

Quarterly Report at 31.03.2009

Emak Group Financial Highlights

Income statement (€/000)

Year 2008		1Q 2009	1Q 2008
243,449	Net sales	58,849	71,373
31,657	EBITDA (1)	8,659	10,786
24,913	EBIT	6,826	9,277
14,866	Net profit	3,902	6,073

Investment and free cash flow (€/000)

Year 2008		1Q 2009	1Q 2008
14,201	Investment in property, plant and equipment	2,550	2,030
958	Investment in intangible assets	89	96
21,610	Free cash flow from operations (2)	5,735	7,582

Balance sheet (€/000)

31.12.2008		31.03.09	31.03.08
161,213	Net capital employed	188,178	156,702
(61,806)	Net debt	(84,955)	(59,553)
99,407	Total equity	103,223	97,149

Other statistics

Year 2008		1Q 2009	1Q 2008
13.0%	EBITDA / Net revenues (%)	14.7%	15.1%
10.2%	EBIT / Net revenues (%)	11.6%	13.0%
6.1%	Net profit / Net revenues (%)	6.6%	8.5%
15.5%	EBIT/ Net capital employed (%)	3.6%	5.9%
0.62	Debt / Equity	0.82	0.61
1,049	Number of employees at period end	983	959

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

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

Consolidated Income Statement

FY 2008	€/000	1Q 2009	1Q 2008
243.449	Sales	58.849	71.373
2.391	Other operating income	548	472
13.169	Change in inventories	(3.339)	6.975
(151.434)	Raw and consumable materials and goods	(30.096)	(48.400)
(34.001)	Salaries and employee benefits	(8.105)	(8.820)
(41.917)	Other operating costs	(9.198)	(10.814)
(6.744)	Amortization, depreciation and impairment losses	(1.833)	(1.509)
24.913	Ebit	6.826	9.277
588	Financial income	188	52
(3.941)	Financial expenses	(992)	(1.120)
(655)	Exchange gains and losses	(568)	196
20.905	EBT	5.454	8.405
(6.039)	Income taxes	(1.552)	(2.332)
14.866	Net profit	3.902	6.073
(44)	(Profit)/loss attributable to minority interests	(17)	(16)
14.822	Net profit attributable to the group	3.885	6.057
0,543	Basic earnings pe share	0,142	0,221
0,543	Diluted earnings per share	0,142	0,221

Consolidated Balance Sheet

ASSETS

31.12.2008	€/000	31.03.2009	31.03.2008
Non-current assets			
50.991	Property, plant and equipment	52.603	40.615
3.318	Intangible assets	3.235	2.740
10.101	Goodwill	9.583	8.974
136	Investment property	127	165
224	Equity investments	224	224
3.320	Deferred tax assets	3.595	3.471
852	Other receivables	851	853
68.942	Total	70.218	57.042
Current assets			
89.258	Inventories	86.379	82.148
72.897	Trade and other receivables	97.037	102.645
3.440	Current tax assets	797	1.440
24	Other financial assets	4	1
317	Derivative financial instruments	379	7
0	Marketable securities at fair value	0	5
4.306	Cash and cash equivalents	4.181	4.476
170.242	Total	188.777	190.722
239.184	TOTAL ASSETS	258.995	247.764

EQUITY AND LIABILITIES

31.12.2008	€/000	31.03.2009	31.03.2008
Capital and reserves			
7.190	Share capital	7.190	7.190
21.047	Share premium	21.047	21.047
(1.979)	Treasury shares	(2.013)	(1.812)
30.054	Other reserves	29.991	30.316
42.569	Retained earnings	46.465	39.877
98.881	Total Group	102.680	96.618
526	Minority interests	543	531
99.407	Total equity	103.223	97.149
Non-current liabilities			
26.728	Loans and borrowings	36.572	16.337
3.044	Deferred tax liabilities	2.845	3.303
5.017	Post-employment benefits	5.031	5.172
638	Provisions	655	654
2.228	Other non-current liabilities	2.021	2.875
37.655	Total	47.124	28.341
Current liabilities			
59.902	Trade and other payables	51.904	70.877
2.167	Current tax liabilities	3.475	3.268
39.586	Loans and borrowings	52.672	47.377
139	Derivative financial instruments	275	328
328	Provisions	322	424
102.122	Total	108.648	122.274
239.184	TOTAL EQUITY AND LIABILITIES	258.995	247.764

Consolidated net debt

(€/000)	31.03.2009	31.12.2008	31.03.2008	31.12.2007
Cash and banks	4.181	4.306	4.476	6.036
Securities and derivative financial instruments	379	317	12	5
Other financial assets	4	24	1	90
Financial liabilities	(52.672)	(39.586)	(47.377)	(23.840)
Derivative financial instruments	(275)	(139)	(328)	(189)
Short-term net debt	(48.383)	(35.078)	(43.216)	(17.898)
Financial liabilities	(36.572)	(26.728)	(16.337)	(13.144)
Long-term net debt	(36.572)	(26.728)	(16.337)	(13.144)
Cash and banks	4.181	4.306	4.476	6.036
Securities and derivative financial instruments	379	317	12	5
Other financial assets	4	24	1	90
Financial liabilities	(89.244)	(66.314)	(63.714)	(36.984)
Derivative financial instruments	(275)	(139)	(328)	(189)
Total net debt	(84.955)	(61.806)	(59.553)	(31.042)

Changes in consolidated equity

The following table reports changes in consolidated equity between 31st December 2007 and 31st March 2009.

€/000	Share capital	Share premium	Treasury shares	OTHER RESERVES				RETAINED EARNINGS		TOTAL GROUP	EQUITY ATTRIBUTABLE TO MINORITY INTERESTS	TOTAL
				Legal reserve	Revaluation reserve	Cumulative translation adjustment	Other reserves	Retained earnings	Net profit of the period			
Balance at 31.12.2007	7,190	21,047	(1,516)	1,438	1,138	210	27,611	18,625	15,181	90,924	515	91,439
Change in translation reserve						(343)				(343)		(343)
Change in treasury shares			(463)							(463)		(463)
Payment of dividends								9,173	(15,181)	(6,008)	(44)	(6,052)
Other changes								(51)		(51)	11	(40)
Net profit for 2008									14,822	14,822	44	14,866
Balance at 31.12.2008	7,190	21,047	(1,979)	1,438	1,138	(133)	27,611	27,747	14,822	98,881	526	99,407
Change in translation reserve						(63)				(63)		(63)
Change in treasury shares			(34)							(34)		(34)
Profit reclassification								14,822	(14,822)	0		0
Other changes								11		11		11
Net profit									3,885	3,885	17	3,902
Balance at 31.03.2009	7,190	21,047	(2,013)	1,438	1,138	(196)	27,611	42,580	3,885	102,680	543	103,223

Comments on the financial statements

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

The accounting standards and policies adopted by the group for preparing the quarterly consolidated financial statements are the same as those used for the consolidated financial statements at 31 December 2008.

It should be noted that:

- when it has not been possible to obtain invoices from suppliers for the provision of consulting and other services, a reasonable estimate of these costs has been made on the basis of the stage of completion of the work;
- current and deferred taxes have been calculated using the tax rates applied in the current year in the individual countries of operation;
- the quarterly report is not subject to audit;
- all amounts are expressed in thousands of euros, unless otherwise specified.

Scope of consolidation

During the first quarter 2009 there has been no variation in the scope of consolidation. Tailong (Zhuhai) Machinery Manufacturing Equipment Ltd., however, has been introduced into the scope of consolidation after 31.03.2008. The details of the operation are described in the notes to the financial statements for the year ending 31.12.2008.

Significant, non-recurring transactions or atypical, unusual transactions

During the first quarter 2009 there have been no significant, non-recurring transactions or atypical, unusual transaction.

Treasury shares

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

During the first quarter 2009 Emak S.p.A. purchased 10,420 treasury shares. As a result, at 31.03.2009 the company holds in portfolio 392,583 treasury shares, worth € 2,013 thousand.

During the month of April 2009 Emak S.p.A. purchased 1,600 treasury shares worth € 5 thousand. As a result, at 30 April 2009 the Company holds in portfolio 394,183 treasury shares worth € 2,018 thousand.

DIRECTORS' REPORT

The current financial crisis, followed by a sharp loss of confidence on the part of consumers, has now spread to all sectors of the economy. There was already a significant global GDP decrease of 7.5% in the fourth quarter of 2008, with effects felt throughout the first quarter of 2009. The situation of intense financial uncertainty, and the consequent weakening of the markets, is also having a negative impact on the sectors in which the company operates. Comparisons between this year's results and those of the previous year have to be interpreted therefore in the light of the unusual macro economic scenario.

Income Statement

1. Sales

1Q consolidated sales amounted to € 58,849 thousand compared to € 71,373 thousand in the same period of 2008, a decrease of 17.5% (-18.2% under the same scope of consolidation).

The following table shows the breakdown by segment of the sales in the first quarter 2009 and in the same period of the previous year.

€/000	31.03.2009	%	31.03.2008	%	% Change
Agriculture & Forestry	15,687	26.7%	19,401	27.2%	-19.1%
Construction & Industry	1,242	2.1%	2,179	3.1%	-43.0%
Lawn & Garden	34,382	58.4%	42,266	59.2%	-18.7%
Spare parts & Accessories	7,538	12.8%	7,527	10.5%	0.1%
Total	58,849	100%	71,373	100%	-17.5%

The economic crisis gave rise to a decrease in sales in all machine segments.

The reduction in sales of chain saw families resulted in a decrease in the *Agriculture&Forestry* segment.

The strong crisis hitting the building industry had greater repercussions on sales in the *Construction&Industry* segment.

Lawn&Garden products suffered from the decrease in pre-seasonal sales that usually characterises the first quarter of the year.

The geographical breakdown of sales is shown in the following table for both 1Q 2009 and 1Q 2008:

€/000	31.03.2009	%	31.03.2008	%	% Change
Italy	13,555	23.0%	15,600	21.9%	-13.1%
Europe	38,604	65.6%	48,375	67.8%	-20.2%
Rest of world	6,690	11.4%	7,398	10.4%	-9.6%
Total	58,849	100%	71,373	100%	-17.5%

The decline in sales was most evident in the markets that suffered most from the economic and financial crisis, especially Eastern Europe countries.

Consumption suffered less from the particularly unfavourable trend in the world economy in mature markets, such as Italy and Western Europe.

2. EBITDA

EBITDA for 1Q 2009 amounts to € 8,659 thousand compared with € 10,786 thousand in the corresponding quarter of last year, a decrease of 19.7% (-21.8% under the same scope of consolidation).

The figure for the period has been boosted by

- an increase in sales prices;
- the reduction in operating and staff costs, due to the reorganisation and improvement of company processes.

The following factors had a negative effect on the figure:

- lower sales volumes;
- product mix.

Ebitda as a percentage of revenues has decreased from 15.1% at 31 March 2008, to 14.7% at 31 March 2009 (14.4% under the same scope of consolidation).

The group's average number of employees, excluding temporary workers (utilised to a lesser degree in the current period), rose from 933 in the first quarter 2008 to 981 in the first quarter 2009 (876 under the same scope of consolidation).

3. EBIT

EBIT in 1Q 2009 amounted to € 6,826 thousand, against € 9,277 thousand in 1Q 2008, a decrease of 26.4% (-27.3% under the same scope of consolidation).

Devaluations and amortization and depreciation provisions rose from € 1,509 thousand in 1Q 2008 to € 1,833 thousand in 1Q 2009, bringing EBIT as a percentage of sales from 13% to 11.6% (with no change under the same scope of consolidation).

Non-annualized Ebit as a percentage of net invested capital has fallen from 5.9% at 31 March 2008, to 3.6% at 31 March 2009 (3.7% under the same scope of consolidation).

4. Net Profit

Net profit in 1Q 2009 amounts to € 3,902 thousand compared to € 6,073 for 1Q 2008, a decrease of 35.7%.

The financial result has improved thanks to the fall in interest rates and despite the increase in the net passive financial position and the unfavourable trend in currencies.

The first quarter 2009 tax rate was 28.5% compared to 27.7% in the same period of last year, mainly due to differences in tax rules applied in the various countries where the Group operates.

Balance sheet and financial position

1. Net non-current assets

During 1Q 2009 Emak Group invested €2,639 thousand in property, plant and equipment and intangible assets, as follows:

- € 405 thousand for product innovation;
- € 258 thousand for adjustment of production capacity and for process innovation;
- € 125 thousand for upgrading the computer network;

- € 1,851 thousand for the construction of new industrial buildings.

Investments broken down by geographical area are as follows:

- € 1,639 thousand in Italy;
- € 50 thousand in Europe;
- € 950 thousand in the Rest of the World.

2. Net working capital

Net working capital was € 25,313 thousand higher than at the end of December 2008, up from € 103,199 thousand to € 128,512 thousand, reflecting the following changes:

€/000	1Q 2009	1Q 2008
Net working capital at 01 January	103,199	81,071
increase/(decrease) in inventories	(2,880)	15,715
increase in trade receivables	24,388	38,757
increase in trade payables	7,087	(21,048)
other changes	(3,282)	(2,830)
Net working capital at 31 March	128,512	111,665

During the quarter there was a fall in the value of inventories and in trade creditors associated with the slowdown in production. The increase in debtors, on the other hand, is attributable to the seasonality of sales and to the extension of payment periods.

3. Equity

Total equity amounts to € 103,223 thousand compared with € 99,407 thousand at 31st December 2008. Earnings per share for the first quarter 2009 are € 0.142, down from € 0.221 for the same period of last year.

4. Net financial position

Net debt increased from € 61,806 thousand at 31 December 2008 to € 84,955 thousand at 31 March 2009. The increase is mainly attributable to the increase in trade debtors as explained in the comments on net working capital. Free cash flow from operations was € 5,735 thousand after tax, compared with € 7,582 thousand in the same period of last year.

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

Short-term financial payables mainly consist of:

- overdrafts;
- loan repayments falling due by 31 March 2010;
- amounts due to other providers of finance falling due by 31 March 2010.

Business outlook

All macro economic indicators confirm the protraction of the global economic crisis throughout 2009; even if a number of weak signals of recovery are confirmed in the coming months, we only expect there to be a resulting effect on demand from next year.

The steps that the Group has taken to reduce organization costs and reorganize its processes are achieving expected results, keeping production aligned with demand and in line with the goal of reducing inventories.

The season looks positive for our sector from a meteorological point of view, though with a little delay in some areas; the stock in the supply chain is expected to be in line with normal levels. In these conditions the weakness of demand is exclusively attributable to the economic crisis; the launch of new products with innovative contents should mitigate the effect of the generalized decline in demand.

Considering the general economic scenario and the uncertainty regarding its evolution, the Group confirms its previous outlook for 2009 that forecast a sales decrease of between 10% and 15% compared to 2008.

Bagnolo in Piano (RE), 15th May 2009

On behalf of the Board of Directors

Chairman

Giacomo Ferretti

STATEMENT

Subject: Quarterly report at 31st March 2009.

I, the undersigned, Aimone Burani, the executive in charge of preparing the accounting statements of EMAK S.p.A. hereby

CERTIFY,

in accordance with the second paragraph of Art. 154-bis, of Italian Legislative Decree No. 58 of 24 February 1998

that, to the best of my knowledge, the Quarterly Report at 31st March 2009, examined and approved today by the Board of Directors of the company, corresponds with the accounting documents, ledgers and records,

Yours faithfully,

Bagnolo in Piano (RE), 15th May 2009

Aimone Burani
executive in charge
of preparing the accounting statements