed to income (see note 2.7).

Intragroup balances, transactions and unrealized gains are eliminated. Unrealized losses are also eliminated unless the cost of the asset transferred reports an impairment loss. The financial statements of consolidated companies are duly amended, where necessary, to make them consistent with the group's accounting policies.

The scope of consolidation at 31 December 2008 therefore includes the following companies:

Name	Head office	Share capital	Currency	% consolidated	Held by	% interest held
Emak S.p.A.	Bagnolo in Piano - RE (I)	7,189,910	€			
Emak Suministros Espana SA	Getafe-Madrid (E)	270,459	€	90.000	Emak S.p.A.	90.000
Comag S.r.l.	Pozzilli - IS (I)	1,850,000	€	99.442	Emak S.p.A.	99.442
Emak U.K. Ltd	Lichfield (UK)	17,350	GBP	100.000	Emak S.p.A.	100.000
Emak Deutschland Gmbh	Fellbach-Oeffingen (D)	553,218	€	100.000	Emak S.p.A.	100.000
Emak Benelux NV	Meer (B)	130,000	€	99.999	Emak S.p.A.	99.800
					Comag S.r.l.	0.200
Emak France SAS	Rixheim (F)	2,000,000	€	100.000	Emak S.p.A.	100.000
Jiangmen Emak Outdoor Power Equipment Co.Ltd (*)	Jiangmen (RPC)	18,171,788	RMB	100.000	Emak S.p.A.	100.000
Victus-Emak Sp. Z o.o.	Poznan (PL)	10,168,000	PLN	100.000	Emak S.p.A.	100.000
Emak USA Inc.	Wooster-Ohio (USA)	50,000	USD	100.000	Emak S.p.A.	100.000
Tai Long (Zhuhai) machinery Manufacturing Ltd.	Zhuhai (RPC)	16,353,001	RMB	100.000	Emak S.p.A.	100.000

(*) The group's interest includes the 49% holding by Simest S.p.A.. Under the contract signed in December 2004 and subsequent additions thereto, the interest held by Simest S.p.A. is the subject of a binding agreement for repurchase by Emak S.p.A. on 30 June 2013.

2.3 Segmental reporting criteria

IFRS 8, replacing IAS 14 and applied by the Group from 1 January 2008, provides for information to be given for certain items in the financial statements on the basis of the operational segments of the company.

An operating segment is a component of a company:

(a) that carries on business activities generating costs and revenues;
(b) whose operating results are reviewed on a periodic basis at the highest executive levels for the purpose of taking decisions about resources to be allocated to the sector and for the evaluation of results; and
(c) for which separate reporting information is available.

IFRS 8 is based on the so-called "management approach", which defines sectors exclusively on the basis of the internal organisational and reporting structure used to assess performance and allocate resources.

2.4 Translation differences

(a) Functional currency and presentation currency
Transactions included in the financial statements of each group company are recorded using the currency of the primary economic environment in which the company operates (functional currency). The consolidated financial statements are presented in euro, the functional and presentation currency of the parent company.

(b) Transactions and balances
A foreign currency transaction is translated using the rate of exchange at the date of the transaction. Exchange gains and losses arising upon receipt and payment of the foreign currency amounts and upon translation at closing rates of monetary items denominated in a foreign currency are reported in profit or loss for the period. Gains and losses realized on cash flow hedges whose hedged items are still unrealized are deferred in equity.

(c) Group companies
The financial statements of all group companies whose functional currency differs to the presentation currency of the consolidated financial statements are translated as follows:
(i) assets and liabilities are translated at the closing rate on the balance sheet date;
(ii) income and expenses are translated at the average rate for the period;
(iii) all translation differences are recognized as a separate reserve under equity ("cumulative translation adjustment").

The exchange rates used to translate these financial statements are as follows:

Amount of currency corresponding to €1	2008 average	31.12.2008	2007 average	31.12.2007
Pounds sterling (GB)	0.80	0.95	0.68	0.73
Renminbi (China)	10.22	9.66	10.42	10.75
Zloty (Poland)	3.51	4.15	3.78	3.59
Dollars (USA)	1.47	1.39	1.37	1.47

2.5 Property, plant and equipment

Land and buildings largely comprise production facilities, warehouses and offices; they are stated at historical cost, plus any revaluations carried out by law in years prior to the first-time adoption of IAS/IFRS, less the accumulated depreciation of the buildings. Other assets are recorded at historical cost, less accumulated depreciation and impairment.
Historical cost includes all the directly attributable costs of purchasing the assets.

Subsequent expenditure is added to the carrying amount of the asset only when it is probable that this expenditure will generate future economic benefits and these costs can be measured reliably. Expenditure on other repairs and maintenance is expensed to income in the period incurred.

Land is not depreciated. Other assets are depreciated on a straight-line basis over their estimated useful lives as follows:

- buildings, 10-33 years
- plant and machinery, 7-10 years;
- other, 4-8 years

The residual value and useful life of assets is reviewed and amended, if necessary, at the end of each year.

If the carrying amount of any asset is higher than the estimated recoverable amount, it is immediately reduced to realizable value

Leases for which the group has substantially all the risks plus the right of redemption are classified as finance leases. The related assets are recognized under property, plant and equipment at the value of the future lease payments.
The principal element of repayments to be made is recorded as financial liabilities. The interest element is charged to the income statement so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Leases for which the lessor retains a significant portion of the risks and rewards incident to ownership are classified as operating leases, whose payments are recognized as an expense in the income statement over the lease term on a straight-line basis.

Government grants obtained for investments in buildings and machinery are treated as deferred income, which is recognized in the income statement over the period required to match these grants with the related costs.

2.6 Intangible assets

(a) Development costs
These are intangible assets with a finite life.
The development costs of new products are capitalized only if the following conditions are met:
- the costs can be measured reliably;
- the product's technical feasibility and expected price and market indicate that the costs incurred for development will generate future economic benefits.

Development costs include only that expenditure which can be attributed directly to the development process.
Capitalized development costs are amortized over 5 years, commencing from the start of production of the products developed.
All other development costs are expensed to income as incurred.

(b) Concessions, licences and trademarks
Trademarks and licences are valued at historical cost. Trademarks and licences have a finite useful life and are stated after deducting accumulated amortization. Amortization is calculated on a straight-line basis so as to spread the asset's cost over its estimated useful life.

(c) Other intangible assets
These are intangible assets with a finite life.
An intangible asset is recognized only if (i) it is identifiable, (ii) it is probable that it will generate future economic benefits and (iii) its cost can be measured reliably.
Intangible assets are recognized at purchase cost and amortized on a systematic basis over their estimated useful lives, which cannot exceed 10 years.

2.7 Goodwill

Goodwill relating to the purchase of subsidiaries is classified among the non-current assets and reviewed once a year for impairment. It is carried at cost less accumulated impairment losses.
Goodwill is allocated to the related cash-generating units for the purposes of identifying any impairment losses. Each of these cash-generating units represents the group's investment in each country of operation.
The Emak Group considers goodwill to be an asset with an indefinite useful life.

2.8 Impairment of assets

Assets with an indefinite life are not amortized or depreciated but are reviewed annually for any impairment. Depreciable assets are reviewed for impairment every time that events or changes in circumstances indicate that their carrying value might not be recoverable. The impairment loss recognized is the amount by which the carrying amount of an asset exceeds its recoverable amount, corresponding to the higher of the asset's net selling price and its value in use. For the purposes of measuring impairment, assets are classified together into the smallest identifiable groups that generate cash inflows (cash-generating units).

2.9 Investment property

Property held for long-term capital appreciation and buildings held to earn rentals are measured at cost, less depreciation and any impairment losses

2.10 Financial assets and investments

The group classifies financial assets and investments in the following categories: financial assets at fair value (with changes reported through the income statement), loans and receivables, held-to-maturity investments and financial assets held for sale. The classification depends on the purpose for which the investment has been made. The classification is made upon the asset's initial recognition and is reviewed at every balance sheet date.

(a) Marketable financial assets at fair value (with the value of fluctuations posted in the income statement)
This category includes securities that have been acquired principally for the purpose of generating a profit from short-term fluctuations in price (or for temporarily investing surplus cash balances). This category is classified in current assets on the basis of the period-end price, with gains and losses recognized directly in the income statement.
Unless they qualify for hedge accounting, derivatives are also classified as held for trading.

(b) Other financial assets
This balance includes loans given, securities held to maturity and other receivables deriving from financial activities. They are classified as non-current assets except those falling due within 12 months which are reclassified to current assets.

These financial assets feature determinable payments with fixed maturities, and the fact that the group has the intent and ability to hold them to maturity.
These assets are valued using the amortized cost method based on the effective rate of return, with gains recorded directly in the income statement.

(c) Equity investments
This category includes minority equity interests, which are measured at cost less any impairment.

(d) Financial assets available-for-sale
Financial assets available-for-sale is a residual category relating to those assets not belonging to the previous three categories. They are reported as non-current assets unless management intends selling them within 12 months of the balance sheet date.
Purchases and sales of these assets are recognized on the transaction date, which is the date on which the group commits to purchase or sell the asset.
Unrealized gains and losses arising on changes in the fair value of non-monetary securities classified as available for sale are recorded in equity. When these instruments are sold or written down, the cumulative fair value adjustments are reversed to income as gains or losses on investments in securities.

All investments in financial assets not recorded at fair value through the income statement are recognized initially at fair value plus the related transaction costs. An investment is eliminated from the accounting records when the right to its cash flows is extinguished or when the group has transferred substantially all the risks and rewards of its ownership to third parties.

The fair value of listed investments is determined with reference to the market price reported at the close of trading on the balance sheet date. In the absence of an active market for a financial asset or if the securities have been suspended from listing, the group establishes fair value using valuation techniques. These techniques include the use of recent arm's length transactions, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models, bearing in mind the issuer's specific characteristics.

The group assesses at each balance sheet date whether there is any objective evidence that a financial asset or group of financial assets may be impaired. If such evidence exists for the available-for-sale assets, the amount of the loss – measured as the difference between the asset's acquisition cost and current fair value less any impairment loss previously recognized in net profit or loss – is removed from equity and reported in the income statement. Impairment losses recognized in the income statement for equity instruments are not recovered through subsequent credits to the income statement.

2.11 Non-current assets held for sale

Assets held for sale are classified in this category when:
- the asset is available for immediate sale;
- the sale is highly probable within one year;
- management is committed to a plan to sell;
- a reasonable sales price is available;
- the plan for disposal is unlikely to change;
- a buyer is being actively sought.

These assets are measured at the lower of their carrying amount and fair value less costs to sell. Assets reclassified to this category cease to be depreciated.

2.12 Inventories

Inventories are measured at the lower of cost and net realizable value. Cost is determined using the weighted average cost method. The cost of finished products and work in progress includes raw material costs, direct labour costs, general manufacturing costs and other direct and indirect costs incurred in bringing the inventories to their present location and condition. Net realizable value is determined using prevailing selling prices less estimated costs of completion and sale.

2.13 Trade receivables

Trade receivables are recognized initially at fair value and subsequently measured at amortized cost, using the effective interest method, less any provisions for impairment.
A provision for the impairment of trade receivables is recognized when there is objective evidence that the group will be unable to collect all the amounts according to the original terms and conditions. The amount of the provision for such loss is charged to the income statement.

2.14 Trade payables

Trade and other payables, due under normal commercial terms, are not discounted but are recognized at cost (identified by their face value), representing the expenditure required for their settlement.

2.15 Cash and cash equivalents

Cash and cash equivalents include cash on hand, demand deposits with banks and short-term financial investments that are highly liquid and originally mature in three months or under, less bank overdrafts. Bank overdrafts are classified in the balance sheet in short-term loans and borrowings under current liabilities.

2.16 Share capital

Ordinary shares are classified under equity.

If a group company purchases shares in the parent company, the consideration paid, including any attributable transaction costs less the related tax, is deducted as treasury shares from the total equity pertaining to the group until such time as these shares are cancelled or sold. Any proceeds from their sale, less directly attributable transaction costs and the related tax, are recognized in equity pertaining to the group.

2.17 Financial liabilities

Loans and borrowings are recognized initially at fair value, less the related transaction costs. They are subsequently measured at amortized cost; the difference between the amount received, less transaction costs, and the amount repayable is recognized in the income statement over the term of the loan, using the effective interest method.

Loans and borrowings are classified as current liabilities if the group does not have an unconditional right to defer the extinguishment of the liability to at least 12 months after the balance sheet date.

2.18 Taxes

The income taxes reported in the income statement include all current and deferred taxes. Income taxes are generally recorded in the income statement and are booked to equity only when they refer to items that have been debited or credited to equity.
Taxes other than income taxes are classified as other operating costs.

Deferred tax assets are recognized on all temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilized.
The same principle applies to the recognition of deferred tax assets on utilizable tax losses.
The carrying amount of deferred tax assets is reviewed at each balance sheet date and possibly reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of all or part of the deferred tax asset to be utilized. Any such reductions are reversed if the reasons for them no longer apply. As a general rule, apart from specific exceptions, deferred tax liabilities must always be recognized.
Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date.
Current tax assets and liabilities are offset only if the company has a legally enforceable right to set off the recognized amounts and if it intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously. Deferred tax assets and liabilities may be offset only if the company is able to offset current tax assets against current tax liabilities and if the deferred taxes refer to income taxes levied by the same taxation authority.

2.19 Provision for employee termination indemnities

Employee termination indemnities fall into the category of defined benefit plans for valuation on an actuarial basis (using death rates, expected changes in remuneration etc.) and reflect the present value of the benefit, payable at the end of employment, which employees have matured at the balance sheet date.
The costs relating to the increase in the obligation's present value, arising as the time of payment approaches, are recorded as financial expenses. All other costs relating to the provision are reported as payroll costs in the income statement. Actuarial gains and losses are recognized in the period in which they occur.

2.20 Provisions for liabilities and charges

Provisions for liabilities and charges are recognized when (i) the group has a legal or constructive obligation as a result of past events, (ii) it is probable that a payment will be required to settle the obligation and (iii) a reliable estimate can be made of the related amount.

2.21 Revenues

Revenues are reported net of discounts, rebates, returns and allowances and are recognized as follows:

(a) Sale of goods
Sales of goods are recognized when a group company has delivered the goods to the customer, the customer has accepted the products and the associated receivable is reasonably certain to be collected.

(b) Sale of services
Sales of services are recognized in the period in which the service is rendered with reference to the stage of completion of the specific transaction, measured on the basis of the services performed to date as a percentage of total services to be performed.

2.22 Government grants

Government grants are recognized at fair value when there is reasonable assurance that the grants will be received and all the conditions attaching to them have been satisfied.
Government grants related to costs (eg. operating grants) are recognized as revenue on a systematic basis over a number of years so as to match the costs that the grant is intended to offset.
Government grants related to assets (eg. capital grants) are recorded in non-current liabilities and gradually released to income on a systematic basis over the useful life of the asset concerned.

2.23 Financial income and expenses

Financial income and expenses are recognized on an accrual basis using the effective interest rate and include exchange gains and losses and gains and losses on derivatives charged to the income statement.

2.24 Payment of dividends

Dividends on the parent company's ordinary shares are reported as liabilities in the financial statements in the year in which the shareholders approve their distribution.

2.25 Earnings per share

Basic earnings per share are calculated by dividing the group's net profit by the weighted average number of shares outstanding during the period, excluding treasury shares.
Emak S.p.A. does not have any potential ordinary shares.

2.26 Cash flow statement

The cash flow statement has been prepared using the indirect method.
Cash and cash equivalents included in the cash flow statement comprise the cash-related balances at the reporting date. Cash flows in foreign currency have been translated at the average rate for the period. Interest income and expense, dividends received and income taxes are included in cash flow generated by operations.

2.27 New accounting standards

It should be noted that the IASB and IFRIC have approved a number of changes to IAS/IFRS's, applicable for the first time from 1 January 2008. The main changes refer to:

- IAS 39 - "Financial instruments: recognition and measurement" and IFRS 7 - "Financial instruments: disclosures": the changes permit the reclassification of certain financial assets previously included in the "fair-value-through-profit-or-loss" category as "investments held until maturity". The changes also permit the reclassification of "available-for-sale" and "fair-value-through-profit-or-loss" financial assets to the "financing and credits" category if the company has the intention and the ability to hold such instruments for a determined future period. The amendment is applicable from 1 July 2008. Its adoption, however, has no effect on the financial statements, since the Group has not made any of the permitted reclassifications.

- IFRIC 11, "IFRS 2 – Group and treasury share transactions": the standard regulates the application of IFRS 2 "Share-based payment" to certain types of procedures that involve several companies in the same group. This standard is currently not applicable to the Group.

- IFRIC 12 - "Service Concession Arrangements": the standard, not yet approved by the European Union, is intended for operators in the private sector involved in the supply of services typical of the public sector (e.g. road, airports, electricity and water supplies by virtue of a license agreement) and is not applicable to the Group.

- IFRIC 13 - "Customer Loyalty Programmes": this standard defines the accounting treatment that must be adopted by entities that grant their clientele prizes associated with loyalty programmes relating to the acquisition of goods or services, and establishes that the fair value of obligations associated with the granting of such prizes must be deducted from sales revenues and deferred until the obligation towards the client expires. This standard is currently not applicable to the Group.

- IFRIC 14 "IAS 19 – Limits on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction". This interpretation provides guidelines on how to value these limits and clarifies the impact on assets and liabilities with regards to defined benefits deriving from the existence of minimum funding requirements of a contractual or legislative nature. The standard is not currently applicable to the Group.

The Group adopted the IFRS 8 standard in advance during 2008. The standard relates to information about operating segments, introduced through EC regulation no. 1358/2007. For more information reference should be made to heading 2.3.

Besides what is set out above, the following changes to standards and interpretations have been issued but are not applicable for the 2008 financial year and for which the Group has not opted for advanced adoption.

- IAS 23 "Borrowing Costs": changes that eliminate the option that permits charging borrowing costs directly attributable to the acquisition, construction or production of an asset directly to the income statement and imposes their capitalisation as part of the cost of the asset. These changes will be applicable from 1 January 2009. The future application of these changes to the standard is not expected to have any impact on the financial statements.

- IAS 1 “Presentation of Financial Statements”: IAS 1 has been subject to a slight revision that will lead to a change in the name of certain schedules making up the financial statements as well as the introduction of a new schedule (“statement of changes in equity”). These changes will take effect from 1 January 2009.

- IFRS 2 “Share-based payment: vesting conditions and cancellations”. The changes take effect from 1 January 2009. The standard, which clarifies vesting conditions and the cancellation of share-based payments, is not, however applicable to the Group.

- IFRS 3 “Business Combinations” and IAS 27 - “Consolidated and Separate Financial Statements”: the main changes made to IFRS 3 regard in particular the elimination of the obligation to value single assets and liabilities of the subsidiary at fair value in every subsequent acquisition, in the event of business combinations achieved in stages. Goodwill in these cases will be measured as the difference at acquisition date between the fair value of any investment in the business held immediately before acquisition, the consideration transferred and the net assets acquired. In addition, in the event that the company does not acquire 100% of the shareholding, the net equity of minority interests may be valued either at fair value or using the method previously provided for by IFRS 3. The revised version of the standard also provides for acquisition costs to be recognised as expenses and disclosure of the contingent consideration arrangements at the acquisition date. In the revision of IAS 27, on the other hand, the IASB has established that changes in a parent’s ownership interest in a subsidiary that do not result in the loss of control are accounted for as equity transactions and therefore give rise to a corresponding entry in equity. Furthermore, it is established that when a company transfers control in a subsidiary but continues, however, to hold a stake in the company, it must value the retained shareholding in the financial accounts at fair value and allocate any profits or losses deriving from the loss of control to the income statement. Finally, the revised IAS 27 requires that all losses attributable to minority shareholders are allocated to the net equity attributable to minority interests, also when the latter exceed their shareholding in the subsidiary. The changes, not yet approved by the European Union, have no current significant impact on the Group.

- IAS 32 “Financial Instruments: Disclosure and Presentation” and IAS 1 “Presentation of Financial Statements”: The changes regard puttable financial instruments and obligations arising on liquidation. These changes, applicable from 1 January 2009, have no current significant impact on the Group.

- IAS 27 “Consolidated and Separate Financial Statements” – The cost of shareholdings in subsidiary companies, in jointly-controlled entities and in associated companies: the definition of “cost method” has been eliminated from IAS 27 and as a consequence investors are required to treat all dividends of a subsidiary, of a jointly-controlled entity or of an associated company as entries in the separate financial statements, even if the dividends are paid as reserves movements before the acquisition. These changes, applicable from 1 January 2009, have no current significant impact on the Group

- IAS 39 “Financial Instruments: recognition and measurement”: the revised version, effective from 1 January 2009, clarifies the application of the standard for the definition of hedged items in certain situations. The Group has not opted for the application of the amendment in advance, which in any case should not have any significant impacts on the valuation of financial instruments.

- IFRIC 15 “Agreements for the Construction of Real Estate: the standard, effective from 1 January 2009, is not applicable to the Group.

- IFRIC 16 “Hedges of a Net Investment in a Foreign Operation”: the interpretation has eliminated the possibility of applying hedge accounting for operations to hedge exchange rate differences between the currency of the foreign subsidiary and the currency adopted for consolidated accounts. The interpretation also clarifies that in the case of disposal of a net investment in a foreign currency, for the purpose of establishing the amount that must be transferred to the income statement from the translation reserve, reference must be made to the provisions of IAS 39 - “Financial Instruments: recognition and measurement” for the part relating to the hedging instrument and to IAS 21 - “The Effects of Changes in Foreign Exchange Rates” for the part relating to the hedged instrument. The interpretation, applicable from 1 January 2009, is not currently significant for the Group.

3. Capital management

The group's objectives for managing capital are:
• to safeguard the ability to continue operating as a going concern and
• to provide an adequate return for shareholders.
The group manages capital structure in proportion to the risk. In order to maintain or adjust its capital structure, the group may vary the amount of dividends paid to shareholders and the return on capital to shareholders, and it may issue new shares, or sell assets to reduce the level of debt.
During recent years the group's dividend policy has been to pay out around 40% of net profit attributable to the group reported in the consolidated financial statements.

The group monitors its capital on the basis of the ratio between net financial position and equity.
As in past years, the group's strategy in 2008 has been to maintain the debt-equity ratio at no more than 1, in order to ensure access to low-cost finance by keeping its credit rating at a maximum level.

The debt-equity ratios at 31 December2008 and 31 December 2007 were as follows:

	31 Dec. 08	31 Dec. 07
	€/1,000	€/1,000
Net financial position (note 9)	61,806	31,042
Total equity	99,407	91,439
Debt-equity ratio	**0.62**	**0.34**

The increase in value during 2008 was due to higher investments, the change in the scope of consolidation and the increase in net working capital.

4. Financial risk management

4.1 Financial risk factors

The group's business is exposed to a number of different financial risks: market risk (including currency risk, fair value risk and price risk), credit risk, liquidity risk and interest rate risk. The group's policies for managing and controlling financial risks focus on the unpredictability of financial markets and seek to minimize the potentially negative effects on the consolidated results. The group uses derivative financial instruments to hedge certain risks. Hedging of the group's financial risks is managed by a head office function working in close collaboration with the individual operating units.

(a) Market risk

(i) Interest rate risk
Since the group does not have significant interest-bearing assets, operating profits and cash flows are largely unaffected by changes in market interest rates. The group's interest rate risk relates to its long-term loans and borrowings. Variable rate loans expose the group to the cash flow risk associated with interest rates. Fixed rate loans expose the group to the fair value risk associated with interest rates.
The group's policy is based on constantly monitoring its level and structure of debt and on the trend in interest rates and macroeconomic variables that might directly influence them, with the goal of optimizing the cost of money. At 31 December 2008, financings with banking institutions and financial leasing companies are at variable rates. During the year the company has set up hedging operations aimed at limiting the effects of interest rate fluctuations.

(ii) Currency risk
The group conducts its business internationally and is exposed to exchange risk associated with the currencies used, chiefly US dollars, yen, pounds sterling, Chinese renminbi and Polish zloty. Currency risk derives from future commercial transactions, from recognized assets and liabilities and net investments in foreign enterprises.

Group companies mostly use forward contracts to hedge currency risk arising from future commercial transactions and recognized assets and liabilities.

(iii) Price risk
The group is exposed to fluctuations in the price of raw materials. This exposure is mostly towards suppliers of parts since their price is generally tied by contract to the trend in market prices for raw materials. The group usually enters into medium-term contracts with certain suppliers for the purpose of managing and limiting the risk of fluctuations in the price of its main raw materials such as aluminium, sheet metal, plastic and copper as well as semi-finished products, such as motors.

(b) Credit risk
The group does not have significant concentrations of credit risk and has adopted policies to ensure that products are sold to customers of proven creditworthiness and that certain types of receivable are insured. Derivatives and short-term investments are undertaken only with primary financial institutions. The group has policies that limit its credit exposure to any single financial institution.

(c) Liquidity risk
Prudent management of liquidity risk implies the maintenance of sufficient liquid funds and marketable securities, the availability of funding through adequate credit lines and the ability to close positions off-market. Given the dynamic nature of the group's business, its Treasury function seeks flexibility of funding by having sufficient credit lines.

4.2 Accounting for derivative financial instruments and hedging activities

Derivative financial instruments are used exclusively for hedging purposes with the intent of reducing the risks of foreign currency fluctuation. As established by IAS 39, derivative financial instruments may qualify for special hedge accounting only if (i) at the inception of the hedge the hedging relationship is formally designated and documented, (ii) the hedge is expected to be highly effective and (iii) the effectiveness of the hedge can be measured reliably.

Derivatives are initially recognized at cost and adjusted to fair value at subsequent balance sheet dates.

Changes in the fair value of derivatives designated as cash flow hedges relating to the company's firm commitments are recognized directly in equity to the extent they relate to the effective portion of the hedge, while the ineffective portion is reported directly in the income statement. If a firm commitment or hedge of a forecast transaction results in the recognition of assets or liabilities, the associated gains or losses on the derivative that were recognized directly in equity are reclassified to the initial cost or carrying amount of the asset or liability.

If cash flow hedges do not result in the recognition of an asset or a liability, the amounts that were directly recorded in equity are reversed to income in the same period in which the firm commitment or hedged forecast transaction affects profit or loss.

Changes in the fair value of derivatives that do not qualify for hedge accounting are recognized in the income statement in the period in which they occur.

Hedge accounting is discontinued when the hedging instrument expires, is sold, terminated or exercised, or no longer meets the criteria for hedge accounting. In this case, the cumulative gain or loss on the hedging instrument recognized directly in equity remains separately in equity until the forecast transaction occurs. If the forecast transaction is no longer expected to occur, the cumulative gain or loss recognized directly in equity is transferred to profit or loss for the period.

4.3 Measurement of fair value

The fair value of financial instruments with a quoted market price in an active market (such as publicly traded derivatives and securities held for trading and for sale) is based on the market price at the balance sheet date. The market price used for the group's financial assets is the bid price; the market price for financial liabilities is the offer price.

The fair value of financial instruments not quoted in an active market (for example, derivatives quoted over the counter) is determined using valuation techniques. The group uses various methods and makes assumptions that are based on existing market conditions at the balance sheet date. Long-term payables are valued using quoted market or trading prices for the specific or similar instruments. Other methods, such as estimating the present value of future cash flows, are used to determine the fair value of the other financial instruments. The fair value of forward currency contracts is determined using the forward exchange rates expected at the balance sheet date.

It is assumed that the face value less estimated doubtful receivables approximates the fair value of trade receivables and payables. For the purposes of these notes, the fair value of financial liabilities is estimated by discounting contractual future cash flows at the current market rate available to the group for similar financial instruments

5. Key accounting estimates and assumptions

The preparation of the consolidated financial statements and the related notes under IFRS has required management to make estimates and assumptions affecting the value of reported assets and liabilities and the disclosures relating to contingent assets and liabilities at the balance sheet date. Actual results could differ from these estimates. Estimates are used for recording provisions for doubtful accounts and inventory obsolescence, amortization and depreciation, write-downs to assets, post-employment benefits, taxes and other provisions. Estimates and assumptions are reviewed periodically and the effects of any change are immediately reflected in the income statement.

6. Segment information

On the basis of the new criteria introduced by IFRS 8 for the definition of operating segments, as described in note 2.3, the Group has identified a unique operating sector according to the "management approach", that of the production and sale of machines for agriculture, forestry and the tending of parks and gardens.

7. Significant non-recurring events and transactions

The following operations occurred during the year

7.1. Acquisition and merger of Bertolini S.p.A

On 15 January 2008 Emak S.p.A. acquired the entire shareholding (100%) of the company, Bertolini S.p.A., from the parent company Yama 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.

The aim of this operation is to pursue a strategy of development in similar and synergic sectors in relation to current activities. Prospects for growth therefore justify the value of goodwill.

The consideration for the acquisition of the shareholding was € 6,500 thousand paid by Emak S.p.A. at the same time as the transfer of shares that took place on 15 January 2008.

The fair value of the assets and liabilities subject to merger with effect from 1 January 2008, the price paid and the financial expenditure are detailed below:

€/000	Bertolini S.p.A. book values	Adustments for IAS and fair value	Fair value of acquired assets
Non-current assets			
Tangible fixed assets	1,211		1,211
Intangible fixed assets	182		182
Goodwill	10		10
Deferred tax assets	124		124
Current assets			
Inventories	9,078		9,078
Trade and other receivables	7,393		7,393
Current tax assets	326		326
Cash and cash equivalents	507		507
Non-current liabilities			
Loans and borrowings	(2,690)		(2,690)
Deferred tax liabilities		(48)	(48)
Post-employment benefits	(804)	155	(649)
Provisions	(79)		(79)
Current liabilities			
Trade and other payables	(5,165)		(5,165)
Current tax liabilities	(146)		(146)
Loans and borrowings	(5,585)		(5,585)
Total net assets acquired	**4,362**	**107**	**4,469**
Goodwill			**2,064**
Acquisition price entirely paid by bank transfer			**6,533**
of which capitalised costs			**33**
Cash and cash equivalents acquired			**507**
Net cash outflow			**6,026**

The transaction was accounted for according to the Purchase method.

Bertolini S.p.A.'s key economic-financial figures regarding the financial year ended 31 December 2007 and which have been drawn up according to IFRS standards are as follows:

€/000	31.12.2007
Net sales	21,439
EBIT	937
EBT	455
Net profit	224
Total equity	4,469
Nel debt	(7,768)
Net non-current assets	835
Net working capital	11,402

The merger deed for the absorption of Bertolini S.p.A. into Emak S.p.A. was stipulated on 23 October 2008. With regards to third parties, the effects of the merger took effect from 1 November 2008, while accounting and fiscal effects of the merger took effect retroactively from 1 January 2008.

For more information, reference should be made to the appropriate informative document lodged at the company's registered office, with the Italian Stock Exchange and published on Emak S.p.A.'s website.

7.2 Acquisition of Tailong (Zhuhai) Machinery Manufacturing Equipment Ltd.

On 1 July 2008 the company acquired the entire shareholding of the Chinese company Tailong (Zhuhai) Machinery Manufacturing Equipment Ltd from the subsidiary companies Tecnol S.p.A. and Selettra S.r.l.. Tailong (Zhuhai) Machinery Manufacturing Equipment Ltd., of which Emak Group is the main customer, was founded in 2005 for the manufacture of nickel cylinders for small combustion engines.

The objectives of the operation are as follows: the acquisition of the control of a technology for the production of a strategic component for its own products, such as the cylinder, which is not readily available on the market (given the small number of suppliers); the verticalisation of the production process; to have a better control of product quality and a high degree of production flexibility, and to exploit organisational synergies with regards to research and development, quality and supply chain with the Chinese subsidiary Jiangimen Emak Outdoor Power Equipment Co. Ltd. These factors justify the extra value allocated as goodwill.

The consideration paid for the acquisition of the entire shareholding of Tailong (Zhuhai) Machinery Manufacturing Equipment Ltd. amounted to € 2,500 thousand.
The price paid over and above net worth was allocated in full to goodwill for an amount of € 1,937 thousand.

The fair value of the assets and liabilities acquired on 1 July 2008 (which do not differ from their accounting value), the relative price paid and financial expenditure are set out below:

€/000	Fair value of acquired assets
Non-current assets	
Tangible fixed assets	1,693
Intangible fixed assets	534
Current assets	
Inventories	445
Trade and other receivables	1,291
Current tax assets	146
Cash and cash equivalents	227
Non-current liabilities	
Loans and borrowings	(508)
Current liabilities	
Trade and other payables	(2,845)
Loans and borrowings	(370)
Total net assets acquired	**613**
Goodwill	**1,937**
Acquisition price entirely paid by bank transfer	**2,550**
of which capitalised	**50**
cash and cash equivalents acquired	227
Net cash outflow	**2,323**

The transaction was accounted for according to the Purchase method.

For more information, reference should be made to the appropriate informative document lodged at the company's registered office, with the Italian Stock Exchange and published on Emak S.p.A.'s website.

7.3 Increases in share capital

On 28 March 2008 the Parent company Emak S.p.A. recapitalised the subsidiary company Emak USA Inc. by means of a debt conversion for an amount of $ 1,000, equal to € 633 thousand.

In addition, during the third quarter Emak S.p.A. paid € 2,173 thousand on account for future increases in share capital of the subsidiary company Comag S.r.l..

8. Balances or transactions arising from atypical and unusual operations

No atypical or unusual transactions took place during the course of 2008.

9. Net financial position

Details of the net financial position are summarized in the following table:

€/000	31.12.2008	31.12.2007
Cash and banks	4,306	6,036
Securities and derivative financial instruments	317	91
Other financial assets	24	4
Financial liabilities	(39,586)	(23,840)
Derivative financial instruments	(139)	(189)
Short-term net debt	**(35,078)**	**(17,898)**
Financial liabilities	(26,728)	(13,144)
Long-term net debt	**(26,728)**	**(13,144)**
Cash and banks	4,306	6,036
Securities and derivative financial instruments	317	91
Other financial assets	24	4
Financial liabilities	(66,314)	(36,984)
Derivative financial instruments	(139)	(189)
Total net debt	**(61,806)**	**(31,042)**

The net financial position does not contain any balances with related parties either at 31 December 2008 or at 31 December 2007.

10. Sales and other operating income

Revenues of the Group of € 243,449 thousand, against € 217,834 thousand in the previous year, are shown net of returns for € 620 thousand compared to € 866 thousand in the previous year.

Details of sales are as follows

€/000	FY 2008	FY 2007
Net sales revenues (net of discounts and rebates)	242,237	217,114
Revenues from recharged transport costs	1,832	1,586
Returns	(620)	(866)
Total	**243,449**	**217,834**

Other operating income is analyzed as follows:

€/000	FY 2008	FY 2007
Capital gains on property, plant and equipment	686	16
Recovery of warranty costs	149	44
Insurance refunds	68	28
Advertising reimbursements	330	353
Rental income (note 19)	133	131
Capital gains on disp. of fixed assets available for sale (note 7)	0	531
Grant under Law 488/92	434	357
Other operating revenues	591	644
Total	**2,391**	**2,104**

The heading "Capital Gains" from the disposal of tangible fixed assets for € 686 thousand includes an amount of € 650 for the sale of tooling machines for the manufacture of cylinders to the subsidiary company Tecnol S.p.A..

11. Cost of raw and consumable materials and goods

The cost of raw and consumable materials and goods is analyzed as follows:

€/000	FY 2008	FY 2007
Raw materials, semi-finished products and goods	147,838	124,221
Other purchases	3,596	2,279
Total	**151,434**	**126,500**

The increase in the heading "Raw materials, semi-finished products and finished goods" is attributable to the change in the scope of consolidation.

12. Salaries and employee benefits

Details of these costs are as follows:

€/000	FY 2008	FY 2007
Wages and salaries	22,739	19,701
Social security charges	6,589	5,798
Employee termination indemnities	1,097	1,166
Adjustment of termination indemnity for actuarial losses/(profits) (note 32)	415	(878)
Other costs	1,082	685
Directors' emoluments	765	449
Temporary staff	1,314	750
Total	**34,001**	**27,671**

Details of changes in staff numbers are provided in section 6 of the report on performance.

13. Other operating costs

Details of these costs are as follows:

€/000	FY 2008	FY 2007
Subcontract work	5,912	4,300
Maintenance	2,125	1,802
Transportation	11,812	9,371
Advertising and promotions	4,631	3,981
Commissions	2,830	2,561
Travel	1,332	1,230
Postage and telecommunications	693	650
Consulting fees	1,762	1,561
Other services	6,245	4,869
Services	**37,342**	**30,325**
Leases and rentals	**2,159**	**1,669**
Increases in provisions (note 32)	**180**	**339**
Bad debts	176	15
Increase in provision for doubtful accounts (note 24)	290	384
Capital losses on property, plant and equipment	16	11
Other taxes (not on income)	417	382
Other operating costs	1,337	1,176
Other costs	**2,236**	**1,968**
Total	**41,917**	**34,301**

14. Amortization, depreciation and impairment losses

Details of these amounts are as follows:

€/000	FY 2008	FY 2007
Amortization of intangible assets (note 20)	1,235	969
Depreciation of property, plant and equipment (note 18)	5,471	4,513
Depreciation of investment property (note 19)	38	38
Total	**6,744**	**5,520**

15. Finance income and expenses

Financial income is analyzed as follows:

€/000	FY 2008	FY 2007
Interest on trade receivables	223	217
Income from other securities held for trading	327	196
Cash discounts received	3	99
Other financial income	35	79
Financial income	**588**	**591**

Financial expenses are analyzed as follows:

€/000	FY 2008	FY 2007
Interest on long-term bank loans and borrowings	1,229	387
Interest on short-term bank loans and borrowings	1,696	1,364
Financial charges from valuing employee termination indemnities (note 31)	215	227
Cash discounts given	373	369
Other financial costs	428	287
Financial expenses	**3,941**	**2,634**

Exchange gains and losses are analysed as follows:

€/000	FY 2008	FY 2007
Exchange differences on trade transactions	(247)	(64)
Exchange differences on financial items	(408)	250
Exchange gains and losses	**(655)**	**186**

16. Income taxes

The estimated charge for current tax and changes in deferred tax assets and liabilities is €6,039 thousand in 2008 (€7,396 thousand in the previous year).

This amount is made up as follows:

€/000	FY 2008	FY 2007
Current income taxes	6,580	6,641
Taxes from prior years	(19)	(32)
Changes in deferred tax assets (note 30)	(346)	257
Changes in deferred tax liabilities (note 30)	(176)	503
Total	**6,039**	**7,369**

The current income taxes figure includes the cost for IRAP (regional company tax) for € 1,253 thousand, against € 1,218 thousand in 2007.

No amounts for income taxes have been posted directly in movements in equity during 2008. In the previous year such taxes amounted to € 19 thousand, relating to capital gains on the sale of treasury shares.

Effective taxes calculated on pre-tax profit differ from the theoretical amount that would be determined using the tax rate currently in force in the country where the parent company is headquartered. The theoretical tax charge is reconciled to the effective one as follows:

€/000	FY 2008	% rate	FY 2007	% rate
Profit before taxes	20,905		22,615	
Theoretical tax charge	6,564	31.4	8,424	37.25
Effect of IRAP differences calculated on different tax base	749	3.6	554	2.4
Non-taxable income	(96)	(0.5)	(75)	(0.3)
Non-deductible costs	299	1.4	259	1.2
Differences in rates with other countries	(1,346)	(6.5)	(1,715)	(7.6)
Changes in tax rates in 2007	-	-	(219)	(1.0)
Taxes from prior years	(181)	(0.9)	-	-
Other Differences	50	0.4	141	0.6
Effective tax charge	**6,039**	**28.9**	**7,369**	**32.6**

The effective tax rate of 28.9% is down from the one of 32.6% reported in 2007.

This decrease is due partly to the reduction in the tax rate in Italy and partly to the benefit deriving from the redemption of a number of deductions in previous years made only in the tax return (0.9%). The distribution of incomes between different countries has had a less favourable effect than in the previous year as a result of the lowering of the tax rate in Italy.

17. Earnings per share

"Basic" earnings per share are calculated by dividing the net profit for the period attributable to the parent company's shareholders by the weighted average number of ordinary shares outstanding during the period, excluding the average number of ordinary shares purchased or held by the parent company as treasury shares (see note 37). The parent company has only ordinary shares outstanding.

	FY 2008	FY 2007
Net profit attributable to ordinary shareholders in the parent company (€/000)	14,822	15,181
Weighted average number of ordinary shares outstanding	27,312,193	27,581,709
Basic earnings per share (€)	**0.543**	**0.550**

Diluted earnings per share are the same as basic earnings per share.

18. Property, plant and equipment

Changes in property, plant and equipment are shown below:

€/000	31.12.2006	Increases	Decrease	Other changes	Exchange difference	31.12.2007
Land and buildings	29,634	2,442	-	150	(147)	32,079
Accumulated depreciation	(5,867)	(792)	-	-	-	(6,659)
Land and buildings	**23,767**	**1,650**	**0**	**150**	**(147)**	**25,420**
Plant and machinery	12,824	2,411	(124)	155	(61)	15,205
Accumulated depreciation	(8,386)	(1,026)	124	-	13	(9,275)
Plant and machinery	**4,438**	**1,385**	**0**	**155**	**(48)**	**5,930**
Other assets	42,496	2,754	(383)	49	(38)	44,878
Accumulated depreciation	(35,796)	(2,695)	352		5	(38,134)
Other assets	**6,700**	**59**	**(31)**	**49**	**(33)**	**6,744**
Advances	**630**	**320**	**(1)**	**(354)**	**0**	**595**
Cost	**85,584**	**7,927**	**(508)**	**0**	**(246)**	**92,757**
Accum. depreciation (note 14)	**(50,049)**	**(4,513)**	**476**	**0**	**18**	**(54,068)**
Net book value	**35,535**	**3,414**	**(32)**	**0**	**(228)**	**38,689**

€/000	31.12.2007	Increases	Incr. from merger	Change in cons. area	Decrea-ses	Other changes	Exchange difference	31.12.2008
Land and buildings	32,079	2,024	-	-	(28)	47	396	34,518
Accumulated depreciation	(6,659)	(909)	-	-	18	-	(19)	(7,569)
Land and buildings	**25,420**	**1,115**	**-**	**-**	**(10)**	**47**	**377**	**26,949**
Plant and machinery	15,205	2,030	871	1,218	(1,410)	40	337	18,291
Accumulated depreciation	(9,275)	(1,356)	(495)	(228)	1,359	5	(47)	(10,037)
Plant and machinery	5,930	674	376	990	(51)	45	290	8,254
Other assets	44,878	5,451	2,052	887	(660)	59	147	52,814
Accumulated depreciation	(38,134)	(3,206)	(1,217)	(184)	603	42	(20)	(42,116)
Other assets	**6,744**	**2,245**	**835**	**703**	**(57)**	**101**	**127**	**10,698**
Advances	**595**	**4,696**	**-**	**-**	**(8)**	**(193)**	**-**	**5,090**
Cost	**92,757**	**14,201**	**2,923**	**2,105**	**(2,106)**	**(47)**	**880**	**110,713**
Accumulated depreciation (note 14)	**(54,068)**	**(5,471)**	**(1,712)**	**(412)**	**1,980**	**47**	**(86)**	**(59,722)**
Net book value	**38,689**	**8,730**	**1,211**	**1,693**	**(126)**	**-**	**794**	**50,991**

No evidence of impairment has been reported for property, plant and equipment.

The most significant investments in land and buildings in 2008 include:

-the extension of the Comag S.r.l. factory for around € 500 thousand;
-the beginning of building work for the construction of a new industrial building of the Chinese subsidiary Jiangmen Emak Outdoor Power Equipment Co. Ltd. for around € 1,400 thousand.

The increase in other assets refers to the purchase of moulds, the upgrade and purchase of electronic equipment, the purchase of production equipment, and other minor purchases.

Investments classified as fixed assets in progress refer mainly to the state of progress of work for the construction of the new spare parts distribution centre in Bagnolo in Piano (Re) on the part of the Parent Company Emak S.p.A.

The group has not capitalized any costs incurred internally or financial expenses.

Details of the value of land and buildings under finance leases are as follows:

€/000	31.12.2008	31.12.2007
Gross value	3,659	3,659
Accumulated depreciation	(440)	(330)
Net book value	**3,219**	**3,329**

The financial leasing contract in force relates to Emak S.p.A.'s office building situated in Via Fermi 4 used as the company's registered office. The contract was entered into with Locat S.p.A. on 10.11.2005 and expires on 10.11.2013, with a gross value of the fixed asset of €3,659 thousand;
Comag S.r.l. has obtained capital grants under Law 488/92 for the following amounts:

- €1,615 thousand in 1998 for investments worth €4,532 thousand;
- € 636 thousand in 2002 for investments made in 2001 and 2002 worth around €4,250

During 2004, moreover, Comag S.r.l. submitted a new request for grants amounting to €2,401 thousand, against investments of around €9,538 thousand. The request for this grants was accepted and the relative credit was accounted for at 31 December 2007, according to the scheme of investments made, under other receivables falling due within 1 year (for €1,601 thousand) and under other receivables falling due after more than one year (for €800 thousand) (note 24).
This classification is based on expected collections as deduced from documentation currently available.
The investment plan was completed in December 2008 as provided for in the request.

These grants, which are reported under deferred income, are credited to income evenly over the useful economic lives of the assets concerned.

The classification of fixed assets by geographical area is as follows:

- Italy.. 36,462 thousand;
- Europe... 4,216 thousand;
- Rest of the World .... 10,313 thousand;

Total.. 50,991 thousand.

19. Investment property

Investment property relates to a building let to a company in the Yama group. The cost at 31 December 2008 amounts to €1,257 and the amortisation provision amounts to €1,121 thousand (€1,083 thousand at 31 December 2007).

The rental income earned from these properties amounted to €133 thousand in 2007 (note 10) compared with €131 thousand the year before.

The fair value of investment properties amounts to around €2.5 million at 31 December 2008.

20. Intangible assets

Intangible assets report the following changes:

€/000	31.12.2006	Increases	Exchange difference	31.12.2007
Development costs	1,194	47	-	1,241
Accumulated amortization	(519)	(119)	-	(638)
Development costs	**675**	**(72)**	**-**	**603**
Patents and intellectual property rights	3,971	465	9	4,445
Accumulated amortization	(2,639)	(683)	(15)	(3,337)
Patents	**1,332**	**(218)**	**(6)**	**1,108**
Concessions, licences and trademarks	697	12	44	753
Accumulated amortization	(150)	(149)	(6)	(305)
Concessions, licences and trademarks	**547**	**(137)**	**38**	**448**
Other intangible assets	527	38	(23)	542
Accumulated amortization	(5)	(18)	-	(23)
Other intangible assets	**522**	**20**	**(23)**	**519**
Advanced payments and fixed assets in progress	**-**	**117**	**-**	**117**
Cost	**6,389**	**679**	**30**	**7,098**
Accumulated amortization (note 14)	**(3,313)**	**(969)**	**(21)**	**(4,303)**
Net book value	**3,076**	**(290)**	**9**	**2,795**

€/000	31.12.2007	Increas.	Incr. from merger	Change in consol. area	Decreas.	Exchange difference	31.12.2008
Development costs	1,241	-	61	-	-	(1)	1,301
Accumulated amortization	(638)	(130)	(60)	-	-	-	(828)
Development costs	**603**	**(130)**	**1**	**-**	**-**	**(1)**	**473**
Patents and intellectual property rights	4,445	613	139	321	(4)	32	5,546
Accumulated amortization	(3,337)	(803)	(77)	(65)	4	(2)	(4,280)
Patents	**1,108**	**(190)**	**62**	**256**	**0**	**30**	**1,266**
Concessions, licences and trade marks	753	17	-	-	-	(94)	676
Other intangible assets	(305)	(149)	-	-	-	62	(392)
Concessions, licences and trademarks	**448**	**(132)**	**-**	**-**	**-**	**(32)**	**284**
Other intangible assets	542	105	1,794	373	-	102	2,916
Accumulated amortization	(23)	(153)	(1,675)	(95)	-	(15)	(1,961)
Other intangible assets	**519**	**(48)**	**119**	**278**	**-**	**87**	**955**
Advanced payments and fixed assets in progress	**117**	**223**	**-**	**-**	**-**	**-**	**340**
Cost	**7,098**	**958**	**1,994**	**694**	**(4)**	**39**	**10,779**
Accumulated amortization (note 14)	**(4,303)**	**(1,235)**	**(1,812)**	**(160)**	**4**	**45**	**(7,461)**
Net book value	**2,795**	**(277)**	**182**	**534**	**-**	**84**	**3,318**

The increase in patents and intellectual property rights refers to the purchase of new software programmes.

A total of €4,677 thousand in research and development costs were expensed to income in the year compared with €4,540 thousand the year before.

All the intangible assets have a finite residual life.

21. Goodwill

The goodwill of €10,101 thousand reported at 31 December 2008 can be separated into two parts as follows:

	31.12.2007	Increases	Exchange difference	31.12.2008
Goodwill on the purchase of Victus Eco Sp. Z.o.o.	1,032	-	(134)	898
Goodwill on the purchase of the Victus IT business	5,741	-	(779)	4,962
Goodwill from the merger of Bertolini S.p.A. (note 7)	-	2,074	-	2,074
Goodwill from the acq. of Tailong Machinery Ltd. (note 7)	-	1,937	230	2,167
Total	**6,773**	**4,011**	**(683)**	**10,101**

Goodwill on the purchase of Victus-Emak Sp. z.o.o. for € 898 thousand relates to the difference between the acquisition price for 100% of the company regulated by Polish law, Victus-Emak Sp. z.o.o., and its equity at the date of acquisition, while an amount of € 4,962 thousand relates to the acquisition of the company branch of Victus International Trading SA.
These goodwill values are attributable to the greater profit expected as a result of increased sales volumes and margins that the Group will achieve on the Polish market in future years.

Increases in the year relate to:

-the greater value from the absorption of Bertolini S.p.a. into Emak S.p.A. for € 2,074 thousand (note 7);

-the greater value from the acquisition of Tailong (Zhuhai) Machinery Manufacturing Equipment Ltd. for € 1,937 thousand (note 7).

The group reviews the recoverability of goodwill at least once a year or more often if there are signs of impairment. The recoverable amount of the cash generating unit, to which the goodwill has been allocated, has been evaluated by determining its value in use.

The impairment test was carried out using the discounted cash flow method with reference to the date of 31 December 2008. The forecast of future operating cash flows is based on the budgets prepared by the Group for 2009 taking account of current market uncertainties, assuming a situation of stability for the two following years and considering the estimation of the final value. Expected cash flows have been discounted on the basis of a gross WACC (weighted average cost of capital) of 13.6% for the goodwill relating to Victus-Emak Sp Z.o.o., 10.6% for Tailong (Zhuhai) Machinery Manufacturing Equipment Ltd. and 12.6% for Bertolini S.p.A..

The sensitivity tests carried out justify the values of goodwill recorded in the financial statements, even when applying reasonably more prudent assumptions than those adopted.

22. Equity investments

The amount reported in the balance sheet is €224 thousand, which has not suffered any impairment; the risks and rewards of owning this investment are negligible.
The group owns a minority interest in Netribe S.r.l., a company operating in the IT sector. This investment is valued at its cost of €223 thousand since its fair value cannot be determined.
Emak S.p.A. holds a 10.42% interest in Netribe S.r.l..

23. Derivative financial instruments

The financial statements values relate to changes in the fair value of financial instruments for:
-hedging purchases in foreign currency;
-hedging the risk of changes in interest rates.

At 31 December 2007 there were outstanding forward currency agreements for the purchase of:

- € 1,995 thousand expiring by July 2009 at an average exchange rate of 0.80 Pounds Sterling (regarding hedging operations carried out by the U.K. subsidiary Emak U.K. Ltd.);
- € 1,000 thousand expiring by January 2009 at an average exchange rate of 9.36 Renmimbi (regarding hedging operations carried out by the Chinese subsidiary Jiangmen Emak Outdoor Power Equipment Co. Ltd.);

The Parent company, Emak S.p.A., has also underwritten a number of IRS contracts and options on interest rate, with the objective of hedging the risk of changes in interest rates on financings for a notional amount of € 7,000 thousand.

The average interest rate of the instruments is 4.27%

These contracts will close in 2009, 2010 and 2011 and are valued at fair value represented by the “market to market” price provided by the Bank.

All the contracts, while having the purpose and characteristics of hedging operations, do not formally comply with the rules for being accounted for as such. For this reason all the changes in fair value have been recorded in the income statement in the relevant financial period on the accruals basis.

24. Trade and other receivables

Details of these amounts are as follows:

€/000	31.12.2008	31.12.2007
Trade receivables	68,518	58,251
Provision for doubtful accounts	(1,585)	(1,372)
Net trade receivables	**66,933**	**56,879**
Receivables due from related parties (note 38)	1,618	1,816
Prepaid expenses and accrued income	514	200
Other receivables	3,832	4,478
Total current portion	**72,897**	**63,373**
Other non-current receivables	852	854
Total non-current portion	**852**	**854**

The increase in the heading “other receivables” (current portion) relates to:
- the amount of €1,601 thousand for the Law 488 grant receivable by the subsidiary company, Comag, which will be collected in 2009 (see note 18);
- advance payments to suppliers of €1,405 thousand, for the manufacture of moulds and equipment, the ownership of which will subsequently be transferred to a customer as part of a specific new product development project.
The customer has, in turn, paid Emak in advance €933 thousand for costs sustained. This amount has been accounted for under the heading “other current payables” (see note 28).

An amount of around € 800 thousand has been posted to the “Other non-current receivables” heading, relating to a grant under Law 488 which will be collected after December 2009.
Trade receivables do not bear interest and generally fall due within 100 days.

All non-current receivables fall due within 5 years. There are no trade receivables falling due after more than one year.

Movements in the provision for doubtful accounts are as follows:

€/000	31.12.2008	31.12.2007
Opening balance	1,372	1,165
Increases (note 13)	290	384
Decreases	(151)	(177)
Exchange difference	(4)	-
Acquisition of a company branch	78	-
Closing balance	**1,585**	**1,372**

The book value reported in the balance sheet corresponds to fair value.

25. Inventories

Inventories are detailed as follows:

€/000	31.12.2008	31.12.2007
Raw, ancillary and consumable materials	38,050	25,487
Work in progress and semi-finished products	10,734	6,900
Finished products and goods for resale	40,474	34,047
Total	**89,258**	**66,434**

Inventories are stated net of a provision of €1,683 thousand at 31 December 2008 (€1,511 thousand at 31 December 2007). The purpose of this provision is to write down obsolete and slow-moving items to their estimated realizable value.

Details of changes in the provision for inventories are as follows:

€/000	FY 2008	FY 2007
Opening balance	1,511	1,442
Increases	246	358
Movements for company acquisitions	289	-
Uses	(363)	(289)
Closing balance	**1,683**	**1,511**

None of the group’s inventories at 31 December 2008 act as security against its liabilities.

26. Cash and cash equivalents

Cash and cash equivalents are detailed as follows:

€/000	31.12.2008	31.12.2007
Bank and post office deposits	4,295	6,028
Cash	11	8
Totale	**4,306**	**6,036**

For the purpose of preparing the cash-flow statement, cash and cash equivalents at the end of the financial year include:

€/000	31.12.2008	31.12.2007
Cash and cash equivalents	4,306	6,036
Overdrafts (note 29)	(19,638)	(8,552)
Total	**(15,332)**	**(2,516)**

27. Equity

Share capital
Share capital is fully paid up at 31 December 2008 and amounts to €7,190 thousand, remaining unchanged since the end of 2005. It consists of 27,653,500 ordinary shares of par value €0.26 each.

Share Premium reserve
At 31 December 2008, the share premium reserve of €21,047 thousand, unchanged compared to the previous financial year, is composed of premiums on newly issued shares.

Treasury shares
The adjustment of equity for acquisitions of treasury shares, equal to €1,979 thousand, is the overall exchange value paid by Emak S.p.A. for the acquisition on the market of treasury shares held at 31 December 2008 (note 37).
The nominal value of these treasury shares is €99 thousand.

Other reserves:
The legal reserve is the same as the previous year, €1,438 thousand.

The revaluation reserve at 31 December 2008 includes the reserves arising from revaluations under Law 72/83 for €371 thousand and under Law 413/91 for €767 thousand. No change has taken place in the period under review.

The extraordinary reserve amounts to €27,088 thousand at 31 December 2008, inclusive of all allocations of earnings in prior years.

The other reserves at 31 December 2008 also include:

- untaxed reserves of €129 thousand relating to tax-related provisions for grants and donations;
- merger surplus reserves of €394 thousand.

All these reserves have remained the same as at the end of 2007.

At 31 December 2008 the reserve for conversion differences for a negative amount of €133 thousand is entirely attributable to the differences generated from the translation of balances into the Group's reporting currency.

Details of the restrictions on distributing reserves are contained in the specific table in the notes to the financial statements of the parent company Emak S.p.A.

Of the "Retained earnings" reported in the consolidated financial statements, €4,383 thousand may not be distributed.

Gains (losses) recognized directly in equity

Details of and movements in income and expenses booked directly to equity are as follows:

- Retained earnings:

€/000	FY 2008	FY 2007
Capital gains on sale of treasury shares	-	59
Taxes	-	(19)
Net profit on treasury shares	**-**	**40**

28. Trade and other payables

Details of trade and other payables are set out below:

€/000	31.12.2008	31.12.2007
Trade payables	48,932	35,071
Payables due to related parties (note 38)	3,120	5,209
Payables due to staff and social security institutions	4,467	4,399
Accrued expenses and deferred income (note 33)	543	580
Other payables	2,840	4,380
Total	**59,902**	**49,639**

Trade payables do not generate interest and are usually settled after around 80 days

The book value reported in the balance sheet corresponds to fair value.

The heading "Other payables" has fallen further to repayment to the assignors of the Victus IT company branch of the remaining amount of €1,500 thousand, paid in November 2008 in settlement for the acquisition of the company branch.

The same heading also includes €933 thousand of advanced payments received from a customer with which there is an ongoing project for the development of new products (note 24), and €762 thousand relating to incentive bonuses for directors.

29. Financial liabilities

In the event of insolvency, amounts payable for leases are secured by the lessor's right over the leased asset.

Details of short-term loans and borrowings are as follows:

€/000	31.12.2008	31.12.2007
Overdrafts (note 27)	19,638	8,552
Bank loans	19,277	13,935
Finance leases	469	456
Financial accrued expenses and deferred income	189	177
Other loans	13	-
Guarantees received	-	720
Total current portion	**39,586**	**23,840**

Details of long-term loans and borrowings are as follows:

€/000	31.12.2008	31.12.2007
Bank loans	23,865	9,798
Finance leases	1,967	2,450
Other loans	896	896
Total non-current portion	**26,728**	**13,144**

Other loans, totalling €896 thousand, refer to the interest subscribed by Simest S.p.A. in the subsidiary Jiangmen Emak Outdoor Power Equipment Co. Ltd. This company is treated as a wholly-owned subsidiary by virtue of the undertaking to buy back the 49% interest held by Simest S.p.A. on 30 June 2013. The loan's face value does not differ significantly from its fair value.

The amount that Emak S.p.A. must repay Simest S.p.A. in 2013 will be the higher between Simest's share of equity reported in the latest approved financial statements of the Chinese company Jiangmen Emak Outdoor Power Equipment Co. Ltd. and the amount of share capital subscribed by Simest S.p.A.

This transaction does not present any other significant risks for the group.

Long-term loans and borrowings are repayable as follows:

€/000	Due within 2 years	Due within 3 years	Due within 4 years	Due within 5 years	Total due within 5 years	Due beyond 5 years
Bank loans	3,276	2,220	6,535	1,834	13,865	10,000
Finance leases	483	497	512	475	1,967	-
Other loans	0	0	0	0	0	896
Total	**3,759**	**2,717**	**7,047**	**2,309**	**15,832**	**10,896**

The interest rates applied are as follows:

- for bank loans in Euro, the Euribor rate is applied plus a variable spread from a minimum of 0.2% to a maximum of 1%;

- for loans in Renminbi, the reference interest rate communicated by the People's Bank of China is applied;

- finance leases: 3-month Euribor plus a spread of 0.633% with quarterly indexation of the payments;

- SIMEST loan: in part at 6.75% per annum and in part at 3% per annum.

The following information is provided in relation to finance leases taken out to purchase assets:

€/000	31.12.2008	31.12.2007
Minimum future payments<1 year	531	531
Minimum future payments from 1 to 5 years	2,080	2,140
Minimum future payments beyond 5 years	-	479
Total minimum payments	**2,611**	**3,150**
Payables for future financial expenses	**(175)**	**(244)**
Present value	**2,436**	**2,906**
Interest rate	**5.7%**	**4.9%**

The book value of the amounts reported in the balance sheet corresponds to their fair value.

30. Tax assets and liabilities

Deferred tax assets are detailed below:

€/000	31.12.2007	Increas.	Decreas.	Incr.from merger	Exchange Difference	31.12.2008
Reversal of unrealized intercompany gains	1,328	188	-	-	-	1,516
Provision for inventory obsolescence	230	-	(59)	91	-	262
Impairment of assets	623	60	(106)	-	16	593
Carried forward tax losses	34	3	(8)	12	1	42
Provision for doubtful accounts	630	376	(108)	21	(12)	907
Total (note 16)	**2,845**	**627**	**(281)**	**124**	**5**	**3,320**

A total of €2,201 thousand in deferred tax assets will reverse in the next 12 months.

There is no time limit on the use of carried-forward tax losses.

Deferred tax liabilities are detailed below:

€/000	31.12.2007	Increas.	Decreas.	Incr.from merger	Exchange Difference	31.12.2008
Buildings redeemed under finance lease IAS 17	1,447	95	-	-	-	1,542
Valuation of provision for employee termination indemnities under IAS 19	301	-	(114)	48	-	235
Other deferred tax liabilities	1,456	615	(772)	-	(32)	1,267
Total (note 16)	**3,204**	**710**	**(886)**	**48**	**(32)**	**3,044**

"Other deferred tax liabilities" refers mainly to revenues that will be fiscally recognised in future financial periods.

The decrease in "Other deferred tax liabilities" relates to the redemption of a part of such taxes carried out by Emak S.p.A. and Comag S.r.l. further to the 2008 Finance Bill.

Substitute tax for the year amounts to € 273 thousand and has been accounted for in part under tax liabilities.

A total of €342 thousand in deferred tax liabilities will reverse in the next 12 months.

No deferred taxes have been recognized on undistributed subsidiary company earnings. This is because the group is able to control when to distribute these reserves and because they are unlikely to be distributed in the foreseeable future. The total amount of such taxes is €425 thousand at 31 December 2008.

No deferred taxes have been recognized for the revaluation reserves, which are partly untaxed reserves. This is because it is unlikely that any operations will be undertaken that would give rise to their taxation. The total amount of such taxes is around €374 thousand at 31 December 2008.

Current tax assets amount to €3,440 thousand at 31 December 2008 compared with €3,071 thousand a year earlier. They refer to VAT credits, surplus payments on account of direct tax and other tax credits

Current tax liabilities amount to €2,167 thousand at 31 December 2008 compared with €1,788 thousand a year earlier. They refer to payables for direct tax for the period, VAT and withholding taxes.

31. Long-term post-employment benefits

At 31 December 2008 such benefits refer principally to the discounted liability for employment termination indemnity payable at the end of an employee's working life, amounting to €4,898 thousand against €4,460 thousand at 31 December 2007. The valuation of the indemnity leaving fund (TFR) at the closing date, carried out according to the nominal debt method in force would be €5,755 thousand against €5,554 at 31 December 2007.

Movements in this liability are as follows:

€/000	2008	2007
Opening balance	**4,562**	**5,796**
Current service cost	16	-
Actuarial (gains)/losses (note 12)	415	(203)
Actuarial (profits)/losses on opening TFR	-	(675)
Interest cost on obligations (note 15)	215	227
Increase from merger (note 7)	649	-
Disbursements	(840)	(583)
Closing balance	**5,017**	**4,562**

The principal economic and financial assumptions used are as follows:

	FY 2008	FY 2007
Annual inflation rate	2.0%	2.6%
Rising discount rate	3.5%	4.5%
Rate of dismissal (overall average rate)	3%	3%

Death rates have been estimated using the most recent Italian population statistics published by ISTAT.

In the 2009 financial year, payments are expected to be in line with 2008.

32. Provisions for liabilities and charges

Movements in these provisions are detailed below:

€/000	31.12.2007	Increas.	Incr. from merger	Decreas.	31.12.2008
Provision for agents' termination indemnity	582	51	79	(74)	638
Total non-current portion	**582**	**51**	**79**	**(74)**	**638**
Provision for product warranties	320	91	-	(121)	290
Other provisions	60	38	-	(60)	38
Total current portion	**380**	**129**	**-**	**(181)**	**328**

The provision for agents' termination indemnity is calculated with reference to the agency contracts in existence at year end and refers to the indemnity that is likely to be paid to agents.

The provision for product warranties refers to the future costs of repairing products under warranty that were sold in the year; this provision is calculated using estimates based on historical trends.

Other provisions amount to €38 thousand, of which € 31 thousand relate to provisions made for insurance excesses on civil liability claims.

33. Other non-current liabilities

€/000	31.12.2008	31.12.2007
Deferred income - Law 488 grants	2,197	2,542
Social security payables	31	54
Total	**2,228**	**2,596**

The deferred income refers to the capital grant received by Comag under Law 488/92 which will be recognized over future years. The portion of the grant recognizable this year is classified under current liabilities as accrued expenses and deferred income (note 28) and amounts to €279 thousand (€214 thousand in 2008).

34. Contingent liabilities

At the date of 31 December 2008 the group does not have any disputes that could give rise to future liabilities that have not already been reflected in the balance sheet.

35. Information on financial risks

The Group is exposed to a variety of financial risks associated with its business activities:
- credit risk, regarding both normal commercial relations and to financing activities;
- liquidity risk, with particular reference to the availability of financial resources and to access to the credit market;
- market risks, with particular reference to exchange and interest rates, since the Group operates at an international level in different currencies and uses financial instruments that generate interest.

As described in the section "Management of financial risk", The Emak Group constantly monitors the financial risks to which it is exposed, so as to minimise potential negative effects on financial results.

Qualitative and quantitative information is given below regarding the nature of such risks for the Emak Group. The quantitative figures shown below have no value for forecasting purposes. Specifically, the sensitivity analysis on market risks are unable to reflect the complexity and associated reactions of the market as a result of each change hypothesised.

Credit risk
The maximum theoretical exposure to credit risk for the Group at 31 December 2008 is the accounting value of financial activities shown in the financial statements.

It should be pointed out that the credit granted to dealers and distributors involves specific assessments of solvency. Generally the Group obtains guarantees, both financial and otherwise, against credits granted for the supply of products. Certain categories of credits to foreign customers are also covered by insurance with SACE, starting from the 2007 financial period.

Credit positions are subject to constant analysis and possible individual devaluation in the case of singularly significant positions that are in a condition of partial or total insolvency.

The total devaluation is estimated on the basis of recoverable flows, from relative collection data, from the costs and expenses of future recovery, as well as possible guarantees in force. For those credits that are not subject to individual devaluation, bad debt provisions are allocated on an overall basis, taking account of historical experience and statistical data.

At 31 December 2008 there were no significant positions of insolvency subject to individual devaluation. Allocation to the bad debt provision was made on the basis of a constant analysis of outstanding amounts as a whole.

At December 2008 Trade receivables and Other receivables, equal to €72,897 thousand (€63,373 thousand at 31 December 2007), include €4,794 thousand (€2,889 thousand at 31 December 2007) outstanding by more than 3 months.

The maximum exposure to credit risk deriving from trade receivables at the end of the financial period, broken down by geographical area (using the Sace reclassification) is as follows:

€/000	2008	2007
Trade receivables due from customers with SACE 1 rating	47,778	48,025
Trade receivables due from customers with SACE 2 and 3 rating	20,428	10,079
Trade receivables due from customers with non-insurable SACE rating	312	147
Total (Note 24)	**68,518**	**58,251**

Countries with SACE 1 rating are those for which insurance covers 90% of the amounts receivable. Countries with SACE 2 rating are those for which insurance covers 85% of the amounts receivable, and for those with SACE 3 rating, 80%. SACE provides no coverage for non-insurable or suspended countries.

The value of amounts receivable covered by SACE insurance or by other guarantees at 31 December 2008 is € 23,254 thousand.

At 31 December 2008 the first 10 customers account for 33.9% of total trade receivables, while the top customer represents 6.6% of the total.

Liquidity risk

Liquidity problems can occur as a result of the inability to obtain financial resources necessary for the Group's operations at acceptable conditions.

The two main factors determining the Group's liquidity situation are, on the one hand, the resources generated or absorbed in its operating and activities and by investment, and on the other hand, by the expiry or renewal of debt or by the liquidity of financial commitments and market conditions.

As described under the "Management of financial risk" heading, the Group reduces liquidity risk and optimises the management of financial resources through:

- maintaining a suitable level of liquid funds;
- obtaining appropriate lines of credit;
- monitoring future cash flows, taking account of the company's planning process.

The characteristics and nature of the expiry of debts and of the Group's financial activities are set out in Notes 26 and 29 relating respectively to Cash and Cash Equivalents and Financial Liabilities.

The management considers that currently unused funds and credit lines, amounting to € 8 million, as well as those which will be generated from operating and financial activities, will allow the Group to meet its requirements deriving from investment activities, the management of working capital and the repayment of debts at their natural maturity dates.

Exchange risk
The Group is exposed to risks deriving from fluctuations in exchange rates, which may affect the economic result and value of equity.
Specifically:

- in cases in which the companies in the Group incur costs expressed in different currencies from those of their respective revenues, the fluctuation of exchange rates may affect the operating result of such companies.
  In the 2008 financial period, the overall amount of revenues directly exposed to exchange risk represented around 12% of the Group's aggregate turnover (12% in the 2007 financial period), while the amount of costs exposed to exchange risk is equal to 15.3% of aggregate Group turnover (14% in the 2006 financial period).

  The net balances at 31 December 2008 for which the Group is exposed to exchange rate risk as a result of the use of a currency different from Group companies' local reporting currency are as follows:

Debt position in US Dollars	1,315,685
Debt position in Yen	108,791,658
Debt position in Sterling	29,275
Credit position in Zloty	8,015,385
Debt position in Swiss Francs	113,213
Debt position in Taiwanese dollars	1,233,000
Credit position in Euros	1,043,310

  The main currency exchanges to which the Group is exposed are the following:
  EUR/USD, relating to sales in dollars made in the North American market and in other markets in which the dollar is the reference currency for commercial exchanges, and to production/purchases in the Euro zone;
  EUR/GBP, essentially in relation to sales in the UK market;
  EUR/RMB, in relation to Chinese production activities and to relative import/export flows;
  EUR/YEN, relating to purchases in the Japanese market and to sales in other markets;
  EUR/PLN, relating to sales in the Polish market.

  There are no significant commercial flows with regards to other currencies.

  The Group's policy is to cover net currency flows, typically through the use of forward contracts, evaluating the amounts and expiry dates according to market conditions and net future exposure, with the objective of minimising the impact of possible variations in future exchange rates.

- With regards to commercial activities, the companies in the Group are able to hold commercial credits and debits expressed in currencies which are different from the currency in which they keep their accounts and the variation in exchange rates may result in the realisation or ascertainment of exchange risks.
  The Group's policy is to partly cover, after appropriate evaluation of exchange rate trends, exposed positions resulting from credits and debits expressed in a currency different from that in which the company keeps its accounts.

- A number of subsidiary companies in the Group are located in countries which are not members of the European Monetary Union, in particular, the United States, the United Kingdom, Poland and China. Since the reference currency for the Group is the Euro, the income statements for these companies are converted into Euro at the average exchange rate for the period and variations in exchange rates may affect the equivalent value of revenues, costs and results in Euro.

- Assets and liabilities of subsidiary companies in the Group, whose accounting currency is different from the Euro, may have different equivalent values in Euro depending on the trend in exchange rates. As provided for by the accounting principles adopted, the effects of such variations are recorded directly in equity, under the heading "Translation reserve (see Note 27).
  At the balance sheet date there was no hedging in force with regards to these exposures for conversion exchange risk.

Sensitivity analysis
The potential loss of fair value of the net balance of financial assets/liabilities subject to the risk of variation in exchange rates held by the Group at 31 December 2008, as a result of a hypothetical unfavourable and immediate variation of 10% in all relevant single exchange rates, would amount to around €105 thousand (€355 thousand at 31 December 2006).

Interest rate risk
The companies in the Group utilise external financial resources in the form of debt and invest liquid funds in monetary and financial market instruments. Variations in market interest rates influence the cost and return of the various forms of financing and utilisation, affecting the level of the Group's financial expenditure and income.

Since 2008 the Group has used derivative financial instruments to cover interest rate risk.

Sensitivity analysis
The possible effects of variations in interest rates are analysed for their potential impact in terms of cash flows, since almost all the Group's financial assets and liabilities accrue variable interest.

A hypothetical, instantaneous and unfavourable negative variation of one base point in annual interest rates in force at 31 December 2008 applicable to financial liabilities at a variable interest rate would result in a greater net cost, on an annual basis, of around €606 thousand (€363 thousand at 31 December 2007).

This analysis is based on the assumption of a general and instantaneous variation of one base point on reference interest rates.

Other risks on derivative financial instruments
As described in Note 23, the Group holds a number of derivative financial instruments whose value is linked to the trend in exchange rates (forward currency purchase operations) and the trend in interest rates.

Although these operations have been entered into for hedging purposes, accounting principles do not permit their treatment using hedge accounting. As a result, changes in underlying values may affect the economic results of the Group.

Sensitivity analysis
The potential loss of fair value of derivative financial instruments held by the Group at 31 December 2008 as a result of a hypothetical unfavourable and immediate variation of 10% in underlying values would amount to around €264 thousand (€319 thousand at 31 December 2007).

36. Commitments

Fixed asset purchases

The group has commitments for purchases of fixed assets not accounted for in the financial statements at 31 December 2008 for an amount of € 4,734 thousand (€ 875 thousand at 31 December 2007). These commitments relate to the completion of buildings under construction, and to the purchase of equipment, plant and machinery.

Guarantees granted

The group has €934 thousand in guarantees granted to third parties at 31 December 2008 (€686 thousand at the end of 2007).

37.Ordinary shares, treasury shares and dividends

Share capital is fully paid up at 31 December 2007 and amounts to €7,190 thousand. It consists of 27,653,500 ordinary shares of par value €0.26 each.

	31.12.2008	31.12.2007
Number of ordinary shares	27,653,500	27,653,500
Treasury shares	(382,163)	(277,413)
Total outstanding shares	**27,271,337**	**27,376,087**

The dividends for 2007 approved by the shareholders on 28 April 2008, totalling €6,008 thousand, were paid during 2008.

In accordance with the related authorization by shareholders, Emak S.p.A. has purchased treasury shares on the market for the purpose of improving the stock's liquidity.

At 31.12.2007 the company held in portfolio 277,413 treasury shares for a value of € 1,516 thousand. 104,750 treasury shares were acquired during 2008 for a value of € 463 thousand.

As a result, at 31.12.2008 the company held 382,163 treasury shares in portfolio for a value of €1,979 thousand.

In January and February 2009 Emak S.p.A. acquired 1,800 treasury shares for a value of €7 thousand. The stock of treasury shares in portfolio at 28 February 2009 is 383,963 with an overall value of €1,986 thousand.

38. Related party transactions

The effects on the balance sheet and income statement at 31 December 2007 of transactions by the Emak Group with ultimate parent companies, affiliated companies and any related parties are shown below.

A number of the companies belonging to the Yama Group supply the Emak Group with parts and materials, exploiting synergies associated with technological research. These are mostly strategically important parts, for which the purchasing policy is based on factors of quality and cost.

The Emak Group supplies finished products to a number of the trading companies within the Yama Group, enabling them to complete their product range.

All intercompany transactions, whether of a commercial or financial nature, are conducted on an arm's length basis.
No transactions were conducted with related parties of an atypical or unusual nature.

The main transactions with ultimate parent and affiliated companies during the year ended 31 December 2008 and the receivable and payable balances at that date are reported below:

Sale of goods and services and receivables

Companies controlled by Yama S.p.A. (€/000)	Net sales	Other revenues	Total revenues	Receivables
Agro D.o.o.	62	-	62	32
Cofima S.r.l.	1	-	1	-
Comet S.p.A.	5,468	28	5,496	742
Comet France SAS	3	-	3	-
Euro Reflex D.o.o.	3	7	10	8
Garmec S.p.A.	423	-	423	24
Mac Sardegna S.r.l.	772	5	777	585
Sabart S.p.A.	222	3	225	68
Selettra S.r.l.	108	2	110	1
Speed France SAS	2	-	2	-
Tecnol S.p.A.	-	-	0	1
Tecomec S.p.A.	121	145	266	147
Unigreen S.p.A.	37	3	40	10
Total (note 24)	**7,222**	**193**	**7,415**	**1,618**

Purchase of goods and services and payables

Companies belonging to the Yama Group (€/000)	Purchase of raw materials and finished products	Other costs	Total costs	Payables
Agro D.o.o.	-	2	2	-
Cofima S.r.l.	626	20	646	422
Comet S.p.A.	2,248	1	2,249	296
Comet France SAS	54	-	54	1
Euro Reflex D.o.o.	507	-	507	158
Garmec S.p.A.	3	1	4	-
Mac Sardegna S.r.l.	-	6	6	5
Mecline S.r.l.	118	-	118	27
Sabart S.p.A.	201	-	201	77
Selettra S.r.l.	1,772	-	1,772	615
Speed France SAS	744	-	744	96
Tecnol S.p.A.	3,690	2	3,692	1,062
Tecomec S.p.A.	1,154	1	1,155	268
Unigreen S.p.A.	117	-	117	30
Yama Immobiliare S.r.l.	-	283	283	-
Yama S.p.A.	-	126	126	63
Total (note 28)	**11,234**	**442**	**11,676**	**3,120**

The emoluments received by the parent company's directors and statutory auditors from other group companies are as follows:

No dealings of a significant amount took place with other related parties.

39. Subsequent events

There are no significant subsequent events.

40. Reconciliation between equity and net profit of the parent company Emak S.p.A. and consolidated equity and net profit

(€/000)	Equity 31.12.2008	Results for year ended 31.12.2008	Equity 31.12.2007	Results for year ended 31.12.2007
Equity and results of Emak S.p.A.	79,702	8,384	77,790	9,813
Equity and results of consolidated subsidiaries	43,928	7,440	31,957	6,793
Total	**123,630**	**15,824**	**109,747**	**16,606**
Effect of elimination book value of equity investments	(20,937)	-	(15,581)	-
Elimination of dividends		(398)		(1,315)
Elimination of intercompany balances and gains	(3,286)	(560)	(2,727)	(45)
Total as per consolidated financial statements	**99,407**	**14,866**	**91,439**	**15,246**
Minority interests	**(526)**	**(44)**	**(515)**	**(65)**
Equity and results attributable to the group	**98,881**	**14,822**	**90,924**	**15,181**

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(This translation from the Italian original version has been made for the convenience of the reader)

REPORT OF THE AUDITORS IN ACCORDANCE WITH ARTICLE 156 OF LEGISLATIVE DECREE N. 58 OF FEBRUARY 24, 1998

To the shareholders of
EMAK SpA

1 We have audited the consolidated financial statements of Emak Group as at and for the year ended December 31, 2008, comprising the balance sheet, income statement, statement of changes in equity, cash flow statement and notes thereto. Emak's Spa directors are responsible for the preparation of these financial statements in compliance with International Financial Reporting Standards as adopted by European Union, as well as with the regulation issued to implement article 9 of the legislative decree n. 38/ 2005. Our responsibility is to express an opinion on these financial statements based on our audit.

2 We conducted our audit in accordance with the auditing standards recommended by Consob, the Italian Commission for Listed Companies and the Stock Exchange. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement and are, as a whole, reliable. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by directors. We believe that our audit provides a reasonable basis for our opinion.

For the opinion on the consolidated financial statements of the prior year, which are presented for comparative purposes as required by law, reference should be made to our report issued on April 7, 2008.

3 In our opinion, the consolidated financial statements of Emak Group as at and for the year ended December 31, 2008 comply with the International Financial Reporting Standard endorsed by the European Union, as well as the Italian regulations implementing article 9 of the legislative decree n. 38/ 2005. Therefore, they are clearly stated and give a true and fair view of the financial position of Emak Group as at December 31, 2008, the results of its operations, changes in its equity and its cash flows for the year then ended.

4 The directors of Emak Spa are responsible for the preparation of the report on operations in accordance with the applicable laws and regulations. Our responsibility is to epress an opinion on the consistency of the report on operations with the financial statements, as required by art. 156, paragrafh 4-bis, letter d), of the legislative decree n. 58/ 98. For this pourpose, we have performed the procedures required under auditing standard n. PR 001 issued by the Italian accounting profession (CNDCEC) and recommended by Consob. In our opinion the report on operations is consistent with the consolidated financial statements of Emak as at and for the year ended December 31, 2008.

Bologna, March 31, 2009

Fidital Revisione e Organizzazione Contabile Srl
(Signed on the original)
Diego Bassi
(Partner)

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EMAK S.P.A. FINANCIAL STATEMENTS AT 31 DECEMBER 2008

Emak S.p.A.
Financial statements at 31 December 2008

Financial statements

Emak S.p.A. - Income Statement

€/000	Notes	Year 2008	Year 2007
Sales	8	187,465,056	157,996,497
Other operating income	8	1,297,313	1,134,037
Change in inventories		6,097,846	172,356
Raw and consumable materials and goods	9	(128,110,525)	(103,714,275)
Salaries and employee benefits	10	(21,660,885)	(17,272,425)
Other operating costs	11	(27,130,479)	(20,464,409)
Amortization, depreciation and impairment losses	12	(3,576,605)	(3,109,785)
EBIT		**14,381,721**	**14,741,996**
Financial revenues	13	1,177,177	2,156,902
Financial costs	13	(2,442,394)	(1,389,023)
Exchange gains and losses	13	(212,388)	(203,029)
EBT		**12,904,116**	**15,306,846**
Income taxes	14	(4,520,265)	(5,493,462)
Net profit		**8,383,851**	**9,813,384**
Basic earnings per share	**15**	**0.307**	**0.356**
Diluted earnings per share	**15**	**0.307**	**0.356**

Emak S.p.A. - Balance Sheet

ASSETS

€/000	Notes	31.12.2008	31.12.2007
Non-current assets			
Property, plant and equipment	16	22,696,272	16,362,499
Intangible assets	18	1,679,671	1,646,822
Goodwill	19	2,074,305	-
Investment property	17	136,259	173,964
Equity investments	20	21,160,016	15,804,197
Deferred tax assets	29	874,953	669,714
Other financial assets	22	7,037,092	8,057,090
Other receivables	23	9,372	10,537
Total		**55,667,940**	**42,724,823**
Current assets			
Inventories	24	55,492,140	40,316,079
Trade and other receivables	23	65,110,817	51,629,532
Current tax assets	29	1,308,651	2,173,335
Other financial assets	22	24,039	4,372
Cash and cash equivalents	25	808,041	1,957,364
Total		**122,743,688**	**96,080,682**
TOTAL ASSETS		**178,411,628**	**138,805,505**

EQUITY AND LIABILITIES

€/000	Notes	31.12.2008	31.12.2007
Capital and reserves			
Share capital	26	7,189,910	7,189,910
Share premium	26	21,047,079	21,047,079
Treasury shares	26	(1,979,470)	(1,516,075)
Other reserves	26	30,186,816	30,186,816
Retained earnings	26	23,257,921	20,881,904
Total		**79,702,256**	**77,789,634**
Non-current liabilities			
Loans and Borrowings	28	19,143,280	8,709,304
Deferred tax liabilities	29	2,358,763	2,637,354
Post-employment benefits	30	4,587,048	4,147,127
Provisions	31	638,445	581,726
Total		**26,727,536**	**16,075,511**
Current liabilities			
Trade and other payables	27	46,485,946	33,282,271
Current tax liabilities	29	987,330	717,375
Loans and borrowings	28	24,287,901	10,766,552
Derivative financial instruments	21	108,059	434
Provisions	31	112,600	173,728
Total		**71,981,836**	**44,940,360**
TOTAL EQUITY AND LIABILITIES		**178,411,628**	**138,805,505**

STATEMENT OF CHANGES IN THE EQUITY OF EMAK S.p.A.
AT 31.12.2007 AND AT 31.12.2008

				OTHER RESERVES
€/000	SHARE CAPITAL	SHARE PREMIUM	TREASURY SHARES	LEGAL RESERVE
Total at 31.12.2006	**7,190**	**21,047**	**(527)**	**1,438**
Change in treasury shares			(989)	
Payment of dividends				
Reclassification of 2006 net profit				
Net profit for 2007				
Total at 31.12.2007	**7,190**	**21,047**	**(1,516)**	**1,438**
Change in treasury shares			(463)	
Payment of dividends				
Reclassification of 2007 net profit				
Net profit for 2008				
Total at 31.12.2008	**7,190**	**21,047**	**(1,979)**	**1,438**

OTHER RESERVES		RETAINED EARNINGS		
REVALUATION RESERVE	**OTHER RESERVES**	**RETAINED EARNINGS**	**NET PROFIT FOR THE PERIOD**	**TOTAL**
1,138	**27,611**	**6,845**	**9,023**	**73,765**
		40		(949)
		4,184	(4,839)	(4,839)
			(4,184)	0
			9,813	9,813
1,138	**27,611**	**11,069**	**9,813**	**77,790**
				(463)
			(6,008)	(6,008)
		3,805	(3,805)	0
			8,384	8,384
1,138	**27,611**	**14,874**	**8,384**	**79,703**

Emak S.p.A. Cash Flow Statement

€/000	Notes	2008	2007
Cash flow from operations			
Net profit for period		**8,384**	**9,813**
Amortization, depreciation and impairment losses	12	3,577	3,110
(Capital gains)/losses on disposal of property, plant and equipment		(658)	(523)
Dividends income		(398)	(1,326)
Decreases/(increases) in trade and other receivables		(4,978)	(362)
Decreases/(increases) in inventories		(6,099)	(172)
(Decreases)/increases in trade and other payables		7,836	310
Change in post-employment benefits	30	(209)	(1,175)
(Decreases)/increases in provision for liabilities	31	(83)	50
Decreases/increases in derivate financial instruments		107	(44)
Net cash generated by operations		**7,479**	**9,681**
Cash flow from investment activities			
Dividend income		398	1,326
Increases in property, plant and equipment and intangible assets		(8,556)	(2,986)
(Increases) and decreases in financial assets		(4,355)	456
Proceeds from disposal of property, plant and equipment		701	804
Bertolini merger (1)	5	(6,533)	0
Net cash absorbed by investment activities		**(18,345)**	**(400)**
Cash flow from financial activities			
Change in equity		(463)	(949)
Change in short and long-term loans and borrowings		10,997	757
Change in finance leases		(456)	(443)
Dividends paid		(6,008)	(4,839)
Net cash absorbed by financial activities		**4,070**	**(5,474)**
Net increase in cash and cash equivalents		**(6,796)**	**3,807**
OPENING CASH AND CASH EQUIVALENTS		**(4,661)**	**(8,468)**
CLOSING CASH AND CASH EQUIVALENTS		**(11,457)**	**(4,661)**

ADDITIONAL INFORMATION ON THE CASH FLOW STATEMENT

€/000		2008	2007
Reconciliation of cash and cash equivalents			
Opening cash and cash equivalents, detailed as follows:	**25**	**(4,661)**	**(8,468)**
Cash and cash equivalents		**1,957**	**827**
Overdrafts		**(6,618)**	**(9,295)**
Closing cash and cash equivalents, detailed as follows:	**25**	**(11,457)**	**(4,661)**
Cash and cash equivalents		808	1,957
Overdrafts		(12,265)	(6,618)
Other information:			
Tax paid		(3,757)	(6,503)
Interest paid		(1,675)	(703)
Interest receiveable on financings to subsidiary companies		476	484
Interest receiveable on bank account		75	36
Interest receiveable on trade receivables		138	154
Effects of exchange rate changes		(25)	5
Change in related party financial assets transactions		(1,020)	(2,152)
Change in related party receivables and service transactions		3,497	(1,792)
Change in related party payables and service transactions		1,938	(410)
(1) detail of the effect of the Bertolini merger			
movements attributable to operating activities		(10,834)	0
movements attributable to investment activities		(3,467)	0
movements attributable to financial activities		7,768	0
(1) Total effect of the change in the scope of consolidation.		**(6,533)**	**0**

Explanatory notes to the financial statements of Emak S.p.A.

Notes to the financial statements of Emak S.p.A. - Contents

1. General information

The Board of Directors approved the draft financial statements of Emak S.p.A. for the year ended 31 December 2008 on 16 March 2009 and authorized their immediate publication in a press release on the same date.

The financial statements are submitted for the approval of shareholders, who have the power to make amendments.

Emak S.p.A. is one of Europe's leading producers of gardening, forestry and small-scale agricultural machinery, such as chainsaws, brush cutters, lawnmowers, trimmers and a vast assortment of accessories.

Emak S.p.A. is a public limited company, whose shares are listed on the Italian stock exchange. Its registered office is in Via Fermi 4, Bagnolo in Piano (RE).

The company has around 430 employees.

EMAK is controlled by YAMA s.p.a., which holds the majority of its share capital on a permanent basis and, in accordance with the law and with the articles of association, appoints its corporate Bodies.
EMAK S.p.A.'s Board of Directors, however, makes its own strategic decisions and operates substantially autonomously. EMAK S.p.A. has set up specific procedures for regulating decisions that place certain Directors in positions of conflict of interest and for the carrying out of related party transactions. The aim in all cases is to protect the company and its assets in the best possible way.

The figures presented in the notes are expressed in thousands of euro, unless otherwise stated.

2. Summary of principal accounting policies

The principal accounting policies used for preparing these financial statements are discussed below, and unless otherwise indicated, have been uniformly applied to all years presented.

2.1 General methods of preparation

The financial statements have been prepared in accordance with the IFRS issued by the International Accounting Standards Board and adopted by the European Union at the date of preparing this report. The term IFRS also refers to all revised international accounting standards (IAS) and all interpretations by the International Financial Reporting Interpretations Committee (IFRIC), previously named the Standing Interpretations Committee (SIC).

The financial statements have been prepared under the historical cost method, except for those financial assets and liabilities (including derivative instruments) measured at fair value.

The directors have prepared the financial statements according to the going concern principle, on the basis of available information and the company's current and expected economic and financial situation.

The company has adopted the following formats for its financial statements as required by IAS 1:
- Balance Sheet: based on the distinction between current and non-current assets and current and non-current liabilities;
- Income Statement: based on a classification of items of income and expense according to their nature;
- Cash flow Statement: based on a presentation of cash flows using the indirect method.

The preparation of financial statements under IFRS requires management to make use of accounting estimates. The matters involving a high degree of judgement or complexity and the areas in which the assumptions and estimates could have a significant impact on the financial statements are discussed in note 4.

2.2 Presentation currency

(a) The financial statements are presented in euros.
(b) Transactions and balances

A foreign currency transaction is translated using the rate of exchange at the date of the transaction. Exchange gains and losses arising upon receipt and payment of the foreign currency amounts and upon translation at closing rates of monetary items denominated in a foreign currency are reported in profit or loss for the period. Gains and losses realized on cash flow hedges whose hedged items are still unrealized are deferred in equity.

2.3 Property, plant and equipment

Land and buildings largely comprise production facilities, warehouses and offices. They are stated at historical cost, plus any revaluations carried out by law in years prior to the first-time adoption of IAS/IFRS, less the accumulated depreciation of the buildings. Other assets are recorded at historical cost, less accumulated depreciation and impairment.

Historical cost includes all the directly attributable costs of purchasing the assets.

Subsequent expenditure is added to the carrying amount of the asset only when it is probable that this expenditure will generate future economic benefits and these costs can be measured reliably. Expenditure on other repairs and maintenance is expensed to income in the period incurred.

Land is not depreciated. Other assets are depreciated on a straight-line basis over their estimated useful lives as follows:

- buildings, 10-33 years;
- plant and machinery, 7-10 years;
- other, 4-8 years.

The residual value and useful life of assets is reviewed and amended, if necessary, at the end of each year.

If the carrying amount of any asset is higher than the estimated recoverable amount, it is immediately reduced to realizable value.

Leases for which the company has substantially all the risks plus the right of redemption are classified as finance leases. The related assets are recognized under property, plant and equipment at the value of the future lease payments.

The principal element of repayments to be made is recorded as financial liabilities. The interest element is charged to the income statement so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Leases for which the lessor retains a significant portion of the risks and rewards incident to ownership are classified as operating leases, whose payments are recognized as an expense in the income statement over the lease term on a straight-line basis.

2.4 Intangible assets

a) Development costs
These are intangible assets with a finite life.
The development costs of new products are capitalized only if the following conditions are met:

- the costs can be measured reliably;
- the product's technical feasibility and expected price and market indicate that the costs incurred for development will generate future economic benefits.

Development costs include only that expenditure which can be attributed directly to the development process.

Capitalized development costs are amortized over 5 years, commencing from the start of production of the products developed.
All other development costs are expensed to income as incurred.

(b) Concessions, licences and trademarks
Trademarks and licences are valued at historical cost. Trademarks and licences have a finite useful life and are stated after deducting accumulated amortization. Amortization is calculated on a straight-line basis so as to spread the asset's cost over its estimated useful life.

(c) Other intangible assets
These are intangible assets with a finite life.
An intangible asset is recognized only if (i) it is identifiable, (ii) it is probable that it will generate future economic benefits and (iii) its cost can be measured reliably.
Intangible assets are recognized at purchase cost and amortized on a systematic basis over their estimated useful lives, which cannot exceed 10 years.

2.5 Impairment of assets

Assets with an indefinite life are not amortized or depreciated but are reviewed annually for any impairment. Depreciable assets are reviewed for impairment every time that events or changes in circumstances indicate that their carrying value might not be recoverable. The impairment loss recognized is the amount by which the carrying amount of an asset exceeds its recoverable amount, corresponding to the higher of the asset's net selling price and its value in use. For the purposes of measuring impairment, assets are classified together into the smallest identifiable groups that generate cash inflows (cash-generating units).

2.6 Investment property

Property held for long-term capital appreciation and buildings held to earn rentals are measured at cost, less depreciation and any impairment losses.

2.7 Financial assets and investments

The company classifies financial assets and investments in the following categories: financial assets at fair value (with changes reported through the income statement), loans and receivables, held-to-maturity investments and available-for-sale financial assets. The classification depends on the purpose for which the investment has been made. The classification is made upon the asset's initial recognition and is reviewed at every balance sheet date.

(a) Marketable financial assets at fair value (with the value of fluctuations posted in the income statement)
This category includes securities that have been acquired principally for the purpose of generating a profit from short-term fluctuations in price (or for temporarily investing surplus cash balances). This category is classified in current assets on the basis of the period-end price, with gains and losses recognized directly in the income statement.
Unless they qualify for hedge accounting, derivatives are also classified as held for trading.

(b) Other financial assets
This balance includes loans given, securities held to maturity and other receivables deriving from financial activities. They are classified as non-current assets except those falling due within 12 months which are reclassified to current assets.
These financial assets feature determinable payments with fixed maturities, and the fact that the company has the intent and ability to hold them to maturity.
These assets are valued using the amortized cost method based on the effective rate of return, with gains recorded directly in the income statement.

(c) Equity investments
This category includes equity interests in subsidiaries and minority holdings, which are measured at cost less any impairment losses.

(d) Available-for-sale financial assets
Available-for-sale financial assets is a residual category relating to those assets not belonging to the previous three categories. They are reported as non-current assets unless management intends selling them within 12 months of the balance sheet date.
Purchases and sales of these assets are recognized on the transaction date, which is the date on which the company commits to purchase or sell the asset.
Unrealized gains and losses arising on changes in the fair value of non-monetary securities classified as available for sale are recorded in equity. When these instruments are sold or written down, the cumulative fair value adjustments are reversed to income as gains or losses on investments in securities.

All investments in financial assets not recorded at fair value through the income statement are recognized initially at fair value plus the related transaction costs. An investment is eliminated from the accounting records when the right to its cash flows is extinguished or when the company has transferred substantially all the risks and rewards of its ownership to third parties.

The fair value of listed investments is determined with reference to the market price reported at the close of trading on the balance sheet date. In the absence of an active market for a financial asset or if the securities have been suspended from listing, the company establishes fair value using valuation techniques. These techniques include the use of recent arm's length transactions, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models, bearing in mind the issuer's specific characteristics.

The company assesses at each balance sheet date whether there is any objective evidence that a financial asset or group of financial assets may be impaired. If such evidence exists for the available-for-sale assets, the amount of the loss – measured as the difference between the asset's acquisition cost and current fair value less any impairment loss previously recognized in net profit or loss – is removed from equity and reported in the income statement. Impairment losses recognized in the income statement for equity instruments are not recovered through subsequent credits to the income statement.

2.8 Non-current assets held for sale

Assets held for sale are classified in this category when:
- the asset is available for immediate sale;
- the sale is highly probable within one year;
- management is committed to a plan to sell;
- a reasonable sales price is available;
- the plan for disposal is unlikely to change;
- a buyer is being actively sought.

These assets are measured at the lower of their carrying amount and fair value less costs to sell. Assets reclassified to this category cease to be depreciated.

2.9 Inventories

Inventories are measured at the lower of cost and net realizable value. Cost is determined using the weighted average cost method. The cost of finished products and work in progress includes raw material costs, direct labour costs, general manufacturing costs and other direct and indirect costs incurred in bringing the inventories to their present location and condition. Net realizable value is determined using prevailing selling prices less estimated costs of completion and sale.

2.10 Trade receivables

Trade receivables are recognized initially at fair value and subsequently measured at amortized cost, using the effective interest method, less any provisions for impairment.
A provision for the impairment of trade receivables is recognized when there is objective evidence that the company will be unable to collect all the amounts according to the original terms and conditions. The amount of the provision for such loss is charged to the income statement.

2.11 Trade payables

Trade and other payables, due under normal commercial terms, are not discounted but are recognized at cost (identified by their face value), representing the expenditure required for their settlement.

2.12 Cash and cash equivalents

Cash and cash equivalents include cash on hand, demand deposits with banks and short-term financial investments that are highly liquid and originally mature in three months or under, less bank overdrafts. Bank overdrafts are classified in the balance sheet in short-term loans and borrowings under current liabilities.

2.13 Share capital

Ordinary shares are classified under equity.

Any proceeds from their sale, less directly attributable transaction costs and the related tax, are recognized in equity.

2.14 Financial liabilities

Loans and borrowings are recognized initially at fair value, less the related transaction costs. They are subsequently measured at amortized cost; the difference between the amount received, less transaction costs, and the amount repayable is recognized in the income statement over the term of the loan, using the effective interest method.

Loans and borrowings are classified as current liabilities if the company does not have an unconditional right to defer the extinguishment of the liability to at least 12 months after the balance sheet date.

2.15 Taxes

The income taxes reported in the income statement include all current and deferred taxes. Income taxes are generally recorded in the income statement and are booked to equity only when they refer to items that have been debited or credited to equity.
Taxes other than income taxes are classified as other operating costs.

Deferred tax assets are recognized on all temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilized.
The same principle applies to the recognition of deferred tax assets on utilizable tax losses.
The carrying amount of deferred tax assets is reviewed at each balance sheet date and possibly reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of all or part of that deferred tax asset to be utilized. Any such reductions are reversed if the reasons for them no longer apply. As a general rule, apart from specific exceptions, deferred tax liabilities must always be recognized.
Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date.
Current tax assets and liabilities are offset only if the company has a legally enforceable right to set off the recognized amounts and if it intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously. Deferred tax assets and liabilities may be offset only if the company is able to offset current tax assets against current tax liabilities and if the deferred taxes refer to income taxes levied by the same taxation authority.

2.16 Provision for employee termination indemnities

Employee termination indemnities fall into the category of defined benefit plans for valuation on an actuarial basis (death rates, expected changes in remuneration etc.) and reflect the present value of the benefit,

payable at the end of employment, which employees have matured at the balance sheet date.
The costs relating to the increase in the obligation's present value, arising as the time of payment approaches, are recorded as financial expenses. All other costs relating to the provision are reported as payroll costs in the income statement. All actuarial gains and losses are recognized in the period in which they occur.

2.17 Provisions for liabilities and charges

Provisions for liabilities and charges are recognized when (i) the company has a legal or constructive obligation as a result of past events, (ii) it is probable that a payment will be required to settle the obligation and (iii) a reliable estimate can be made of the related amount.

2.18 Revenues

Revenues are reported net of discounts, rebates, returns and allowances and are recognized as follows:

(a) Sale of goods
Sales of goods are recognized when the company has delivered the goods to the customer, the customer has accepted the products and the associated receivable is reasonably certain to be collected.

(b) Sale of services
Sales of services are recognized in the period in which the service is rendered with reference to the stage of completion of the specific transaction, measured on the basis of the services performed to date as a percentage of total services to be performed.

2.19 Financial income and expenses

Financial income and expenses are recognized on an accrual basis using the effective interest rate and include dividends received from subsidiaries, exchange gains and losses and gains and losses on derivatives charged to the income statement.

2.20 Payment of dividends

Dividends on ordinary shares are reported as liabilities in the financial statements in the year in which the shareholders approve their distribution.

2.21 Earnings per share

Basic earnings per share are calculated by dividing the company's net profit by the weighted average number of shares outstanding during the period, excluding treasury shares.
The company does not have any potential ordinary shares.

2.22 Cash flow statement

The cash flow statement has been prepared using the indirect method.
Cash and cash equivalents included in the cash flow statement comprise the cash-related balances at the reporting date. Cash flows in foreign currency have been translated at the average rate for the period. Interest income and expense, dividends received and income taxes are included in cash flow generated by operations.

2.23 New accounting standards

It should be noted that the IASB and IFRIC have approved a number of changes to IAS/IFRS standards, applicable for the first time from 1st January 2008. The main changes relate to:

– IAS 39 - "Financial instruments: recognition and measurement" and IFRS 7 - "Financial instruments: disclosures": the changes permit the reclassification of certain financial assets previously included in the "fair-value-through-profit-or-loss" category as "investments held until maturity". The changes also permit the reclassification of "available-for-sale" and "fair-value-through-profit-or-loss" financial assets to the "financing and credits" category if the company has the intention and the ability to hold such instruments for a determined future period. The amendment is applicable from 1 July 2008. Its adoption, however, has no effect on the financial statements, since the company has not made any of the permitted reclassifications.

– IFRIC 11, "IFRS 2 – Group and treasury share transactions": the standard regulates the application of IFRS 2 "Share-based payment" to certain types of procedures that involve several companies in the same group. This standard is currently not applicable to Emak S.p.A..

– IFRIC 12 - "Service Concession Arrangements": the standard, not yet approved by the European Union, is intended for operators in the private sector involved in the supply of services typical of the public sector (e.g. road, airports, electricity and water supplies by virtue of a license agreement) and is not applicable to Emak S.p.A..

– IFRIC 13 - "Customer Loyalty Programmes": this standard defines the accounting treatment that must be adopted by entities that grant their clientele prizes associated with loyalty programmes relating to the acquisition of goods or services, and establishes that the fair value of obligations associated with the granting of such prizes must be deducted from sales revenues and deferred until the obligation towards the client expires. This standard is currently not applicable to Emak S.p.A..

– IFRIC 14 "IAS 19 – Limits on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction". This interpretation provides guidelines on how to value these limits and clarifies the impact on assets and liabilities with regards to defined benefits deriving from the existence of minimum funding requirements of a contractual or legislative nature. The standard is not currently applicable to Emak S.p.A..

– Emak S.p.A. adopted the IFRS 8 standard in advance during 2008. The standard relates to information about operating segments, introduced through EC regulation no. 1358/2007. For more information reference should be made to heading 2.3.

– Besides what is set out above, the following changes to standards and interpretations have been issued but are not applicable for the 2008 financial year and for which Emak S.p.A. has not opted for advanced adoption.

– IAS 23 "Borrowing Costs": changes that eliminate the option that permits charging borrowing costs directly attributable to the acquisition, construction or production of an asset directly to the income statement and imposes their capitalisation as part of the cost of the asset. These changes will be applicable from 1 January 2009. The future application of these changes to the standard is not expected to have any impact on the financial statements.

– IAS 1 "Presentation of Financial Statements": IAS 1 has been subject to a slight revision that will lead to a change in the name of certain schedules making up the financial statements as well as the introduction of a new schedule ("statement of changes in equity"). These changes will take effect from 1 January 2009.

– IFRS 2 "Share-based payment: vesting conditions and cancellations". The changes take effect from 1 January 2009. The standard, which clarifies vesting conditions and the cancellation of share-based payments, is not, however applicable to Emak S.p.A..

– IFRS 3 "Business Combinations" and IAS 27 - "Consolidated and Separate Financial Statements": the main changes made to IFRS 3 regard in particular the elimination of the obligation to value single assets and liabilities of the subsidiary at fair value in every subsequent acquisition, in the event of business combinations achieved in stages. Goodwill in these cases will be measured as the difference at acquisition date between the fair value of any investment in the business held immediately before acquisition, the consideration transferred and the net assets acquired. In addition, in the event that the company does not acquire 100% of the shareholding, the net equity of minority interests may be valued either at fair value or using the method previously provided for by IFRS 3. The revised version of the standard also provides for acquisition costs to be recognised as expenses and disclosure of the contingent consideration arrangements at the acquisition date. In the revision of IAS 27, on the other hand, the IASB has established that changes in a parent's ownership interest in a subsidiary that do not result in the loss of control are accounted for as equity transactions and therefore give rise to a corresponding entry in equity. Furthermore, it is established that when a company transfers control in a subsidiary but continues, however, to hold a stake in the company, it must value the retained shareholding in the financial accounts at fair value and allocate any profits or losses deriving from the loss of control to the income statement. Finally, the revised IAS 27 requires that all losses attributable to minority shareholders are allocated to the net equity attributable to minority interests, also when the latter exceed their shareholding in the subsidiary. The changes, not yet approved by the European Union, have no current significant impact on Emak S.p.A..

– IAS 32 "Financial Instruments: Disclosure and Presentation" and IAS 1 "Presentation of Financial Statements": The changes regard puttable financial instruments and obligations arising on liquidation. These changes, applicable from 1 January 2009, have no current significant impact on Emak S.p.A..

– IAS 27 "Consolidated and Separate Financial Statements" – The cost of shareholdings in subsidiary companies, in jointly-controlled entities and in associated companies: the definition of "cost method" has been eliminated from IAS 27 and as a consequence investors are required to treat all dividends of a subsidiary, of a jointly-controlled entity or of an associated company as entries in the separate financial statements, even if the dividends are paid as reserves movements before the acquisition. These changes, applicable from 1 January 2009, have no current significant impact on Emak S.p.A..

– IAS 39 "Financial Instruments: recognition and measurement": the revised version, effective from 1 January 2009, clarifies the application of the standard for the definition of hedged items in certain situations. Emak S.p.A. has not opted for the application of the amendment in advance, which in any case should not have any significant impacts on the valuation of financial instruments.

– IFRIC 15 "Agreements for the Construction of Real Estate: the standard, effective from 1 January 2009, is not applicable to Emak S.p.A..

– IFRIC 16 "Hedges of a Net Investment in a Foreign Operation": the interpretation has eliminated the possibility of applying hedge accounting for operations to hedge exchange rate differences between the currency of the foreign subsidiary and the currency adopted for consolidated accounts. The interpretation also clarifies that in the case of disposal of a net investment in a foreign currency, for the purpose of establishing the amount that must be transferred to the income statement from the translation reserve, reference must be made to the provisions of IAS 39 - "Financial Instruments: recognition and measurement" for the part relating to the hedging instrument and to IAS 21 - "The Effects of Changes in Foreign Exchange Rates" for the part relating to the hedged instrument. The interpretation, applicable from 1 January 2009, is not currently significant for Emak S.p.A..

3. Financial risk management

3.1 Risk factors of a financial nature

The Company's business is exposed to a number of different financial risks: market risk (including currency risk, fair value risk and price risk), credit risk, liquidity risk and interest rate risk. The Company's policies for managing and controlling financial risks focus on the unpredictability of financial markets and seek to minimize the potentially negative effects on the consolidated results. The Company uses derivative financial instruments to hedge certain risks.
Hedging of the Company's financial risks is managed by a head office function working in close collaboration with the individual operating units.

(a) Market risk

(i) Interest rate risk
Since the Company does not have significant interest-bearing assets, operating profits and cash flows are largely unaffected by changes in market interest rates. The Company's interest rate risk relates to its long-term loans and borrowings. Variable rate loans expose the Company to the cash flow risk associated with interest rates. Fixed rate loans expose the group to the fair value risk associated with interest rates.
The Company's policy is based on constantly monitoring its level and structure of debt and on the trend in interest rates and macroeconomic variables that might directly influence them, with the goal of optimizing the cost of money. At 31 December 2007, the Company's bank loans and borrowings and finance leases all carried variable interest.
The company has set up hedging operations during 2008 aimed at limiting the effects of interest rate fluctuations.

(ii) Currency risk
The Company conducts its business internationally and is exposed to exchange risk associated with the currencies used, chiefly US dollars, yen, pounds sterling, Chinese renminbi and Polish zloty. Currency risk derives from future commercial transactions, from recognized assets and liabilities and net investments in foreign enterprises.
The Company mostly uses forward contracts to hedge currency risk arising from future commercial transactions and recognized assets and liabilities.

(iii) Price risk
The Company is exposed to fluctuations in the price of raw materials. This exposure is mostly towards suppliers of parts since their price is generally tied by contract to the trend in market prices for raw materials. The Company usually enters into medium-term contracts with certain suppliers for the purpose of managing and limiting the risk of fluctuations in the price of its main raw materials such as aluminium, sheet metal, plastic and copper, as well as semi-finished products such as motors.

(b) Rischio di credito
(b) Credit risk
The Company does not have significant concentrations of credit risk and has adopted policies to ensure that products are sold to customers of proven creditworthiness and that certain types of receivable are insured. Derivatives and short-term investments are undertaken only with primary financial institutions. The Company has policies that limit its credit exposure to any single financial institution.

(c) Liquidity risk
Prudent management of liquidity risk implies the maintenance of sufficient liquid funds and marketable securities, the availability of funding through adequate credit lines and the ability to close positions off-market. Given the dynamic nature of the Company's business, its Treasury function seeks flexibility of funding by having sufficient credit lines.

3.2 Accounting for derivative financial instruments and hedging activities

Derivative financial instruments are used exclusively for hedging purposes with the intent of reducing the risks of foreign currency fluctuation. As established by IAS 39, derivative financial instruments may qualify for special hedge accounting only if (i) at the inception of the hedge the hedging relationship is formally

designated and documented, (ii) the hedge is expected to be highly effective and (iii) the effectiveness of the hedge can be measured reliably.
Derivatives are initially recognized at cost and adjusted to fair value at subsequent balance sheet dates.

Changes in the fair value of derivatives designated as cash flow hedges relating to the company's firm commitments are recognized directly in equity to the extent they relate to the effective portion of the hedge, while the ineffective portion is reported directly in the income statement. If a firm commitment or hedge of a forecast transaction results in the recognition of assets or liabilities, the associated gains or losses on the derivative that were recognized directly in equity are reclassified to the initial cost or carrying amount of the asset or liability.

If cash flow hedges do not result in the recognition of an asset or a liability, the amounts that were directly recorded in equity are reversed to income in the same period in which the firm commitment or hedged forecast transaction affects profit or loss.

Changes in the fair value of derivatives that do not qualify for hedge accounting are recognized in the income statement in the period in which they occur.
Hedge accounting is discontinued when the hedging instrument expires, is sold, terminated or exercised, or no longer meets the criteria for hedge accounting. In this case, the cumulative gain or loss on the hedging instrument recognized directly in equity remains separately in equity until the forecast transaction occurs. If the forecast transaction is no longer expected to occur, the cumulative gain or loss recognized directly in equity is transferred to profit or loss for the period.

3.3 Measurement of fair value

The fair value of financial instruments with a quoted market price in an active market (such as publicly traded derivatives and securities held for trading and for sale) is based on the market price at the balance sheet date. The market price used for the company's financial assets is the bid price; the market price for financial liabilities is the offer price.

The fair value of financial instruments not quoted in an active market (for example, derivatives quoted over the counter) is determined using valuation techniques. The company uses various methods and makes assumptions that are based on existing market conditions at the balance sheet date. Long-term payables are valued using quoted market or trading prices for the specific or similar instruments. Other methods, such as estimating the present value of future cash flows, are used to determine the fair value of the other financial instruments. The fair value of forward currency contracts is determined using the forward exchange rates expected at the balance sheet date.

It is assumed that the face value less estimated doubtful receivables approximates the fair value of trade receivables and payables. For the purposes of these notes, the fair value of financial liabilities is estimated by discounting contractual future cash flows at the current market rate available to the company for similar financial instruments.

4. Key accounting estimates and assumptions

The preparation of the financial statements and the related notes under IFRS has required management to make estimates and assumptions affecting the value of reported assets and liabilities and the disclosures relating to contingent assets and liabilities at the balance sheet date. Actual results could differ from these estimates. Estimates are used for recording provisions for doubtful accounts and inventory obsolescence, amortization and depreciation, write-downs of assets, post-employment benefits, taxes and other provisions. Estimates and assumptions are reviewed periodically and the effects of any change are immediately reflected in the income statement..

5. Significant non-recurring events and transactions

5.1 Acquisition and merger of Bertolini S.p.A.

On 15 January 2008 Emak S.p.A. acquired the entire shareholding (100%) of the company, Bertolini S.p.A., from the parent company Yama 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.

The aim of this operation is to pursue a strategy of development in similar and synergic sectors in relation to current activities. Prospects for growth therefore justify the value of goodwill.

The consideration for the acquisition of the shareholding was € 6,500 thousand paid by Emak S.p.A. at the same time as the transfer of shares that took place on 15 January 2008.

The fair value of the assets and liabilities subject to merger with effect from 1 January 2008, the price paid and the financial expenditure are detailed below:

€/000	Bertolini S.p.A. book values	Adustments for IAS and fair value	Fair value of acquired assets
Non-current assets			
Tangible fixed assets	1,211		1,211
Intangible fixed assets	182		182
Goodwill	10		10
Deferred tax assets	124		124
Current assets			
Inventories	9,078		9,078
Trade and other receivables	7,393		7,393
Current tax assets	326		326
Cash and cash equivalents	507		507
Non-current liabilities			
Loans and borrowings	(2,690)		(2,690)
Deferred tax liabilities		(48)	(48)
Post-employment benefits	(804)	155	(649)
Provisions	(79)		(79)
Current liabilities			
Trade and other payables	(5,165)		(5,165)
Current tax liabilities	(146)		(146)
Loans and borrowings	(5,585)		(5,585)
Total net assets acquired	**4,362**	**107**	**4,469**
Goodwill			**2,064**
Acquisition price entirely paid by bank transfer			**6,533**
of which capitalised costs			**33**
Cash and cash equivalents acquired			**507**
Net cash outflow			**6,026**

The transaction was accounted for according to the Purchase method.

Bertolini S.p.A.'s key economic-financial figures regarding the financial year ended 31 December 2007 and which have been drawn up according to IFRS standards are as follows:

€/000	**31.12.2007**
Net sales	21,439
EBIT	937
EBT	455
Net profit	224
Total equity	4,469
Net debt	(7,768)
Net non-current assets	835
Net working capital	**11,402**

The merger deed for the absorption of Bertolini S.p.A. into Emak S.p.A. was stipulated on 23 October 2008. With regards to third parties, the effects of the merger took effect from 1 November 2008, while accounting and fiscal effects of the merger took effect retroactively from 1 January 2008.

For more information, reference should be made to the appropriate informative document lodged at the company's registered office, with the Italian Stock Exchange and published on Emak S.p.A.'s website.

5.2 Acquisition of Tailong (Zhuhai) Machinery Manufacturing Equipment Ltd.

On 1 July 2008 the company acquired the entire shareholding of the Chinese company Tailong (Zhuhai) Machinery Manufacturing Equipment Ltd from the subsidiary companies Tecnol S.p.A. and Selettra S.r.l..
Tailong (Zhuhai) Machinery Manufacturing Equipment Ltd., of which Emak Group is the main customer, was founded in 2005 for the manufacture of nickel cylinders for small combustion engines.

The objectives of the operation are as follows: the acquisition of the control of a technology for the production of a strategic component for its own products, such as the cylinder, which is not readily available on the market (given the small number of suppliers); the verticalisation of the production process; to have a better control of product quality and a high degree of production flexibility, and to exploit organisational synergies with regards to research and development, quality and supply chain with the Chinese subsidiary Jiangimen Emak Outdoor Power Equipment Co. Ltd. These factors justify the extra value allocated as goodwill.

The consideration paid for the acquisition of the entire shareholding of Tailong (Zhuhai) Machinery Manufacturing Equipment Ltd. amounted to €2,500 thousand.
The price paid over and above net worth was allocated in full to goodwill for an amount of €1,937 thousand.

The fair value of the assets and liabilities acquired on 1 July 2008 (which do not differ from their accounting value), the relative price paid and financial expenditure are set out below:

€/000	Fair value of acquired assets
Non-current assets	
Tangible fixed assets	1,693
Intangible fixed assets	534
Current assets	
Inventories	445
Trade and other receivables	1,291
Current tax assets	146
Cash and cash equivalents	227
Non-current liabilities	
Loans and borrowings	(508)
Current liabilities	
Trade and other payables	(2,845)
Loans and borrowings	(370)
Total net assets acquired	**613**
Goodwill	**1,937**
Acquisition price entirely paid by bank transfer	**2,550**
of which capitalised	**50**
cash and cash equivalents acquired	**227**
Net cash outflow	**2,323**

The transaction was accounted for according to the Purchase method.

For more information, reference should be made to the appropriate informative document lodged at the company's registered office, with the Italian Stock Exchange and published on Emak S.p.A.'s website.

5.3 Increases in share capital

On 28 March 2008 the Parent company Emak S.p.A. recapitalised the subsidiary company Emak USA Inc. by means of a debt conversion for an amount of $ 1,000, equal to € 633 thousand.

In addition, during the third quarter Emak S.p.A. paid € 2,173 thousand on account for future increases in share capital of the subsidiary company Comag S.r.l..

6. Balances or transactions arising from atypical and unusual operations

No atypical or unusual transactions took place during the course of 2007.

7. Net financial position

Details of the net financial position are summarized in the following table:

€/000	31.12.2008	31.12.2007
Cash and banks	808	1,957
Other financial assets	24	4
Financial liabilities	(24,288)	(10,766)
Derivative financial instruments	(108)	0
Short-term net debt	**(23,564)**	**(8,805)**
Other financial assets	7,037	8,057
Financial liabilities	(19,143)	(8,709)
Long-term net debt	**(12,106)**	**(652)**
Cash and banks	808	1,957
Other financial assets	7,061	8,061
Financial liabilities	(43,431)	(19,475)
Derivative financial instruments	(108)	0
Total net debt	**(35,670)**	**(9,457)**

Long-term "Other financial assets" at 31 December 2008 refer entirely to loans given to subsidiaries for €7,036 thousand and financial prepayments for € 1 thousand.

8. Sales and other operating income

Sales revenues amount to €187,465 thousand, compared with €157,996 thousand in the prior year. They are stated net of €620 thousand in returns, compared with €849 thousand in the prior year.

Details of sales are as follows:

€/000	FY 2008	FY 2007
Net sales revenues (net of discounts and rebates)	186,576	157,571
Revenues from recharged transport costs	1,509	1,274
Returns	(620)	(849)
Total	**187,465**	**157,996**

Other operating income is analyzed as follows:

€/000	FY 2008	FY 2007
Grants for operating expenses	155	111
Capital gains on property, plant and equipment	670	12
Capital gains on fixed assets available for sale	-	531
Insurance refunds	48	9
Out-of-period income	165	199
Rental income (note 17)	133	131
Other	126	141
Total	**1,297**	**1,134**

The heading "Grants for operating expenses" includes tax credit, for € 146 thousandm, for costs borne by the company for industrial research and competitive development activities in accordance with Law 27 of December 2006 no. 296.

The heading “Capital gains on fixed assets available for sale” includes capital gains for € 650 thousand relating to the disposal of tooling machines for the manufacture of cylinders to the subsidiary company Tecnol S.p.A..

9. Cost of raw and consumable materials and goods

€/000	FY 2008	FY 2007
Raw materials	64,342	48,990
Consumable materials	196	211
Finished products	61,576	53,161
Other purchases	1,997	1,352
Total	**128,111**	**103,714**

The increase in the heading “Raw materials” is mainly due to the absorption of Bertolini S.p.A., while the increase in the heading”Finished products” is due to the evolution of the production system with the provision of supplies from factories in which the Group operates.

10. Salaries and employee benefits

Details of these costs are as follows:

€/000	FY 2008	FY 2007
Wages and salaries	14,275	12,346
Social security charges	4,512	3,904
Employee termination indemnity	974	1,034
Adjustment of termination indemnity fund for actuarial losses/(gains) (30)	375	(837)
Other costs	222	69
Directors’ emoluments	745	434
Temporary staff	558	322
Total	**21,661**	**17,272**

Employees are broken down by grade as follows:

	31.12.2008		31.12.2007	
	(1)	(2)	(1)	(2)
Executives	16	16	13	13
Office staff	184	175	159	151
Factory workers	245	236	215	205
Total	**445**	**427**	**387**	**369**

(1) Average number of employees in year
(2) Number of employees at this date

The change in the workforce and in the relevant costs is attributable to the absorption of Bertolini S.p.A..

11. Other operating costs

Details of these costs are as follows:

€/000	FY 2008	FY 2007
Subcontract work	5,257	3,515
Maintenance	1,432	1,172
Transportation	6,851	5,308
Advertising and promotions	2,962	2,192
Commissions	1,976	1,611
Other services	6,362	4,787
Services	**24,840**	**18,585**
Leases and rentals	**910**	**628**
Increases in provisions (note 31)	**153**	**280**
Increase in provision for doubtful accounts (note 23)	231	183
Capital losses on property, plant and equipment	12	8
Other taxes (not on income)	154	145
Other operating costs	830	635
Other costs	**1,227**	**971**
Total	**27,130**	**20,464**

The increase in all costs is mainly due to the absorption of Bertolini S.p.A.

The increase in “Transportation” costs is mainly due to the cost of importing goods produced at the factory in China.

12. Amortization, depreciation and impairment losses

Details of these amounts are as follows:

€/000	FY 2008	FY 2007
Amortization of intangible assets (note 18)	916	637
Depreciation of property, plant and equipment (note 16)	2,623	2,435
Depreciation of investment property (note 17)	38	38
Total	**3,577**	**3,110**

13. Finance income and expenses

These amounts are analyzed as follows:

€/000	FY 2008	FY 2007
Dividends from subsidiaries	398	1,326
Interest on trade receivables	214	212
Interest on loans to subsidiaries (note 36)	476	484
Interest on bank and post office accounts	75	36
Other financial income	14	99
Financial income	**1,177**	**2,157**

The heading “Dividends from subsidiaries” refers to dividends received from Emak Suministros Espana S.A..

€/000	FY 2008	FY 2007
Interest on long-term bank loans and borrowings	702	215
Interest on short-term bank loans and borrowings	878	445
Financial charges from valuing employee termination indemnities (note 30)	199	212
Cash discounts given	329	329
Other financial costs	334	188
Financial expenses	**2,442**	**1,389**

The increase in interest payable has been caused by a greater use of bank credit lines and by the increase in interest rates.

€/000	FY 2008	FY 2007
Realized exchange gains	701	488
Unrealized gains	131	(55)
Realized exchange losses	(1,044)	(636)
Exchange gains and losses	**(212)**	**(203)**

14. Income taxes

The estimated charge for current tax and changes in deferred tax assets and liabilities in 2008 is €4,520 thousand, (€5,493 thousand in the prior year).

This amount is made up as follows:

€/000	FY 2008	FY 2007
Current income taxes	4,917	5,077
Taxes from prior years	10	(32)
Changes in deferred tax liabilities (note 29)	(326)	247
Changes in deferred tax assets (note 29)	(81)	201
Total	**4,520**	**5,493**

Current tax includes the cost for IRAP (regional tax on productive activities) for €1,165 thousand, against €1,096 thousand in 2007.

No amounts for income taxes have been posted directly in movements in equity during 2008. In the previous year such taxes amounted to € 19 thousand, relating to capital gains on the sale of treasury shares (note 26).

The theoretical tax charge, calculated using the ordinary rate of 31.40%, is reconciled to the effective tax charge as follows:

€/000	**FY 2008**	**% rate**	**FY 2007**	**% rate**
Profit before taxes	**12,904**		**15,307**	
Theoretical tax charge	**4,052**	**31.4**	**5,702**	**37.25**
Effect of IRAP differences calculated on different tax base	661	5.1	478	3.1
Non-taxable income	(84)	(0.6)	(61)	(0.4)
Dividends	(104)	(0.8)	(416)	(2.7)
Non-deductible costs	230	1.8	173	1.1
Effect of changes in tax rates	-	-	(368)	(2.4)
Previous period tax	(81)	(0.6)	-	-
Other differences	(154)	(1.2)	(15)	(0.1)
Effective tax charge	**4,520**	**35.1**	**5,493**	**35.9**

The effective tax rate of 35.1% is down from the one of 35.9% reported in 2007.

15. Earnings per share

"Basic" earnings per share are calculated by dividing the net profit for the period attributable to the company's shareholders by the weighted average number of ordinary shares outstanding during the period, excluding the average number of ordinary shares held as treasury shares (see note 35).

The company has only ordinary shares outstanding.

	FY 2008	**FY 2007**
Net profit attributable to ordinary shareholders (€/000)	8,384	9,813
Weighted average number of ordinary shares outstanding	27,312,193	27,581,709
Basic earnings per share (€)	**0.307**	**0.356**

Diluted earnings per share are the same as basic earnings per share.

16. Property, plant and equipment

Changes in property, plant and equipment are shown below:

€/000	31.12.2006	Increas.	Decreas.	Other changes	31.12.2007
Land and buildings	14,432	223	-	150	14,805
Accumulated depreciation	(3,903)	(334)	-	-	(4,237)
Land and buildings	**10,529**	**(111)**	**-**	**150**	**10,568**
Plant and machinery	6,613	348	(124)	-	6,837
Accumulated depreciation	(5,019)	(331)	112	-	(5,238)
Plant and machinery	**1,594**	**17**	**(12)**	**-**	**1,599**
Other property, plant and equipment	35,780	1,529	(324)	-	36,985
Accumulated depreciation	(31,614)	(1,770)	323	-	(33,061)
Other assets	**4,166**	**(241)**	**(1)**	**-**	**3,924**
Advances	**-**	**271**	**-**	**-**	**271**
Cost	**56,825**	**2,371**	**(448)**	**150**	**58,898**
Accumulated depreciation (note 12)	**(40,536)**	**(2,435)**	**435**	**-**	**42,536**
Net book value	**16,289**	**(64)**	**(13)**	**150**	**16,362**

€/000	31.12.2007	Incr.from merger	Increas.	Decreas.	Other changes	31.12.2008
Land and buildings	14,805	-	124	-	(198)	14,731
Accumulated depreciation	(4,237)	-	(338)	-	-	(4,575)
Land and buildings	**10,568**	**-**	**(214)**	**-**	**(198)**	**10,156**
Plant and machinery	6,837	871	1,292	(1,356)	-	7,644
Accumulated depreciation	(5,238)	(495)	(419)	1,350	-	(4,802)
Plant and machinery	**1,599**	**376**	**873**	**(6)**	**-**	**2,842**
Other property, plant and eq.ent	36,985	2,052	1,742	(344)	82	40,517
Accumulated depreciation	(33,061)	(1,217)	(1,866)	307	-	(35,837)
Other assets	**3,924**	**835**	**(124)**	**(37)**	**82**	**4,680**
Advanced payments and fixed assets in progress	**271**	**-**	**4,631**	**-**	**116**	**5,018**
Cost	**58,898**	**2,923**	**7,789**	**(1,700)**	**-**	**67,910**
Acc.ted depreciation (note12)	**(42,536)**	**(1,712)**	**(2,623)**	**1,657**	**-**	**(45,214)**
Net book value	**16,362**	**1,211**	**5,166**	**(43)**	**-**	**22,696**

No evidence of impairment has been reported for property, plant and equipment.

The increase in the heading “Land and buildings” refers mainly to the refurbishment of a number of office offices.

The increase in the heading “Plant and machinery” refers to investments made for process automation and for the normal cyclical renewal of such fixed assets.

The increase in other fixed assets refers to €1,201 thousand for the purchase equipment and moulds, €21 thousand for the purchase of internal means of transport, €86 thousand for the purchase of electronic machines, €84 thousand for the purchase of testing and control equipment and the remainder for the purchase of various other items of equipment.

“Other changes” refer to amounts previously classified as increases in tangible fixed assets but which have been more correctly reclassified as fixed assets in progress.

The company has not capitalized any costs incurred internally or financial expenses.

The company does not have any assets whose ownership title is restricted except for those under finance lease.

Property, plant and equipment under construction has a book value of €3,520 thousand at 31 December 2008 and refers for the most part to building work on the new “spare parts centre”.

Details of the assets held under finance lease, included in “land and buildings” are as follows:

€/000	**31.12.2008**	**31.12.2007**
Gross value	3,659	3,659
Accumulated depreciation	(440)	(330)
Net book value	**3,219**	**3,329**

This amount refers to a finance lease for the office building of Emak S.p.A. in Via Fermi 4 used as the company’s head office. The lease agreement was made with Locat S.p.A. on 10 November 2005 and expires on 10 November 2013.

17. Investment property

his heading refers to a building leased to a company in the Yama Group. The cost value at 31 December was € 1,257 thousand, and the depreciation provision was € 1,121 thousand (€ 1,083 thousand at 31 December 2007).

Rental income earned in 2008 from these fixed assets was € 133 thousand (note 10), against €131 thousand in the previous year.

At 31 December 2008 the fair value of non-capital investments amounts to €2.5 million.

18. Intangible assets

Intangible assets report the following changes:

€/000	31.12.2006	Increas.	Decreas.	31.12.2007
Development costs	1,194	47	-	1,241
Accumulated amortization	(519)	(119)	-	(638)
Development costs	**675**	**(72)**	**-**	**603**
Patents and intellectual property rights	3,048	402	-	3,450
Accumulated amortization	(2,091)	(503)	-	(2,594)
Patents	**957**	**(101)**	**-**	**856**
Concessions, licences and trademarks	44	12	-	56
Accumulated amortization	(9)	(5)	-	(14)
Concessions, licences and trademarks	**35**	**7**	**-**	**42**
Other intangible assets	-	38	-	38
Accumulated amortization	-	(10)	-	(10)
Other intangible assets	**-**	**28**	**-**	**28**
Advances	**-**	**117**	**-**	**117**
Cost	**4,286**	**616**	**-**	**4,902**
Accumulated amortization (note 12)	**(2,619)**	**(637)**	**-**	**(3,256)**
Net book value	**1,667**	**(21)**	**-**	**1,646**

€/000	31.12.2007	Incr. from merger	Increas.	Decreas.	31.12.2008
Development costs	1,241	61	-	(1)	1,301
Accumulated amortization	(638)	(60)	(130)	-	(828)
Development costs	**603**	**1**	**(130)**	**(1)**	**473**
Patents and intellectual property rights	3,450	139	522	(4)	4,107
Accumulated amortization	(2,594)	(77)	(659)	4	(3,326)
Patents	**856**	**62**	**(137)**	**-**	**781**
Concessions, licences and trademarks	56	-	17	-	73
Accumulated amortization	(14)	-	(6)	-	(20)
Concessions, licences and trademarks	**42**	**-**	**11**	**-**	**53**
Other intangible assets	38	1,794	6	-	1,838
Accumulated amortization	(10)	(1,675)	(121)	-	(1,806)
Other intangible assets	**28**	**119**	**(115)**	**-**	**32**
Advances	**117**	**-**	**223**	**-**	**340**
Cost	**4,902**	**1,994**	**768**	**(5)**	**7,659**
Accumulated amortization (note 12)	**(3,256)**	**(1,812)**	**(916)**	**4**	**(5,980)**
Net book value	**1,646**	**182**	**(148)**	**(1)**	**1,679**

The increase in patents and intellectual property rights refers to the purchase of new software programmes.

All the intangible assets have a finite residual life and are amortized on a straight-line basis over the following periods:

- Development costs	5	years
- Intellectual property rights	3	years
- Concessions, licences, trademarks and similar rights	10/15	years

The company expensed a total of €4,677 thousand in R&D costs to income during the year (€4,540 thousand in 2007).

19. Goodwill

Goodwill recorded in the financial statements at 31 December 2008, for € 2,074 thousand, is attributable to the greater value arising out of the absorption of the company, Bertolini S.p.A. into Emak S.p.A (note 5).

Goodwill has been subject to an impairment test according to the methods described in note 21 of the consolidated financial statements.

20. Equity investments

Details of equity investments are as follows:

€/000	31.12.2008	31.12.2007
Equity investments		
- in subsidiary companies	20,936	15,580
- in other companies	224	224
TOTAL	**21,160**	**15,804**

Shareholdings in subsidiaries amount to € 20,936 thousand with an increase of € 5,356 thousand made up as follows:

- 633 thousand ($ 1,000 thousand) for the recapitalisation of the subsidiary Emak USA Inc by means of a debt conversion on 28 March 2008.
- 2,173 thousand for payments made during the third quarter of 2008 to the subsidiary Comag S.r.l. on account for future increases in share capital;
- 2,550 thousand for the acquisition, on 1 July 2008, of the entire shareholding of the Chinese company Tailong (Zhuhai) Machinery Manufacturing Equipment Ltd..

Appendices 1 and 2 provide details of the value of equity investments in subsidiary companies.

Jiangmen Emak Outdoor Power Equipment Co. Ltd. is a wholly-owned subsidiary by virtue of the undertaking to buy back the 49% interest held by Simest S.p.A. on 30 June 2013.
The interest subscribed by Simest S.p.A. in this Chinese company amounts to €896 thousand and is matched by a corresponding liability reported under financial payables (note 28).

Equity investments in other companies relate to:

- a minority interest (10.42%) in Netribe S.r.l., a company operating in the IT sector. This investment is valued at its cost of €223 thousand since its fair value cannot be determined.

- one share for membership of the ECOPED Consortium as required by Decree 151/2005, with a value of €1 thousand.

21. Derivative financial instruments

The company has underwritten a number of IRS contracts and options on interest rates with the objective of hedging the risk of changes in interest rates on financings for a notional amount of € 7,000 thousand.
These contracts will close in 2009, 2010 and 2011 and are valued at fair value represented by the "market to market" price provided by the Bank.
All the contracts, while having the purpose and characteristics of hedging operations, do not formally comply with the rules for being accounted for as such. For this reason all the changes in fair value have been recorded in the income statement in the relevant financial period on the accruals basis.

22. Other financial assets

ther non-current financial assets amount to €7,037 thousand (against € 8,057 thousand in the previous year), of which € 7,036 thousand refer to loans granted to subsidiaries and € 1 thousand to prepayments of a financial nature.

Loans are granted at the three-month Euribor rate + 1 percentage point, except for the loan to Victus-Emak Sp. z o.o., for which the reference rate is the three-month Wibor rate + 1 percentage point and the loans to the companies Emak USA Inc., Jiangmen Emak Outdoor Power Equipment Co. Ltd. and Tailong (Zhuhai) Machinery Manufacturing Equipment Ltd., for which the reference rate is the three-month Libor Dollar Usa rate + 1 percentage point.

Other current financial assets, amounting to €24 thousand, compared with €4 thousand in the prior year, refer to accrued income and prepaid expenses of a financial nature.

23. Trade and other receivables

Details of these amounts are as follows:

€/000	31.12.2008	31.12.2007
Trade receivables	49,113	38,183
Provision for doubtful credits	(964)	(772)
Net trade receivables	**48,149**	**37,411**
Receivables due from related parties (note 36)	15,363	11,866
Prepaid expenses and accrued income	69	69
Other receivables	1,529	2,283
Total current portion	**65,110**	**51,629**
Other non-current receivables	9	11
Total non-current portion	**9**	**11**

Trade receivables include the following amounts in foreign currency:
- USD 4,165,644;
- JPY 19,014,644;
- PLN 15,385.

Trade receivables do not bear interest and generally fall due within 100 days.

The "Other receivables" heading includes €1,406 thousand relating to advance payments to suppliers for the manufacture of moulds and equipment, the ownership of which will subsequently be transferred to a customer as part of a specific new product development project.
The customer has, in turn, paid Emak in advance €933 thousand for costs sustained. This amount has been accounted for under the heading "other current payables" (note 27).

All non-current receivables fall due within 5 years. There are no trade receivables falling due after more than one year.

"Trade receivables" are analyzed by geographical area as follows:

€/000	Italy	Europe	Rest of world	Total
Trade receivables	16,625	22,797	8,727	48,149
Receivables due from related parties	1,642	10,238	3,483	15,363

Movements in the provision for doubtful accounts are as follows:

€/000	31.12.2008	31.12.2007
Opening balance	**772**	**599**
Increases (note 11)	231	183
Decreases	(117)	(10)
Increases from merger	78	-
Closing balance	**964**	**772**

The book value of this balance approximates its fair value.

24. Inventories

Inventories are detailed as follows:

€/000	31.12.2008	31.12.2007	Change
Raw, ancillary and consumable materials	26,464	17,987	8,477
Work in progress and semi-finished products	9,344	5,697	3,647
Finished products and goods for resale	19,684	16,632	3,052
Total	**55,492**	**40,316**	**15,176**

Inventories are stated net of a provision of €937 thousand at 31 December 2008 (€693 thousand at 31 December 2007). The purpose of this provision is to write down obsolete and slow-moving items to their estimated realizable value.

Details of changes in the provision for inventories are as follows:

€/000	FY 2008	FY 2007
Opening balance	**693**	**739**
Increases	263	213
Increases from merger operations	289	-
Uses	(308)	(259)
Closing balance	**937**	**693**

Income recognized in the year for write-backs of goods sold in the period was not material.

None of the company's inventories at 31 December 2008 act as security against its liabilities.

25. Cash and cash equivalents

Cash and cash equivalents are detailed as follows:

€/000	31.12.2008	31.12.2007
Bank and post office deposits	806	1,956
Cash	2	1
Total	**808**	**1,957**

Al fine del rendiconto finanziario, le disponibilità liquide ed equivalenti di fine esercizio comprendono:

€/000	31.12.2008	31.12.2007
Cash and banks	808	1,957
Overdrafts (note 28)	(12,265)	(6,618)
Total	**(11,457)**	**(4,661)**

26. Equity

Share capital
Share capital is fully paid up at 31 December 2008 and amounts to €7,190 thousand, remaining unchanged since the end of 2006. It consists of 27,653,500 ordinary shares of par value €0.26 each.

Share premium reserve
The share premium reserve, which consists of the premium paid on new-issue shares, is €21,047 thousand at the end of 2008, remaining unchanged since the prior year.

Treasury shares
The adjustment of €1,979 thousand to equity for the purchase of treasury shares represents the overall consideration paid on the market by Emak S.p.A. to buy the treasury shares held on 31 December 2008 (note 35).
The par value of these treasury shares is €99 thousand.

Other reserves:
The legal reserve is the same as a year earlier at €1,438 thousand.

The revaluation reserve at 31 December 2008 includes the reserves arising from revaluations under Law 72/83 for €371 thousand and under Law 413/91 for €767 thousand. No change has taken place in the period under review.

The extraordinary reserve amounts to €27,088 thousand at 31 December 2008, inclusive of all allocations of earnings in prior years.

At 31 December 2008, the untaxed reserves refer to €129 thousand in tax-related provisions for grants and donations and €394 thousand in merger surplus reserves. All these reserves have remained the same as at the end of 2007.

The following table analyzes equity according to its origin, its possible uses and distribution:

Nature/Description €/000	Amount	Possible use	Distributable portion	Summary of uses in past three years: Coverage of losses	Other reasons
Share capital	**7,190**				
Treasury shares	**(1,979)**				
Capital reserves					
Share premium reserve	21,047	A – B – C	21,047	-	-
Revaluation reserve under Law 72/83	371	A – B – C	371	-	-
Revaluation reserve under Law 413/91	767	A – B – C	767	-	-
Merger surplus reserve	394	A – B – C	394	-	-
Reserves formed from earnings					
Legal reserve	1,438	B	-	-	-
Extraordinary reserve	27,088	A – B – C	27,088	-	-
Untaxed reserves	129	A – B – C	129	-	-
Reserve for unrealized exchange gains	14,874	A – B – C	14,874		
Net profit for the period	8,384	A – B – C	8,384	-	-
Total	**79,703**		**73,054**	**-**	**-**
Undistributable portion(*)			**(1,217)**	**-**	**-**
Distributable balance			**71,837**	**-**	**-**

A: for share capital increases
B: for covering losses
C: for distribution to shareholders

(*): This represents the undistributable portion due to: the part restricted for unamortized deferred costs under article 2426.5 of the Italian Civil Code (€843 thousand) and the estimated taxes on the distribution of the revaluation reserves and merger surplus reserve (€374 thousand).

Gains recognized directly in equity
La composizione e la movimentazione dei proventi ed oneri contabilizzati direttamente a patrimonio netto è la seguente:

€/000	FY 2008	FY 2007
Capital gains on sale of treasury shares	-	59
Taxes	-	(19)
Net profit on treasury shares	**-**	**40**

27. Trade and other payables

Details of these amounts are as follows:

€/000	31.12.2008	31.12.2007
Trade payables	30,684	19,212
Payables due to related parties (note 36)	11,038	9,100
Payables due to staff and social security institutions	2,740	2,791
Other payables	2,024	2,179
Total	**46,486**	**33,282**

Trade payables do not generate interest and are usually settled after 80 days. This balance includes the following amounts in foreign currency:
- USD 3,743,873;
- JPY 103,786,351;
- CHF 113,213;
- TWD 1,233,000.

"Trade payables" and "Payables due to related parties" are analyzed by geographical area below:

€/000	Italy	Europe	Rest of world	Total
Trade payables	22,041	2,120	6,523	**30,684**
Payables due to related parties	6,139	790	4,109	**11,038**

The book value reported in the balance sheet corresponds to fair value.

The "Other payables" heading includes €933 thousand relating to advanced payments received from a customer with regards to a new product development project in progress (note 23) and € 762 thousand for the directors' incentive bonus.

28. Financial liabilities

Financial liabilities at 31 December 2008 do not include any secured payables, except for finance leases which are secured by the lessor's right over the leased buildings.

Details of short-term loans and borrowings are as follows:

€/000	31.12.2008	31.12.2007
Overdrafts (note 25)	12,265	6,618
Bank loans	11,356	2,800
Finance leases	469	456
Financial accrued expenses and deferred income	189	173
Other loans	9	-
Guarantees received	-	720
Total current portion	**24,288**	**10,767**

Details of long-term loans and borrowings are as follows:

€/000	31.12.2008	31.12.2007
Bank loans	16,279	5,376
Finance leases	1,967	2,437
Financial accrued expenses and deferred income	896	896
Total non-current portion	**19,142**	**8,709**

Other loans, totalling €896 thousand, refer to the interest subscribed by Simest S.p.A. in the subsidiary Jiangmen Emak Outdoor Power Equipment Co. Ltd. This company is treated as a wholly-owned subsidiary by virtue of the undertaking to buy back the 49% interest held by Simest S.p.A. on 30 June 2013. The loan's face value does not differ significantly from its fair value.

The amount that Emak S.p.A. must repay Simest S.p.A. in 2013 will be the higher of Simest's share of equity reported in the latest approved financial statements of the Chinese company Jiangmen Emak Outdoor Power Equipment Co. Ltd. and the amount of share capital subscribed by Simest S.p.A..

This transaction does not present any other significant risks for Emak S.p.A..

Short-term loans and borrowings are repayable as follows:

€/000	Due within 6 months	Due between 6 and 12 months	Total
Bank loans	10,716	640	11,356
Finance leases	233	236	469
Guarantees received	9	-	9
Total	**10,958**	**876**	**11,834**

Long-term loans and borrowings are repayable as follows:

€/000	Due within 2 years	Due within 3 years	Due within 4 years	Due within 5 years	Tot.due within 5 years	Due beyond 5 years
Bank loans	979	150	5,075	75	6,279	10,000
Finance leases	483	497	512	475	1,967	-
Other loans	-	-	-	-	-	896
Total	**1,462**	**647**	**5,587**	**550**	**8,246**	**10,896**

The interest rates applied are as follows:

- bank loans: 1-3-6-month Euribor plus a variable spread from a minimum of 0.20% to a maximum of 1%;
- finance leases: 3-month Euribor plus a spread of 0.633% with quarterly indexation of the payments;
- SIMEST loan: in part at 6.75% per annum and in part at 3% per annum.

The following information is provided in relation to finance obtained in 2005 to purchase assets under lease:

€/000	31.12.2008	31.12.2007
Minimum future payments<1 year	531	531
Minimum future payments from 1 to 5 years	2,080	2,126
Minimum future payments beyond 5 years	-	479
Total minimum payments	2,611	3,136
Payables for future financial expenses	(175)	(243)
Present value	2,436	2,893
Interest rate	**5.7%**	**4.9%**

29. Tax assets and liabilities

Deferred tax assets are detailed below:

€/000	31.12.2007	Increas.	Decreas.	Increases from merger	31.12.2008
Provision for inventory obsolescence	217	-	(14)	91	294
Provision for doubtful accounts	30	-	(4)	12	38
Other deferred tax assets	423	99	-	21	543
Total (note 14)	**670**	**99**	**(18)**	**124**	**875**

A total of €131 thousand in deferred tax assets will reverse in the next 12 months.

Deferred tax liabilities are detailed below:

€/000	31.12.2007	Increas.	Decreas.	Increases from merger	31.12.2008
Capital gains on fixed asset disposals	210	167	(68)	-	309
Valuation of provision for employee termination indemnities under IAS 19	280	-	(108)	48	220
Buildings redeemed under finance lease IAS 17	1,447	95	-	-	1,542
Other deferred tax liabilities	700	61	(473)	-	288
Total (note 14)	**2,637**	**323**	**(649)**	**48**	**2,359**

A total of €242 thousand in deferred tax liabilities will reverse in the next 12 months.

The decrease in the “Other deferred tax liabilities” heading is mainly due to the recovery of tax through substitute tax in place of ordinary taxation and depreciation provisions deducted “off the accounts” in the tax return of previous financial periods. The tax concession was used further to the option provided for in paragraph 48, article 1 of Law 244/07.
Substitute tax for the year amounts to € 216 thousand.

No deferred taxes have been recognized for revaluation reserves, which are partly untaxed reserves. This is because it is unlikely that any operations will be undertaken that would give rise to their taxation. The total amount of such taxes is around €374 thousand at 31 December 2008.

Tax assets at 31 December 2008 amount to €1,309 thousand compared to €2,173 thousand in the previous financial period and refer to VAT credits, down payments of direct tax for the period and other minor tax credits.

Tax liabilities at 31 December 2008 amount to €987 thousand compared to €717 thousand in the previous financial period and refer to amounts payable for tax on “prize-awarding” operations and liabilities for tax deductions payable.

30. Long-term post-employment benefits

The liability refers to the time-discounted debt for termination indemnity due at the end of an employee’s working life, amounting to €4,587 thousand. The amount of termination indemnity calculated according to the nominal debt method in force at the closing date would be €5,389 thousand.
Movements in this liability are as follows:

€/000	2008	2007
Opening balance	4,147	5,322
Actuarial (gains)/ losses (note 10)	375	(189)
Actuarial (gains)/losses on opening termination indemnity fund (note 10-5)	-	(648)
Interest cost on obligations (note 13)	199	212
Increases from merger (note 5)	649	-
Disbursements	(783)	(550)
Closing balance	**4,587**	**4,147**

The principal economic and financial assumptions used are as follows:

	FY 2008	FY 2007
Annual inflation rate	2.0%	2.6%
Rising discount rate	3.5%	4.5%
Rate of dismissal (average overall rate)	**3%**	**3%**

Death rates have been estimated using the most recent Italian population statistics published by ISTAT.

Payments in 2009 are expected to be in line with 2008.

31. Provisions for liabilities and charges

Movements in this balance are analyzed below:

€/000	31.12.2007	Increas.	Increases from merger	Decreas.	31.12.2008
Provision for agents' termination indemnity	582	51	79	(74)	638
Total non-current portion	582	51	79	(74)	638
Provision for product warranties	114	81	-	(114)	81
Other provisions	60	21	-	(49)	32
Total current portion	**174**	**102**	**-**	**(163)**	**113**

The provision for agents' termination indemnity is calculated with reference to the agency contracts in existence at year end and refers to the indemnity that is likely to be paid to agents.

The provision for product warranties of €81 thousand refers to expected replacement or repair costs, calculated using estimates based on historical trends.

The heading "Other provisions", which amounts to €32 thousand, relates to the provision for non-insured risks set aside for excesses on civil liability claims.
The decrease in other provisions refers to utilisation of the "prizes" fund for €49 thousand.

32. Contingent liabilities

At the date of 31 December 2008 the company does not have any disputes that could give rise to future liabilities that have not already been reflected in the balance sheet.

33. Information on financial risks

The Company is exposed to a variety of financial risks associated with its business activities:
- credit risk, regarding both normal commercial relations and to financing activities;
- liquidity risk, with particular reference to the availability of financial resources and to access to the credit market;
- market risks, with particular reference to exchange and interest rates, since the Company operates at an international level in different currencies and uses financial instruments that generate interest.

As described in the section "Management of financial risk", The Company constantly monitors the financial risks to which it is exposed, so as to minimise potential negative effects on financial results.

Qualitative and quantitative information is given below regarding the nature of such risks for the Company.
The quantitative figures shown below have no value for forecasting purposes. Specifically, the sensitivity analysis on market risks are unable to reflect the complexity and associated reactions of the market as a result of each change hypothesised.

Credit risk
The maximum theoretical exposure to credit risk for the Company at 31 December 2008 is the accounting value of financial activities shown in the financial statements.

It should be pointed out that the credit granted to dealers and distributors involves specific assessments of solvency. Generally the Company obtains guarantees, both financial and otherwise, against credits granted for the supply of products. Certain categories of credits to foreign customers are also covered by insurance with SACE, starting from the 2007 financial period.

Credit positions are subject to constant analysis and possible individual devaluation in the case of singularly significant positions that are in a condition of partial or total insolvency.

The total devaluation is estimated on the basis of recoverable flows, from relative collection data, from the costs and expenses of future recovery, as well as possible guarantees in force. For those credits that are not subject to individual devaluation, bad debt provisions are allocated on an overall basis, taking account of historical experience and statistical data.

At 31 December 2008 there were no significant positions of insolvency subject to individual devaluation. Allocation to the bad debt provision was made on the basis of a constant analysis of outstanding amounts as a whole.
At December 2008 Trade receivables and Other receivables, equal to €65,111 thousand (€51,629 thousand at 31 December 2007), include €3,522 thousand (€2,404 thousand at 31 December 2007) outstanding by more than 3 months.

The maximum exposure to credit risk deriving from trade receivables at the end of the financial period, broken down by geographical area (using the Sace reclassification) is as follows:

€/000	**2008**	**2007**
Trade receivables due from customers with SACE 1 rating	28,373	27,957
Trade receivables due from customers with SACE 2 and 3 rating	20,428	10,079
Trade receivables due from customers with non-insurable SACE rating	312	147
Total (Note 23)	**49,113**	**38,183**

Countries with SACE 1 rating are those for which insurance covers 90% of the amounts receivable. Countries with SACE 2 rating are those for which insurance covers 85% of the amounts receivable, and those with SACE 3 rating, 80%. SACE provides no coverage for non-Insurable or suspended countries.

The value of amounts receivable covered by SACE insurance or by other guarantees at 31 December 2008 is € 23,254 thousand.

At 31 December 2008 the 10 most important customers (not including companies belonging to the Emak Group) account for 47.3% of total trade receivables, while the top customer represents 9.2% of the total.

Liquidity risk
Liquidity problems can occur as a result of the inability to obtain financial resources necessary for the Company's operations at acceptable conditions.
The two main factors determining the Company's liquidity situation are, on the one hand, the resources generated or absorbed in its operating and activities and by investment, and on the other hand, by the expiry or renewal of debt or by the liquidity of financial commitments and market conditions.
As described under the "Management of financial risk" heading, the Company reduces liquidity risk and optimises the management of financial resources through:

- maintaining a suitable level of liquid funds;
- obtaining appropriate lines of credit;
- monitoring future cash flows, taking account of the company's planning process.

The characteristics and nature of the expiry of debts and of the Company's financial activities are set out in Notes 25 and 28 relating respectively to Cash and Cash Equivalents and Financial Liabilities.
The management considers that currently unused funds and credit lines, amounting to € 62 million, as well as those which will be generated from operating and financial activities, will allow the Group to meet its requirements deriving from investment activities, the management of working capital and the repayment of debts at their natural maturity dates.

The Company is exposed to risks deriving from fluctuations in exchange rates, which may affect the economic result and value of equity.

Exchange risk
The Company is exposed to risks deriving from fluctuations in exchange rates, which may affect the economic result and value of equity.
Specifically:
- in cases in which the Company incurs costs expressed in different currencies from those of their respective revenues, the fluctuation of exchange rates may affect the operating result.
  In 2008, the overall amount of revenues directly exposed to exchange risk represented around 2% of the turnover (4% in 2007), while the amount of costs exposed to exchange risk is equal to 5% of turnover (6% in 2007).
  The main currency exchanges to which the Company is exposed are the following:

  – EUR/USD, relating to sales in dollars made mainly in the North American market and to purchases in the in other markets in which the dollar is the reference currency;
  – EUR/YEN, relating to purchases in the Japanese market and to sales in other markets;

There are no significant commercial flows with regards to other currencies.

The Company's policy is to cover net currency flows, typically through the use of forward contracts, evaluating the amounts and expiry dates according to market conditions and net future exposure, with the objective of minimising the impact of possible variations in future exchange rates.

Sensitivity analysis
The potential loss of fair value of the net balance of financial assets/liabilities subject to the risk of variation in exchange rates held by the Company at 31 December 2007, as a result of a hypothetical unfavourable and immediate variation of 10% in all relevant single exchange rates, would amount to around €252 thousand (€554 thousand at 31 December 2006).

Interest rate risk
The Company utilises external financial resources in the form of debt and invest liquid funds in monetary and financial market instruments. Variations in market interest rates influence the cost and return of the various forms of financing and utilisation, affecting the level of the Company's financial expenditure and income.

Since 2008 the Group has used derivative financial instruments to cover interest rate risk.

Sensitivity analysis
The possible effects of variations in interest rates are analysed for their potential impact in terms of cash flows, since almost all the Company's financial assets and liabilities accrue variable interest.

A hypothetical, instantaneous and unfavourable negative variation of one base point in annual interest rates in force at 31 December 2008 applicable to financial liabilities at a variable interest rate would result in a greater net cost, on an annual basis, of around €376 thousand (€186 thousand at 31 December 2007). For the purpose of the calculation account has been taken of the amounts of financial liabilities net of IRS operations for hedging purposes.

This analysis is based on the assumption of a general and instantaneous variation of one base point on reference interest rates.

Other risks on derivative financial instruments
The company does not hold derivative financial instruments at 31 December 2008, the value of which is linked to the trend in exchange rates (forward currency purchase operations).

34. Commitments

Fixed asset purchases

The company has €2,575 thousand in unrecorded commitments to purchase fixed assets at 31 December 2008 (€640 thousand at 31 December 2007). These commitments relate entirely to the completion of buildings under construction, and the purchase of equipment, plant and machinery.

Guarantees granted
to third parties:
They amount to € 934 thousand and are made up as follows:
- 54 thousand for sureties in favour of the Ministry of Production for promotional prize contests;
- 350 thousand for surety policy in favour of the Naples Customs Office for guaranteeing customs duties;
- 202 thousand for surety policy in favour of the La Spezia Customs Office for guaranteeing customs duties:
- 10 thousand for surety policy in favour of the Reggio Emilia Customs Office for guaranteeing customs duties;
- 273 thousand for sureties in favour of the Municipality Bagnolo in Piano to cover the correct execution of primary urban development work in accordance with the town-planning agreement relating to the "Via Fermi" Detailed Plan;
- 45 thousand as rent deposit for a property in favour of Immobiliare Cavazzoli Sas.

letters of patronage to subsidiary companies:
These amount to €25,059 thousand as follows:
- 3,500 thousand for credit lines given to the subsidiary Comag S.r.l.;
- 2,350 thousand for credit lines given to the subsidiary Emak Deutschland Gmbh;
- 4,600 thousand for credit lines given to the subsidiary Emak France SAS;
- 3,798 thousand for credit lines given to the subsidiary Emak UK Ltd;
- 8,178 thousand for credit lines given to the subsidiary Jiangmen Emak Outdoor Power Equipment Co.Ltd
- 2,633 thousand for credit lines granted to the subsidiary Tailong (Zhuhai) Machinery Manufacturing Equipment Ltd.

35. Ordinary shares, treasury shares and dividends

Share capital is fully paid up at 31 December 2008 and amounts to €7,190 thousand. It consists of 27,653,500 ordinary shares of par value €0.26 each.

	31.12.2008	31.12.2007
Number of ordinary shares	27,653,500	27,653,500
Treasury shares	(382,163)	(277,413)
Total outstanding shares	**27,271,337**	**27,376,087**

The dividends for 2007 approved by the shareholders on 28 April 2008, totalling €6,008 thousand, were paid during 2008.

In accordance with the related authorization by shareholders, Emak S.p.A. has purchased treasury shares on the market for the purpose of improving the stock's liquidity.

At 31.12.2007 the company held in portfolio 277,413 treasury shares for a value of € 1,516 thousand.
104,750 treasury shares have been acquired during 2008 for a value of € 463 thousand.

As a result, at 31.12.2008 the company held 382,163 treasury shares in portfolio for a value of € 1,979 thousand.

In January and February 2009 Emak S.p.A. acquired 1,800 treasury shares for a value of € 7 thousand. The stock of treasury shares in portfolio at 28 February 2009 is 383,963 with an overall value of € 1,986 thousand.

36. Related party transactions

The effects on the balance sheet and income statement at 31 December 2007 of transactions by Emak S.p.A. with subsidiaries, affiliated companies and any related parties are shown below.

A number of the companies belonging to the Yama Group supply Emak S.p.A. with parts and materials, exploiting synergies associated with technological research. These are mostly strategically important parts, for which the purchasing policy is based on factors of quality and cost.

Emak S.p.A. supplies finished products mainly to its subsidiaries and to a number of the trading companies within the Yama Group, enabling them to complete their product range.
All intercompany transactions, whether of a commercial or financial nature, are conducted on an arm's length basis.
No transactions were conducted with related parties of an atypical or unusual nature.

The main transactions with subsidiary and affiliated companies during the year ended 31 December 2008 and the receivable and payable balances at that date are reported below:

Receivables for loans and interest:

Companies controlled by Emak S.p.A. **€/000**	**Interest**	**Loans given**
Emak Benelux N.V.	37	570
Emak Deutschland GmbH	30	504
Emak UK Ltd	20	316
Emak France SAS	158	2,645
Victus Emak Sp. z.o.o.	198	1,926
Jiangmen Emak Outdoor Power Equipment Co. Ltd.	14	338
Emak USA Inc.	7	162
Tailong (Zhuhai) Machinery Manufacturing Equipment Ltd.	12	575
Total (note 22 and note 13)	**476**	**7,036**

Companies controlled by Emak S.p.A. €/000	Net sales	Dividends	Total	Receivables
Emak Suministros Espana SA	4,848	398	5,246	1,755
Comag S.r.l.	757	-	757	877
Emak Benelux N.V.	1,443	-	1,443	311
Emak Deutschland Gmbh	3,482	-	3,482	3,427
Emak UK Ltd	2,908	-	2,908	807
Emak France SAS	10,750	-	10,750	2,768
Jiangmen Emak Outdoor Power Equipment Co. Ltd.	2,326	-	2,326	711
Victus Emak Sp. z.o.o.	10,606	-	10,606	1,130
Emak USA Inc.	2,095	-	2,095	2,695
Tailong (Zhuhai) Machinery Manufacturing Equipment Ltd.	145	-	145	77
Total	**39,360**	**398**	**39,758**	**14,558**
Total A	**39,360**	**398**	**39,758**	**14,558**

Companies controlled by Yama S.p.A. €/000	Net sales	Rental income	Total revenues	Receivables
Agro D.o.o.	62	-	62	32
Cofima S.r.l.	1	-	1	-
Comet S.p.A.	151	28	179	75
Euro Reflex D.o.o.	3	7	10	8
Garmec S.p.A.	423	-	423	24
Mac Sardegna S.r.l.	772	5	777	585
Sabart S.p.A.	222	3	225	68
Selettra S.r.l.	-	2	2	1
Tecomec S.p.A.	12	145	157	2
Unigreen S.p.A.	37	3	40	10
Total	**1,683**	**193**	**1,876**	**805**
Total B	**1,683**	**193**	**1,876**	**805**

Total A+B (nota 23)	**41,043**	**591**	**41,634**	**15,363**

Purchase of goods and services and payables:

Companies controlled by Emak S.p.A. €/000	Purchase of raw materials and finished products	Other costs	Total costs	Payables
Emak Suministros Espana SA	1	173	174	37
Comag S.r.l.	17,070	82	17,152	3,556
Emak Benelux N.V.	1	101	102	55
Emak Deutschland Gmbh	22	406	428	250
Emak UK Ltd	-	144	144	73
Emak France SAS	74	362	436	78
Emak USA	3	162	165	43
Jiangmen Emak Outdoor Power Equipment Co. Ltd.	37,981	-	37,981	3,999
Victus Emak Sp. z.o.o.	-	390	390	83
Tailong (Zhuhai) Machinery Manufacturing Equipment Ltd.	144	-	144	67
Total	**55,296**	**1,820**	**57,116**	**8,241**
Total A	**55,296**	**1,820**	**57,116**	**8,241**

Companies controlled by Emak S.p.A. €/000	Purchase of raw materials and finished products	Other costs	Total costs	Payables
Agro D.o.o.	-	2	2	-
Cofima S.r.l	626	20	646	422
Comet S.p.A.	770	-	770	143
Euro Reflex D.o.o.	507	-	507	158
Garmec S.p.A.	3	1	4	-
Mac Sardegna S.r.l.	-	6	6	5
Sabart S.p.A.	77	-	77	20
Selettra S.r.l.	1,630	-	1,630	600
Speed France S.r.l.	488	-	488	57
Tecnol S.p.A.	2,354	2	2,356	1,054
Tecomec S.p.A.	853	-	853	246
Unigreen S.p.A.	96	-	96	29
Yama Immobiliare S.r.l.	-	283	283	-
Total	**7,404**	**314**	**7,718**	**2,734**
Total B	**7,404**	**314**	**7,718**	**2,734**
Total A+B (note 27)	**62,700**	**2,134**	**64,834**	**10,975**

Ultimate parent company €/000	Other costs	Total	Payables
Yama S.p.A.	126	126	63
Total (note 27)	**126**	**126**	**63**

The emoluments accruing to directors and statutory auditors during 2006 were as follows:

€/000	FY 2008	FY 2007
Emoluments of directors and statutory auditors	778	475
Benefits in kind	10	6
Wages and salaries	625	639
Employee termination indemnities	50	47
Consulting fees	55	34
Total	**1,518**	**1,201**

No dealings of a significant amount took place with other related parties.

37. Subsequent events

There are no significant subsequent events

Supplementary schedules

The following schedules, forming an integral part of the explanatory notes to the financial statements, are provided as appendices:

1. CHANGES IN EQUITY INVESTMENTS IN SUBSIDIARY COMPANIES
2. DETAILS OF EQUITY INVESTMENTS IN SUBSIDIARY COMPANIES
3. FINANCIAL HIGHLIGHTS OF THE ULTIMATE PARENT COMPANY
4. SCHEDULE OF FEES FOR AUDIT SERVICES AND OTHER SERVICES

Appendix 1

Changes in equity investments

	31.12.2007				Changes	31.12.2008			
	Number of Shares	Values in the financial statements (€/000)	% total share holding	direct share holding	Subscriptions & acquisitions	Number of Shares	Values in the financial statements (€/000)	% total share holding	direct share holding
Italia Comag S.r.l.	1 portion	6,235	99.44	99.44	2,173	1 portion	8,408	99.44	99.44
Spagna Emak SuministroS Espana SA	405	572	90	90	-	405	572	90	90
Germania Emak Deutschland Gmbh	10,820	525	100	100	-	10,820	525	100	100
Gran Bretagna Emak UK Ltd	17,350	691	100	100	-	17,350	691	100	100
Belgio Emak Benelux N.V.	499	127	99.99	99.8	-	499	127	99.99	99.8
Francia Emak France SAS	2,000,000	2,049	100	100	-	2,000,000	2,049	100	100
Cina Jiangmen Emak Outdoor Power Equipment	-	1,735	100	100	-	-	1,735	100	100
Co. Ltd. Tailong (Zhuhai) Machinery Manufacturing Equipment Ltd.	-	-	-	-	2,550	-	2,550	100	100
Polonia Victus Emak Sp. z.o.o.	32,800	3,605	100	100	-	32,800	3,605	100	100
USA Emak USA Inc.	10	41	100	100	633	10	674	100	100
Totale società controllate		**15,580**			**5,356**		**20,936**		

Appendix 2

Details of equity investments

€/000	Registered Office	Value in the financial statements	% Share	Share Capital	Equity		Profit/ (loss) in the year
					Total	Attributable to Emak S.p.A.	
Comag S.r.l.	Pozzilli (Is)	8,408	99.44	1,850	12,392	12,323	(102)
Emak Suministros Espana SA	Madrid	572	90	270	4,587	4,128	440
Emak Deutschland Gmbh	Fellbach-Oeffingen	525	100	553	485	485	(149)
Emak UK Ltd	Staffords	691	100	26	590	590	(110)
Emak Benelux N.V.	Meer-Hoogstraten	127	99.8	130	75	75	(19)
Emak France SAS	Rixheim	2,049	100	2,000	5,068	5,068	434
Jiangmen Emak Outdoor Power Equipment Co. Ltd.	Jiangmen	1,735	100	1,735	9,126	9,126	3,732
Tailong (Zhuhai) Machinery Manufacturing Equipment Ltd.	Zhuhai	2,550	100	1,513	3,287	3,287	439
Victus Emak Sp. z.o.o.	Poznan	3,605	100	2,672	7,983	7,983	2,765
Emak USA Inc.	Wooster- Ohio	674	100	41	336	336	11
Total investments in subsidiaries		**20,936**					

Appendix 3

Highlights from the latest financial statements of the ultimate parent company Yama S.p.A.

€/000

BALANCE SHEET	31.12.2007	31.12.2006
Assets		
A) Amounts receivable from shareholders for outstanding payments	-	-
B) Fixed assets	46,630	47,983
C) Current assets	9,179	5,199
D) Prepayments and accrued income	11	46
Total assets	**55,820**	**53,228**
Liabilities		
A) Equity:		
Share capital	16,858	16,858
Reserves	9,284	13,574
Profit in the financial period	598	(1,412)
B) Provisions	-	-
C) Post-employment benefits	18	15
D) Amounts payable	29,033	24,191
E) Accruals and deferred income	29	2
Total liabilities	**55,820**	**53,228**
Guarantees, commitments and other risks	**24,014**	**22,466**

INCOME STATEMENT	31.12.2007	31.12.2006
A) Sales	356	416
B) Production costs	(1,880)	(1,154)
C) Financial income and expenditure	7,243	4,045
D) Adjustments to the value of financial assets	(5,886)	(5,219)
E) Extraordinary income and expenditure	-	-
Result before tax	**(167)**	**(1,912)**
Tax for the period	765	500
Profit for the period	**598**	**(1,412)**

Appendix 4

Schedule of fees relating to the 2007 financial period for audit services and other services, subdivided by type.

Type of service	Entity providing the service	Beneficiary of the service	Fees (€/000)
Auditing Company	Fidital Revisione Srl	Emak S.p.A.	84
Auditing Company	Fidital Revisione Srl	Comag S.r.l.	15
Auditing Company	Fidital Revisione Srl	Bertolini S.p.A.	8
Certification services	--	--	--
Tax consultancy services	--	--	--
Other services	Fidital Revisione Srl	Emak S.p.A.	7
Total			**114**

The above information is provided in accordance with art. 160, paragraph 1-bis of Legislative Decree 24 February 1998, no. 58 and with article 149-duodecies of the CONSOB Regulations contained in Consob resolution no. 19971 of 14 May 1999 and subsequent modifications.

Declaration relating to the individual financial statements and consolidated financial statements in accordance with art. 154 bis of Legislative Decree 58/98.

1. We, the undersigned, Giacomo Ferretti, Fausto Bellamico and Aimone Burani, the latter also in his position as Financial Reporting Officer of the company, Emak S.p.A. affirm, taking account of the provisions of art. 154-*bis*, paragraphs 3 and 4, of legislative decree 24 February 1998, n. 58:

- the suitability, with reference to the nature of the company, and
- the effective application

of administrative and accounting procedures for the preparation of the individual financial statements and the consolidated financial statements for the financial period ending 31 December 2008

2. No significant elements have emerged with reference to point 1 above.

3. It is hereby declared, moreover, that:

3.1 the financial statements and consolidated financial statements:

a) have been prepared in compliance with applicable international accounting standards (IFRS) adopted by the European Union in accordance with EC regulation no. 1606/2002 of the European Parliament and Council, of 19 July 2002, as well as with the provisions adopted in implementation of art. 9 of Legislative Decree no. 38/2005;;

b) correspond to the accounting registers and records

c) to the best of our knowledge, represent a true and fair view of the assets, liabilities, economic and financial situation of the issuer and of the enterprises included in the consolidation.

3.2 the directors' report contains a reliable analysis of performance and operating results, as well as of the assets, liabilities, economic and financial situation of the issuer and of the enterprises included in the consolidation, together with a description of the principle risks and uncertainties to which they are exposed.

Date: 16 March 2009

The Financial Reporting Officer:

Aimone Burani

Delegated officers of the administrative bodies:

Giacomo Ferretti

Fausto Bellamico

fidital

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(This translation from the Italian original version has been made for the convenience of the reader)

REPORT OF THE AUDITORS IN ACCORDANCE WITH ARTICLE 156 OF LEGISLATIVE DECREE N. 58 OF FEBRUARY 24, 1998

To the shareholders of
EMAK SpA

1 We have audited the consolidated financial statements of Emak Group as at and for the year ended December 31, 2008, comprising the balance sheet, income statement, statement of changes in equity, cash flow statement and notes thereto. Emak's Spa directors are responsible for the preparation of these financial statements in compliance with International Financial Reporting Standards as adopted by European Union, as well as with the regulation issued to implement article 9 of the legislative decree n. 38/ 2005. Our responsibility is to express an opinion on these financial statements based on our audit.

2 We conducted our audit in accordance with the auditing standards recommended by Consob, the Italian Commission for Listed Companies and the Stock Exchange. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement and are, as a whole, reliable. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by directors. We believe that our audit provides a reasonable basis for our opinion.

For the opinion on the consolidated financial statements of the prior year, which are presented for comparative purposes as required by law, reference should be made to our report issued on April 7, 2008.

3 In our opinion, the consolidated financial statements of Emak Group as at and for the year ended December 31, 2008 comply with the International Financial Reporting Standard endorsed by the European Union, as well as the Italian regulations implementing article 9 of the legislative decree n. 38/ 2005. Therefore, they are clearly stated and give a true and fair view of the financial position of Emak Group as at December 31, 2008, the results of its operations, changes in its equity and its cash flows for the year then ended.

4 The directors of Emak Spa are responsible for the preparation of the report on operations in accordance with the applicable laws and regulations. Our responsibility is to epress an opinion on the consistency of the report on operations with the financial statements, as required by art. 156, paragrafh 4-bis, letter d), of the legislative decree n. 58/ 98. For this pourpose, we have performed the procedures required under auditing standard n. PR 001 issued by the Italian accounting profession (CNDCEC) and recommended by Consob. In our opinion the report on operations is consistent with the consolidated financial statements of Emak as at and for the year ended December 31, 2008.

Bologna, March 31, 2009

Fidital Revisione e Organizzazione Contabile Srl
(Signed on the original)
Diego Bassi
(Partner)

Sede Legale: 40125 Bologna - Via Calzolerie, 2
Ufficio Amministrativo: 20124 Milano - Via Vittor Pisani, 19

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Emak S.p.A. Member of the Yama Group

Registered Office

42011 Bagnolo in Piano (RE), Via E. Fermi 4, Italy
Share Capital: 7,189,910
Reggio Emilia Companies Register no., Fiscal Code and VAT no. 00130010358

These financial statements were approved by the Board of Directors on 16 March 2009.

This report is available on the Internet at the address www.emak.it