

Quarterly Report at 30.09.2008

Emak Group Financial Highlights

Income statement (€000)

Y 2007		3Q 2008	3Q 2007	9 months 2008	9 months 2007
217,834	Net sales	47,679	41,913	198,786	172,102
29,992	EBITDA (1)	4,814	4,568	28,963	26,310
24,472	EBIT	3,136	3,207	24,184	22,215
15,246	Net profit	1,268	1,878	16,011	14,313

Investment and free cash flow (€000)

Y 2007		3Q 2008	3Q 2007	9 months 2008	9 months 2007
7,927	Investment in property, plant and equipment	3,734	1,822	8,751	6,031
679	Investment in intangible assets	315	135	685	462
20,766	Free cash flow from operations (2)	2,946	3,239	20,790	18,408

Balance sheet (€000)

31.12.2007		30.09.2008	30.09.2007
122,481	Net capital employed	141,037	113,773
(31,042)	Net debt	(38,963)	(22,591)
75,359	Total equity	102,074	91,182

Other statistics

Y 2007		3Q 2008	3Q 2007	9 months 2008	9 months 2007
13.8%	EBITDA / Net sales (%)	10.1%	10.9%	14.6%	15.3%
11.2%	EBIT/ Net sales (%)	6.6%	7.7%	12.2%	12.9%
7.0%	Net profit / Net sales (%)	2.7%	4.5%	8.1%	8.3%
20.0%	EBIT / Net capital employed (%)			17.1%	19.5%
0.41	Debt / Equity			0.38	0.25
844	Number of employees at period end			1,005	849 (3)

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

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

(3) The figure at 31.03.2007 was 917, as the list included 68 temporary workers employed

Consolidated Income Statement

Y 2007	€000	3Q 2008	3Q 2007	9 months 2008	9 months 2007
217,834	Sales	47,679	41,913	198,786	172,102
2,104	Other operating incomes	279	273	1,207	1,631
(1,474)	Change in inventories	(739)	(1,534)	(1,605)	(5,927)
(126,500)	Raw and consumable materials and goods	(26,635)	(22,217)	(113,230)	(94,899)
(27,671)	Salaries and employee benefits	(7,563)	(6,604)	(25,657)	(20,719)
(34,301)	Other operating costs	(8,207)	(7,263)	(30,538)	(25,878)
(5,520)	Amortization, depreciation and impairment losses	(1,678)	(1,361)	(4,779)	(4,095)
24,472	Ebit	3,136	3,207	24,184	22,215
591	Financial income	211	134	426	433
(2,634)	Financial expenses	(970)	(544)	(2,848)	(1,959)
186	Exchange gains and losses	(305)	(155)	163	520
22,615	EBT	2,072	2,642	21,925	21,209
(7,369)	Income taxes	(804)	(764)	(5,914)	(6,896)
15,246	Net profit	1,268	1,878	16,011	14,313
(65)	(Profit)/loss attributable to minority interests	(7)	(12)	(38)	(52)
15,181	Net profit attributable to the group	1,261	1,866	15,973	14,261
0.550	Basic earnings per share	0.046	0.068	0.585	0.517
0.550	Diluted earnings per share	0.046	0.068	0.585	0.517

Consolidated balance sheet

ASSETS

31.12.2007	€000	30.09.2008	30.09.2007
	Non-current assets		
38,689	Property, plant and equipment	47,186	37,819
2,795	Intangible assets	3,133	2,861
6,773	Goodwill	11,167	6,450
174	Investment property	145	343
224	Equity investments	224	224
2,845	Deferred tax assets	3,440	3,076
854	Other receivables	854	52
52,354	Total	66,149	50,825
	Current assets		
66,434	Inventories	74,935	62,109
63,373	Trade and other receivables	66,782	53,588
3,071	Current tax assets	1,624	2,393
4	Other financial assets	40	4
86	Derivative financial instruments	34	0
5	Marketable securities at fair value	0	5
6,036	Cash and cash equivalents	15,416	9,914
139,009	Total	158,831	128,013
191,363	TOTAL ASSETS	224,980	178,838

EQUITY AND LIABILITIES

31.12.2007	€000	30.09.2008	30.09.2007
	Capital and reserves		
7,190	Share capital	7,190	7,190
21,047	Share premium	21,047	21,047
(1,516)	Treasury shares	(1,840)	(625)
30,397	Other reserves	31,442	30,125
33,806	Retained earnings	43,714	32,952
90,924	Total Group	101,553	90,689
515	Minority interests	521	493
91,439	Total equity	102,074	91,182
	Non-current liabilities		
13,144	Loans and borrowings	16,433	12,611
3,204	Deferred tax liabilities	2,666	3,042
4,562	Post-employment benefits	5,003	4,973
582	Provisions	628	546
2,596	Other non-current liabilities	2,445	2,100
24,088	Total	27,175	23,272
	Current liabilities		
49,639	Trade and other payables	52,243	39,369
1,788	Current tax liabilities	5,124	4,835
23,840	Loans and borrowings	37,993	19,894
189	Derivative financial instruments	27	10
380	Provisions	344	276
75,836	Total	95,731	64,384
191,363	TOTAL EQUITY AND LIABILITIES	224,980	178,838

Consolidated net debt

€000	30.09.2008	30.06.2008	31.12.2007	30.09.2007
Cash and banks	15.416	14.323	6.036	9.914
Securities and derivative financial instruments	34	0	91	5
Other financial assets	40	1	4	4
Financial liabilities	(37.993)	(32.936)	(23.840)	(19.893)
Derivative financial instruments	(27)	(214)	(189)	(10)
Short-term net debt	(22.530)	(18.826)	(17.898)	(9.980)
Other financial assets	0	1	0	0
Financial liabilities	(16.433)	(21.993)	(13.144)	(12.611)
Long-term net debt	(16.433)	(21.992)	(13.144)	(12.611)
Cash and banks	15.416	14.323	6.036	9.914
Securities and derivative financial instruments	34	0	91	5
Other financial assets	40	2	4	4
Financial liabilities	(54.426)	(54.929)	(36.984)	(32.504)
Derivative financial instruments	(27)	(214)	(189)	(10)
Total net debt	(38.963)	(40.818)	(31.042)	(22.591)

Changes in consolidated equity

The following table reports changes in consolidated equity between 31st December 2006 and 30th September 2008.

€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 for the period			
Balance at 31.12.2005	7,190	21,047	(527)	1,438	1,138	36	27,611	12,221	11,239	81,393	483	81,876
Change in translation reserve						174				174		174
Change in treasury shares			(989)						40	(949)		(949)
Payment of dividends								6,400	(11,239)	(4,839)	(42)	(4,881)
Other changes								(36)		(36)	9	(27)
Net profit for 2006									15,181	15,181	65	15,246
Balance at 31.12.2006	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						1,045				1,045		1,045
Change in treasury shares			(324)							(324)		(324)
Payment of dividends								9,173	(15,181)	(6,008)	(44)	(6,052)
Other changes								(57)		(57)	12	(45)
Net profit at 30.06.07									15,973	15,973	38	16,011
Balance at 30.06.2007	7,190	21,047	(1,840)	1,438	1,138	1,255	27,611	27,741	15,973	101,553	521	102,074

Comments on the financial statements

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

The accounting standards and policies adopted by the Group for preparing the quarterly consolidated financial statements are the same as those used for the consolidated financial statements at 31 December 2007.

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

The changes in the scope of consolidation and their starting dates are reported below:

- The introduction of 2008 Bertolini S.p.A from 1st January;
- The introduction of the Chinese company Tailong (Zhuhai) Machinery Manufacturing Equipment L.t.d. from 1st July 2008

The details of the operations are described in the following paragraph.

Significant, non-recurring transactions or atypical, unusual transactions

- On 15 January 2008 EMAK S.p.A. acquired from the holding company, Yama s.p.a., 100% of the shares in the company BERTOLINI 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 associated and synergetic sectors.

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

The price paid over and above net worth was allocated in full to goodwill for an amount of € 2,064 thousand.

For further information, reference should be made to the relevant informative document filed in the registered office, on the Emak S.p.A. website, and filed with the Italian Stock Exchange.

The merger deed for the absorption of Bertolini S.p.A. into Emak S.p.A. was drawn up on 23 October 2008. The consequences of the merger with regards to third parties take effect from 1 November 2008, while the accounting and fiscal effects of the merger apply from 1 January 2008.

- On 28 March 2008, the Holding Company, Emak S.p.A., recapitalized the subsidiary company, Emak USA Inc., through debt conversion for an amount of \$ 1,000 thousand, equal to € 633 thousand.
- On 1 July 2008 the company acquired the entire shareholding of the Chinese company Tailong (Zhuhai) Machinery Manufacturing Equipment Ltd from the subsidiary companies Tecno and Selettra.

TAILONG (Zhuhai) Machinery Manufacturing Equipment L.t.d., of which the Emak Group is the main customer, was founded in 2005 for the manufacture of cylinders for small internal combustion engines.

The aims of the operation are the acquisition of the control of a technology that is not readily available on the market, (given the small number of suppliers) for the production of a strategic component for its own products, such as the cylinder; the verticalization of the production process; to have a better control of product quality and a high degree of production flexibility; to exploit organizational synergies with regards to research and development, quality and the supply chain with the subsidiary company Emak Jiangmen.

The consideration for the acquisition of the entire shareholding of Tailong 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.

For further information, reference should be made to the relevant informative document filed in the registered office, on the Emak S.p.A. website, and filed with the Italian Stock Exchange.

- 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..

Treasury shares

At 31.12.2007 Emak S.p.A. held 277,413 treasury shares, worth €1,516 thousand.

From 01.01.2008 to 30.09.2008 Emak S.p.A. purchased 68,750 treasury shares. As a result, at 30 September 2008 the company holds 346,163 treasury shares, worth €1,840 thousand.

During the month of October 2008 Emak S.p.A. purchased 36,000 treasury shares worth €139 thousand. As a result, at 31st October 2008 the Company holds in portfolio 382,163 treasury shares worth €1,979 thousand.

DIRECTOR'S REPORT

Comments to the income statement

1. SALES

Consolidated turnover in the third quarter of 2008 amounted to € 47,679 thousand compared to € 41,913 thousand in the same period of the previous year, with an increase of 13.8%.

In the first nine months of the year the Group achieved a sales turnover of € 198,786 thousand, a growth of 15.5% compared to the same period of 2007. The growth in revenues for similar consolidation areas was 6.4%.

The table below shows the sales in the first nine months of 2008, broken down by segment, compared with the same period of the prior year.

€000	30.09.2008	%	30.09.2007	%	% Change
Agriculture & Forestry	59,175	29.8%	42,582	24.7%	39.0%
Construction & Industry	9,161	4.6%	4,809	2.8%	90.5%
Lawn & Garden	106,170	53.4%	106,556	61.9%	(0.4)%
Spare parts & Accessories	24,280	12.2%	18,155	10.5%	33.7%
Total	198,786	100%	172,102	100%	15.5%

The increase in sales in the *Agriculture & Forestry* segment was determined by the new scope of consolidation and to the recovery of chainsaws in the third quarter.

The OEM business contributed to the increase in sales in the *Construction & Industry* segment.

The turnover of the *Lawn & Garden* segment is substantially in line with the same period of last year.

Finally, the growth of the *Spare Parts & Accessories* segment was favoured by the new scope of consolidation and by the good weather in the quarter which led to increased use of gardening machines.

The geographical breakdown of sales is shown in the following table for both nine months 2008 and 2007.

€000	30.09.2008	%	30.09.2007	%	% Change
Italy	36,881	18.6%	29,838	17.3%	23.6%
Europe	136,084	68.5%	117,548	68.3%	15.8%
Rest of world	25,821	13.0%	24,716	14.4%	4.5%
Total	198,786	100%	172,102	100%	15.5%

The Group managed to grow in the Italian market despite the adverse general economic climate, thanks to the new scope of consolidation and to the OEM business.

The growth achieved in Europe was driven by sales in Eastern countries and by the consolidation of Bertolini S.p.A.. Sales in the Rest of the World benefited from a slight recovery in the American market.

2. EBITDA

Ebitda in the third quarter amounts to € 4,814 thousand, compared to € 4,568 in the corresponding quarter of last year, an increase of 5.4%.

In the first nine months of 2008, Ebitda amounts to € 28,963 thousand, against € 26,310 thousand in the same period of 2007, an increase of 10.1%.

In comparative terms, excluding non-recurring components of 2007 (that is, the capital gains of € 531 resulting from the sale of a fixed asset and lower staff costs as a result of the Employment Termination Indemnity (TFR) reform for around € 700 thousand), the increase in Ebitda was 15.5%.

Ebitda in the year has been boosted by the increase in sales volumes and in profit margins (as a result of production efficiencies).

These effects have been diminished by the increase in operating and personnel costs as a result of the new scope of consolidation.

In the nine months, Ebitda as a percentage of sales has moved from 15.3% (14.6% excluding the non-recurrent components referred to above) in 2007, to 14.6% (15.4% for a comparative scope of consolidation) in 2008.

The Group's total number of employees amounted to 1,005 at 30 September 2008, compared with 844 at the end of December 2007. The increase is mainly attributable to the acquisitions of Bertolini S.p.A. (73 workers) and Tailong (102 workers).

3. EBIT

In the third quarter of 2008, Ebit amounts to € 3,136 thousand against € 3,207 thousand in the corresponding quarter in the last financial year, a decrease of 2.2% due to higher amortizations ascribable to the production subsidiaries of the Group and to the new scope of consolidation and.

In the first nine months of 2008 Ebit is € 24,184 thousand, while it was € 22,215 thousand in the same period of 2007, an increase of 8.9%.

In comparative terms, excluding the non-recurring items already referred in the above paragraph, the increase in Ebit in the first nine months 2008, compared to the same period in the previous financial year, was 15.2%.

In the nine months Ebit as a percentage of sales has moved from 12.9% (12.2% excluding the non-recurrent components) in 2007, to 12.2% (12.9% for a comparative scope of consolidation) in 2008.

Ebit as a percentage of net invested capital (non-annualized) has moved from 19.5% (18.6% excluding the non-recurrent components) at 30 September 2007, to 17.1% (18.8% for a comparative scope of consolidation) at 30 September 2008.

4. Net profit

Net profit in third quarter of 2008 amounts to € 1,268 thousand, against € 1,878 thousand for the corresponding quarter in the last financial year. The decrease of 32.5% can be attributed to the increase of financial charges, the unfavourable trend in exchange rates and the worse country mix that has caused an increase in the quarter's tax rate.

In the first nine months of the year, the Group has registered a net profit of € 16,011 thousand compared to € 14,313 thousand for the same period of 2007, an increase of 11.9%.

The level of financial charges has increased mainly as a result of the increase in the net financial position and in interest rates.

The tax rate in the period under consideration is 27%, lower than the 32.5% in the same period of last year, mainly due to the effect of different tax policies in the countries in which the Group operates, the introduction of tax rate changes in Italy and the benefit deriving from the release of past tax deductions.

Comment to the balance sheet

1. Net non-current assets

During the first nine months of 2008, excluding the changes in the net fixed assets due to the introduction of Bertolini S.p.A. and Tailong in the scope of consolidation, the Emak Group invested € 9,436 thousand in property, plant and equipment and intangible assets as follows:

- € 3.263 thousand for product innovation;
- € 1.491 thousand for boosting production capacity and for process innovation;
- € 936 thousand for upgrading the computer network;
- € 3.746 thousand for the renovation of existing buildings and the start of construction of the new "spare parts logistical centre" in Bagnolo in Piano (RE).

Investments are broken down by geographical area as follows:

- € 8,006 thousand in Italy;
- € 407 thousand in Europe;
- € 1,023 thousand in the Rest of the World.

2. Net working capital

Net working capital at 30 September 2008 is € 4,558 thousand higher than at the end of December 2007, moving from € 81,071 thousand to € 85,629 thousand, broken down into the following movements:

€000	3Q 2008	3Q 2007
Net working capital at 01 January	81,071	81,785
increase/(decrease) in inventories	8,501	(6,193)
increase in trade receivables	2,956	(7,420)
increase in trade payables	(2,940)	7,061
other changes	(3,959)	(1,624)
Net working capital at 30 September	85,629	73,609

The increase in net working capital since 31.12.2007 is attributable to the new scope of consolidation.

3. Equity

Total equity amounts to € 102,074 thousand compared to € 91,439 at 31 December 2007. Earnings per share at 30 September 2008 are € 0.585, up from € 0.516 for the same period of last year.

4. Net financial position

Net debt has increased from € 31,042 thousand at 31 December 2007 to € 38,963 thousand at 30 September 2008. The increase is due to the introduction of Bertolini S.p.A. and Tailong Ltd into the scope of consolidation.

In the first nine months free cash flow after tax is € 20,790 thousand, compared with € 18,408 thousand in the same period of last year. In the third quarter, the figure amounts to € 2,946 thousand compared with € 3,239 reported in the same period of the previous year.

Long-term financial payables include both principal amounts of outstanding loans and the portion of finance leases falling due after more than 12 months.

Short-term financial payables mainly consist of:

- overdrafts;
- loan repayments falling due by 30 September 2009;
- amounts due to other providers of finance falling due by 30 September 2009.

Other information

In compliance with the provisions of arts. 36 and 39 of Market Regulations, Emak makes it known that it currently controls two companies of significant dimension, incorporated and regulated according to the laws of a state not belonging to the European Union, both regulated by legislation in force in the People's Republic of China;

- Jiangmen Emak Outdoor Equipment Co Ltd
- Tailong (Zhuhai) Machinery Manufacturing Ltd, acquired on 1 July 2008.

In both cases, Emak S.p.A. has complied with the aforementioned regulatory provisions.

Forecast operating trends

As expected, the serious ongoing international financial crisis is beginning to influence the real economy, with repercussions on trends in currencies, company credit and consumption, and finally, on demand.

The last quarter is characterised by seasonal sales in the Agriculture & Forestry and Construction & Industry segments and by pre-seasonal sales in the Gardening segment; the general lack of confidence in the economy could adversely affect pre-seasonal sales, even if stocks held by the distribution network are relatively low.

Despite this unfavourable general situation, final year sales turnover is forecasted to have a growth trend in line with the first nine months.

The macroeconomic climate at a world level is expected to lead to a significant decrease in demand in 2009. While the international situation obliges a certain level of caution, the Group's development strategy, especially in terms of new products, should nevertheless guarantee the maintenance of sales' volumes. The Group will set up operating plans in good time to deal with any falls in demand over and above those foreseeable at the present moment.

Bagnolo in Piano (RE), 14 November 2008

On behalf of the Board of Directors

The Chairman

Giacomo Ferretti



STATEMENT

Subject: Quarterly report at 30th September 2008

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

CERTIFY

in accordance with the second paragraph of Art. 154-bis, of Italian Legislative Decree No. 58 of 24 February 1998,
that to the best of my knowledge, the Quarterly Report at 30 September 2008, examined and approved today by the Board of Directors of the company, corresponds with the accounting documents, ledgers and records,

Faithfully

Bagnolo in Piano (RE), 14th November 2008

Aimone Burani
Executive in charge
of preparing the accounting statements