

Quarterly Report at 31.03.2008

Emak Group Financial Highlights

Income statement (€/'000)

Year 2007		1Q 2008	1Q 2007
217,834	Net sales	71,373	63,160
29,992	EBITDA (1)	10,786	10,431
24,472	EBIT	9,277	9,108
15,246	Net profit	6,073	5,813

Investment and free cash flow (€/'000)

Year 2007		1Q 2008	1Q 2007
7,927	Investment in property, plant and equipment	2,030	2,232
679	Investment in intangible assets	96	66
20,766	Free cash flow from operations (2)	7,582	7,136

Balance sheet (€/'000)

31.12.2007		31.03.08	31.03.07
122,481	Net capital employed	156,702	135,947
(31,042)	Net debt	(59,553)	(47,747)
91,439	Total equity	97,149	88,200

Other statistics

Year 2007		1Q 2008	1Q 2007
13.8%	EBITDA / Net revenues (%)	15.1%	16.5%
11.2%	EBIT / Net revenues (%)	13.0%	14.4%
7.0%	Net profit / Net revenues (%)	8.5%	9.2%
20.0%	EBIT/ Net capital employed (%)	5.9%	6.7%
0.34	Debt / Equity	0.61	0.54
844	Number of employees at period end	959	853 (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 941, as the list included 88 temporary workers employed

Consolidated Income Statement

FY 2007	€/000	1Q 2008	1Q 2007
217,834	Sales	71,373	63,160
2,104	Other operating income	472	1,022
(1,474)	Change in inventories	6,975	3,312
(126,500)	Raw and consumable materials and goods	(48,400)	(40,580)
(27,671)	Salaries and employee benefits	(8,820)	(7,267)
(34,301)	Other operating costs	(10,814)	(9,216)
(5,520)	Amortization, depreciation and impairment losses	(1,509)	(1,323)
24,472	Ebit	9,277	9,108
591	Financial income	52	163
(2,634)	Financial expenses	(1,120)	(681)
186	Exchange gains and losses	196	303
22,615	EBT	8,405	8,893
(7,369)	Income taxes	(2,332)	(3,080)
15,246	Net profit	6,073	5,813
(65)	(Profit)/loss attributable to minority interests	(16)	(15)
15,181	Net profit attributable to the group	6,057	5,798
0.550	Basic earnings pe share	0.221	0.210
0.550	Diluted earnings per share	0.221	0.210

Consolidated Balance Sheet

ASSETS

31.12.2007	€/000	31.03.2008	31.03.2007
	Non-current assets		
38,689	Property, plant and equipment	40,615	36,663
2,795	Intangible assets	2,740	2,915
6,773	Goodwill	8,974	6,294
174	Investment property	165	352
224	Equity investments	224	224
2,845	Deferred tax assets	3,471	3,199
854	Other receivables	853	128
52,354	Total	57,042	49,775
	Current assets		
66,434	Inventories	82,148	71,559
63,373	Trade and other receivables	102,645	86,990
3,071	Current tax assets	1,440	1,902
4	Other financial assets	1	0
86	Derivative financial instruments	7	0
5	Marketable securities at fair value	5	5
6,036	Cash and cash equivalents	4,476	5,521
139,009	Total	190,722	165,977
191,363	TOTAL ASSETS	247,764	215,752

Consolidated Balance Sheet**EQUITY AND LIABILITIES**

31.12.2007	€/000	31.03.2008	31.03.2007
	Capital and reserves		
7,190	Share capital	7,190	7,190
21,047	Share premium	21,047	21,047
(1,516)	Treasury shares	(1,812)	0
30,397	Other reserves	30,316	30,158
33,806	Retained earnings	39,877	29,307
90,924	Total Group	96,618	87,702
515	Minority interests	531	498
91,439	Total equity	97,149	88,200
	Non-current liabilities		
13,144	Loans and borrowings	16,337	10,854
3,204	Deferred tax liabilities	3,303	2,711
4,562	Post-employment benefits	5,172	5,868
582	Provisions	654	502
2,596	Other non-current liabilities	2,875	2,067
24,088	Total	28,341	22,002
	Current liabilities		
49,639	Trade and other payables	70,877	57,196
1,788	Current tax liabilities	3,268	5,681
23,840	Loans and borrowings	47,377	42,296
189	Derivative financial instruments	328	123
380	Provisions	424	254
75,836	Total	122,274	105,550
191,363	TOTAL EQUITY AND LIABILITIES	247,764	215,752

Consolidated net debt

(€/000)	31.03.2008	31.12.2007	31.03.2007	31.12.2006
Cash and banks	4,476	6,036	5,521	4,028
Securities and derivative financial instruments	5	5	5	5
Other financial assets	8	90	0	9
Financial liabilities	(47,377)	(23,840)	(42,296)	(35,572)
Derivative financial instruments	(328)	(189)	(123)	(229)
Short-term net debt	(43,216)	(17,898)	(36,893)	(31,759)
Financial liabilities	(16,337)	(13,144)	(10,854)	(6,105)
Long-term net debt	(16,337)	(13,144)	(10,854)	(6,105)
Cash and banks	4,476	6,036	5,521	4,028
Securities and derivative financial instruments	5	5	5	5
Other financial assets	8	90	0	9
Financial liabilities	(63,714)	(36,984)	(53,150)	(41,677)
Derivative financial instruments	(328)	(189)	(123)	(229)
Total net debt	(59,553)	(31,042)	(47,747)	(37,864)

Changes in consolidated equity

The following table reports changes in consolidated equity between 31st December 2006 and 31st March 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 of the period			
Balance at 31.12.2006	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 2007									15,181	15,181	65	15,246
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						(81)				(81)		(81)
Change in treasury shares			(296)							(296)		(296)
Profit reclassification								15,181	(15,181)	0		0
Other changes								14		14		14
Net profit at 31.12.08									6,057	6,057	16	6,073
Balance at 31.03.2008	7,190	21,047	(1,812)	1,438	1,138	129	27,611	33,820	6,057	96,618	531	97,149

Emak at 31st March 2008

Directors' report

1Q consolidated sales amounted to € 71,373 thousand compared to € 63,160 thousand in the same period of 2007, an increase of 13%. The growth in revenues for similar consolidation areas was 4.3%.

As a consequence of the introduction of Bertolini S.p.A. into the consolidation area, it has been decided to change the previous segmentation of sales, which was based on product type (chainsaws, brush cutters, lawnmowers, garden tractors and spare parts and accessories), with a new criteria based on sector of use.

The following table shows the breakdown by segment of the sales in the first quarter 2008 and in the same period of the prior year.

€/000	31.03.2008	%	31.03.2007	%	% Change
Agriculture & Forestry	19,401	27.2%	15,358	24.3%	26.3%
Construction & Industry	3,998	5.6%	1,659	2.6%	141.0%
Lawn & Garden	40,447	56.7%	40,536	64.2%	-0.2%
Spare parts & Accessories	7,527	10.5%	5,607	8.9%	34.2%
Total	71,373	100%	63,160	100%	13.0%

The Agriculture and Forestry segment refers to products for cutting wood and for cultivating land. The main products included in this segment are chainsaws and motor hoes. The increase in sales is a result of the consolidation of the Bertolini business; the trend in sales of chainsaws is substantially stable.

The Construction and Industry segment includes products used in the building sector, and refers mainly to power cutters, motors and pumps. The development of business with OEM customers has driven sales in the sector.

The Lawn & Garden sector mainly includes grass-cutting products such as lawnmowers, garden tractors and brush cutters. Performances in this sector vary according to the economic situation of the different geographic areas. The late start to the spring season has affected sales through the distribution network. Overall sales are in line with the same period last year.

The geographical breakdown of sales is shown in the following table for both 1Q 2008 and 1Q 2007:

€/000	31.03.2008	%	31.03.2007	%	% Change
Italy	15,600	21.8%	13,366	21.2%	16.7%
Europe	48,375	67.8%	41,913	66.4%	15.4%
Rest of world	7,398	10.4%	7,881	12.5%	-6.1%
Total	71,373	100%	63,160	100%	13.0%

The growth in the Italian market was determined by the development of the OEM business and the consolidation of Bertolini. These two factors compensated the decrease in sales in the gardening and forestry segment, affected by a particularly weak demand.

In the European market, besides the effect of the consolidation of Bertolini, there was a significant increase in sales in the Eastern area. Sales in the rest of the world were penalised mainly by the delay in shipments to Venezuela.

Treasury shares

At 31.12.2007 Emak S.p.A. held 277,413 treasury shares, worth € 1,516 thousand.
During the first quarter 2007 Emak S.p.A. purchased 62,450 treasury shares. As a result, at 31.03.2008 the company holds in portfolio 339,863 treasury shares, worth € 1,812 thousand.

No new purchase of treasury shares occurred during the month of April 2008.

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 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

Bertolini S.p.A. has been included in the scope of consolidation as from January 1st 2008.
The details of the operation are described in the next 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.

Bertolini S.p.A.'s most significant economic-financial figures for the financial year ended 31 December 2007 and prepared according to IFRS principles are as follows:

Bertolini S.p.A. Financial Highlights	
(€/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

At 31.12.2007 turnover included sales to the Emak group for an amount of € 4,035 thousand; as a result, the elimination of inter-company balances on consolidation at the end of March 2008 has had a consequent adverse affect on the result for the quarter.

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.

On 26 March 2008 the Board of Directors of Emak S.p.A. assigned relevant company officers the task of setting up the merger of Bertolini S.p.A. in Emak S.p.A..

- 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.

Balance sheet and financial position

1. Net non-current assets

During 1Q 2008 Emak Group invested €2,126 thousand in property, plant and equipment and intangible assets, excluding the change in the net fixed assets due to the introduction of Bertolini S.p.A. into the consolidation area, as follows:

- € 745 thousand for product innovation;
- € 699 thousand for boosting production capacity and for process innovation;
- € 281 thousand for upgrading the computer network;
- € 401 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:

- € 1,771 thousand in Italy;
- € 184 thousand in Europe;
- € 171 thousand in the Rest of the World.

2. Net working capital

Net working capital was €30,594 thousand higher than at the end of December 2007, up from €81,071 thousand to €111,665 thousand, reflecting the following changes:

€/000	1Q 2008	1Q 2007
Net working capital at 01 January	81,071	81,785
increase/(decrease) in inventories	15,715	3,257
increase in trade receivables	38,757	27,545
increase in trade payables	(21,048)	(12,388)
other changes	(2,830)	(2,879)
Net working capital at 31 March	111,665	97,320

The increase in net working capital since 31 December 2007 was attributable for almost € 13,400 thousand to the introduction of Bertolini S.p.A. into the scope of consolidation and to the seasonal pattern of sales.

3. Equity

Total equity amounts to €97,149 thousand compared with €91,439 thousand at 31st December 2007. Earnings per share for the first quarter 2008 are €0.221, up from €0.210 for the same period of last year.

4. Net financial position

Net debt increased from € 31,042 thousand at 31 December 2007 to € 59,553 thousand at 31 March 2008. The increase was mainly due to working capital needs and the introduction of Bertolini S.p.A. into the scope of consolidation, which accounts for about € 16,800 thousand.

Free cash flow from operations was €7,582 thousand after tax, compared with €7,136 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 2009;
- amounts due to other providers of finance falling due by 31 March 2009.

Income Statement

1. EBITDA

Revenues in 1Q 2008 amount to €71,373 thousand, compared with € 63,160 thousand in the same quarter of last year, an increase of 13% (4.3% under the same scope of consolidation).

EBITDA for 1Q 2008 amounts to €10,786 thousand compared with € 10,431 thousand in the corresponding quarter of last year, an increase of 3.4%.

In comparative terms, excluding the capital gains of € 531 resulting from the sale of a fixed asset in the first quarter of 2007, the increase in Ebitda is 9%.

The increase in sales volumes affected positively the EBITDA, while the improvement in production efficiency partially compensated the trend in the price of raw materials.

Ebitda as a percentage of revenues has fallen from 16.5% (15.7% excluding capital gains) at 31 March 2007, to 15.1% (16.4% for the same consolidation area) at 31 March 2008.

The group's total number of employees amounted to 959 at 31 March 2008, compared with 844 at the end of December 2007. The increase was mainly attributable to the employees of Bertolini S.p.A. (75 workers) and hiring associated with the growth of production volumes.

2. EBIT

EBIT was 1.9% higher in 1Q 2008 at €9,277 thousand, compared with €9,108 thousand in 1Q 2007.

In comparative terms, excluding the capital gains of € 531 resulting from the sale of a fixed asset in the first quarter of 2007, there was an 8.2% increase in Ebit in 1Q 2008 compared to the same period for the previous year.

Ebit as a percentage of revenues has fallen from 14.4% (13.6% excluding capital gains) at 31 March 2007, to 13% (14.2% for the same consolidation area) at 31 March 2008.

Non-annualized Ebit as a percentage of net invested capital has fallen from 6.7% (6.3% excluding capital gains) at 31 March 2007, to 5.9% (6.6% for the same consolidation area) at 31 March 2008.

3. Net Profit

Net profit in 1Q 2008 amounts to € 6,073 thousand compared to the figure of € 5,813 for 1Q 2007, an increase of 4.5%.

The level of financial expenses has increased mainly as a result of the increase in net financial liabilities.

The first quarter 2008 tax rate of 27.7% was down from that of 35% in the first quarter 2008, mainly due to differences in tax rules applied in the various countries where the group operates and from the application of new tax rates in Italy.

Business outlook

The delayed start to the spring season has resulted in a partial shift in sales from the first to the second quarter of 2008.

Despite the unfavourable global situation, we are expecting a good business performance in the coming months. The launch of a significant number of new products in the second half of the year should allow us to achieve our growth targets.

Bagnolo in Piano (RE), 15th May 2008

On behalf of the Board of Directors

Chairman

Giacomo Ferretti



STATEMENT

Subject: Quarterly report at 31st March 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 31st March 2008, 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 2008

Aimone Burani
executive in charge
of preparing the accounting statements