



Quarterly report at 30.09.2007

Emak S.p.a.

Registered office in

Via E. Fermi 4, 42011 Bagnolo in Piano (RE), Italy

Share capital: € 7,189,910

Reggio Emilia Company Register number, tax code and VAT number: 00130010358

Emak Group Financial Highlights

Income statement (€/'000)

Y2006		3Q 2007	3Q 2006	9 months 2007	9 months 2006
208.402	Net sales	41.913	34.987	172.102	160.912
25.127	EBITDA (1)	4.568	3.075	26.310	21.140
19.771	EBIT	3.207	1.742	22.215	17.179
11.304	Net profit	1.878	1.003	14.313	9.972

Investment and free cash flow (€/'000)

Y2006		3Q 2007	3Q 2006	9 months 2007	9 months 2006
8.020	Investment in property, plant and equipment	1.822	1.788	6.031	5.247
973	Investment in intangible assets	135	352	462	708
16.660	Free cash flow from operations (2)	3.239	2.336	18.408	13.933

Balance sheet (€/'000)

31.12.2006		30.09.07	30.09.06
119.740	Net capital employed	113.773	107.661
(37.864)	Net debt	(22.591)	(27.226)
75.359	Total equity	91.182	80.435

Other statistics

Y 2006		3Q 2007	3Q 2006	9 months 2007	9 months 2006
12,1%	EBITDA / Net sales (%)	10,9%	8,8%	15,3%	13,1%
9,5%	EBIT/ Net sales (%)	7,7%	5,0%	12,9%	10,7%
5,4%	Net profit / Net sales (%)	4,5%	2,9%	8,3%	6,2%
16,5%	EBIT / Net capital employed (%)			19,5%	16,0%
0,50	Debt / Equity			0,25	0,34
902	Number of employees at period end			917	879

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

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

Segment reporting

(€/'000)	Sales		Activities		Investment property	
	9 months 2007	9 months 2006	30.09.07	31.12.06	9 months 2007	9 months 2006
	Italy	29.838	30.025	113.630	113.109	5.189
Europe	117.548	106.272	51.341	55.033	311	321
Rest of the world	24.716	24.615	13.867	14.357	993	2.424
Total	172.102	160.912	178.838	182.499	6.493	5.955

Consolidated Income Statement

Y 2006	€ /000	3Q 2007	3Q 2006	9 months 2007	9 months 2006
208.402	Sales	41.913	34.987	172.102	160.912
1.575	Other operating incomes	273	300	1.631	1.126
9.775	Change in inventories	(1.534)	2.638	(5.927)	8.680
(131.506)	Raw and consumable materials and goods	(22.217)	(21.997)	(94.899)	(101.990)
(27.865)	Salaries and employee benefits	(6.604)	(6.207)	(20.719)	(21.491)
(35.254)	Other operating costs	(7.263)	(6.646)	(25.878)	(26.097)
(5.356)	Amortization, depreciation and impairment losses	(1.361)	(1.333)	(4.095)	(3.961)
19.771	Ebit	3.207	1.742	22.215	17.179
540	Financial income	134	147	433	466
(2.085)	Financial expenses	(544)	(402)	(1.959)	(1.423)
353	Exchange gains and losses	(155)	393	520	(54)
18.579	EBT	2.642	1.880	21.209	16.168
(7.275)	Income taxes	(764)	(877)	(6.896)	(6.196)
11.304	Net profit	1.878	1.003	14.313	9.972
(65)	(Profit)/loss attributable to minority interests	(12)	(12)	(52)	(60)
11.239	Net profit attributable to the group	1.866	991	14.261	9.912
0,407	Basic earnings per share	0,068	0,036	0,516	0,359
0,407	Diluted earnings per share	0,068	0,036	0,516	0,359

Consolidated Balance Sheet

ASSETS

31.12.2006	€/000	30.09.2007	30.09.2006
Non-current assets			
35.535	Property, plant and equipment	37.819	34.100
3.076	Intangible assets	2.861	3.046
6.353	Goodwill	6.450	6.128
361	Investment property	343	370
224	Equity investments	224	223
3.126	Deferred tax assets	3.076	2.699
0	Other financial assets	0	9
48	Other receivables	52	51
48.723	Total	50.825	46.626
Non-current assets held for sale			
269	Assets held for sale	0	269
269	Total	0	269
Current assets			
68.302	Inventories	62.109	67.276
58.925	Trade and other receivables	53.588	45.318
2.238	Current tax assets	2.393	1.194
9	Other financial assets	4	3
0	Derivative financial instruments	0	27
5	Marketable securities at fair value	5	5
4.028	Cash and cash equivalents	9.914	5.458
133.507	Total	128.013	119.281
182.499	TOTAL ASSETS	178.838	166.176

Consolidated Balance Sheet

EQUITY AND LIABILITIES

31.12.2006	€/000	30.09.2007	30.09.2006
	Capital and reserves		
7.190	Share capital	7.190	7.190
21.047	Share premium	21.047	21.047
(527)	Treasury shares	(625)	(527)
30.223	Other reserves	30.125	30.381
23.460	Retained earnings	32.952	21.872
81.393	Total Group	90.689	79.963
483	Minority interests	493	472
81.876	Total equity	91.182	80.435
	Non-current liabilities		
6.105	Loans and borrowings	12.611	6.355
2.692	Deferred tax liabilities	3.042	2.509
5.796	Post-employment benefits	4.973	6.103
468	Provisions	546	442
2.081	Other non-current liabilities	2.100	2.060
17.142	Total	23.272	17.469
	Current liabilities		
45.146	Trade and other payables	39.369	36.265
2.150	Current tax liabilities	4.835	5.207
35.572	Loans and borrowings	19.894	26.357
229	Derivative financial instruments	10	16
384	Provisions	276	427
83.481	Total	64.384	68.272
182.499	TOTAL EQUITY AND LIABILITIES	178.838	166.176

Consolidated Net Debt

€/000	30.09.2007	31.06.2007	31.12.2006	30.09.2006
Cash and banks	9.914	11.928	4.028	5.458
Securities and derivative financial instruments	5	5	5	32
Other financial assets	4	0	9	3
Financial liabilities	(19.893)	(29.253)	(35.572)	(26.357)
Derivative financial instruments	(10)	(43)	(229)	(16)
Short-term net debt	(9.980)	(17.363)	(31.759)	(20.880)
Other financial assets	0	0	0	9
Financial liabilities	(12.611)	(13.012)	(6.105)	(6.355)
Long-term net debt	(12.611)	(13.012)	(6.105)	(6.346)
Cash and banks	9.914	11.928	4.028	5.458
Securities and derivative financial instruments	5	5	5	32
Other financial assets	4	0	9	12
Financial liabilities	(32.504)	(42.265)	(41.677)	(32.712)
Derivative financial instruments	(10)	(43)	(229)	(16)
Total net debt	(22.591)	(30.375)	(37.864)	(27.226)

Changes in consolidated equity at 31.12.2004 and 30.06.2006

The following table reports changes in consolidated equity between 31st December 2005 and 30 September 2007.

C/000	Share capital	Share premium	Treasury shares	OTHER RESERVES				RETAINED EARNINGS		TOTAL GROUP	EQUITY ATTRIBUTABLE TO MINORITY INTERESTS	TOTAL
				Legal reserve	Revaluation reserve	Cumulative translation adjustment	Other reserves	Retained earnings	Net profit of the period			
Balance at 31.12.2005	7.190	21.047	(28)	1.438	1.138	140	27.638	6.806	9.532	74.901	458	75.359
Change in translation reserve						(104)				(104)		(104)
Change in treasury shares			(499)							(499)		(499)
Payment of dividends							226	5.162	(9.532)	(4.144)	(46)	(4.190)
Other changes							(253)	253		0	6	6
Net profit for 2006									11.239	11.239	65	11.304
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						(98)				(98)		(98)
Change in treasury shares			(98)					40		(58)		(58)
Payment of dividends							6.400	(11.239)		(4.839)	(42)	(4.881)
Other changes							30			30		30
Net profit at 30.09.07									14.261	14.261	52	14.313
Balance at 30.09.2007	7.190	21.047	(625)	1.438	1.138	(62)	27.611	18.691	14.261	90.689	493	91.182

Emak at 30 September 2007

Directors' report

Emak 3Q consolidated sales amounted to €41.913 thousand compared with €34.987 thousand reported in the same period of 2006, an increase of 19,8%.

Consolidated sales in the first nine months 2007 climbed by 7% from €160.912 thousand to €172.102 thousand.

Sales in the first nine months of 2007 are broken down by product in the following table which also shows the prior year comparatives.

€/000	30.09.07	%	30.09.06	%	% Change
Brushcutters	36.301	21,1%	31.765	19,7%	14,3%
Chainsaws	26.884	15,6%	26.358	16,4%	2,0%
Lawnmowers	28.901	16,8%	28.186	17,5%	2,5%
Garden tractors	15.141	8,8%	13.387	8,3%	13,1%
Other products	46.720	27,2%	44.715	27,7%	4,5%
Spare parts and accessories	18.155	10,6%	16.501	10,3%	10,0%
Total	172.102	100%	160.912	100%	7,0%

The season for gardening products was generally positive. The good sales results of brushcutters were determined either by the improvement in the offer and by the consolidation of Emak position on the emergent markets. Thanks to a more favourable channel mix also the sales of lawnmowers were satisfactory; quite important also the results reached by the garden tractors family.

Sales of chainsaws registered a slight recovery thanks to the consolidation of the new models on the market, despite persisting signals of demand weakness.

The geographical breakdown of sales is shown in the following table for both nine months 2007 and nine months 2006.

€/000	30.09.07	%	30.09.06	%	% Change
Italy	29.838	17,3%	30.025	18,7%	-0,6%
Europe	117.548	68,3%	106.272	66,0%	10,6%
Rest of world	24.716	14,4%	24.615	15,3%	0,4%
Total	172.102	100%	160.912	100%	7,0%

A macroeconomic scenario adverse to the development of consumption caused slowdown signals in demand and sales on the Italian market.

There was a positive trend of sales in Europe, especially in the Eastern Countries and a slight recovery of sales in the Rest of the world, in particular in the Latin America area. The sensible decrease of demand on the North American market and the weakness of the US dollar slowed down the development plans in that area but with no significant impact on the results of the Group, considering the limited presence on that market.

Additional information

In accordance with the related authorization by Shareholder's Meeting on April 27th 2007, Emak S.p.A. has carried out purchases and sales of treasury shares on the market. Emak S.p.A. held 108.849 treasury shares at 31st December 2006, worth €527 thousand.

During the first quarter of 2007 all the treasury shares held in portfolio were sold, while during the second and third quarter the Company has purchased 108.454 treasury shares, worth €625 thousand. Therefore, at 30.09.2007 the Company holds 108.454 treasury shares.

During the month of October, Emak S.p.A. has purchased 26.133 treasury shares, worth €147 thousand, taking its total holding at 31 October 2007 to 134.587 such shares worth €772 thousand.

Comments on the financial statements

In compliance with article 82 of the Issuers Regulations (Consob resolution 11971/99) and subsequent amendments, this quarterly consolidated report has been prepared in accordance with International Financial Reporting Standards (IFRS) and presented on the basis of the principles specified in annex 3D to the aforementioned regulations.

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 31st December 2006.

It should be pointed out 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 work's stage of completion;
- 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 auditing;
- all amounts are expressed in thousands of euro, unless otherwise specified.

Scope of consolidation

In comparison with 30th September 2006 and 31st December 2006 there have been no change in the scope of consolidation of Emak Group.

Extraordinary transactions and events

The first nine months of 2007 registered the following transactions:

1. During the first quarter Emak S.p.A. sold an industrial building in Brescello (Reggio Emilia) for €800 thousand. This building had previously been classified under "assets held for sale".

The capital gain on this sale, classified in "other operating incomes" amounted to €531 thousand.

2. The reform of the complementary security has become effective in accordance to the Decree 252/2005 and following modifications.

As a result of such reform the funds for the employee termination indemnities, starting from January 1st 2007, must be corresponded to a complementary security fund or to a Treasury's Fund at Inps, following an accounting treatment assimilated to the one for the previdential contributive deposits .

The termination indemnity, accrued until December 31st 2006, is still considered to all effects a defined benefits plan with the need to carry out the actuarial esteem. Differently from the previous actuarial estimate, from June 2007 the future increments of wages will not be considered.

The estimate, carried out by applying the new actuarial methodology, involves a gain in economic account of approximately €700 thousand.

Such a gain has been recorded as a cost reduction of the staff and therefore is comprised in the Group's operating income.

Balance sheet and financial position

1. Net non-current assets

During the first nine months 2007 Emak Group invested € 6.493 thousand in property, plant and equipment and intangible assets as follows:

- € 1.386 thousand for product innovation;
- € 2.293 thousand for boosting production capacity and for process innovation;
- € 681 thousand for upgrading the computer network;
- € 2.074 thousand for completing and modernizing existing buildings and enlarging the plant in Pozzilli (Isernia);
- € 59 thousand for other investments in management infrastructure.

2. Net current assets

Net working capital lowers by €8.176 thousand compared to the end of December 2006, down from €81.785 thousand to €73.609 thousand.

The chart below shows the changing in the net working capital in the first nine months of 2007 and in the correspondent period of the previous year:

€/000	9 months 2007	9 months 2006
Net working capital at 01 January	81.785	66.419
increase/(decrease) in inventories	(6.193)	7.436
increase in trade receivables	(7.420)	(11.997)
increase in trade payables	7.061	13.986
other changes	(1.624)	(3.955)
Net working capital at 30 September	73.609	71.889

The decrease of the net current assets in the first nine month of 2007 is mainly due to the reduction in inventories as a result of a more efficient logistic and the cyclicity of sales.

3. Equity

Total equity was €91.182 thousand at the end of September 2007 compared with €81.876 thousand at 31st December 2006. Earnings per share were €0,516 at 30th September 2007 up from €0,359 in the corresponding period of the previous year.

4. Net financial position

Net debt decreased from €37.864 thousand at 31.12.2006 to €22.591 thousand at 30th September 2007. The improvement is mainly correlated to the less need in working capital and to the cash flow generated in the first nine months.

Free cash flow from operations in the first nine months 2007 was €18.408 thousand after tax, compared with €13.993 thousand in the same period of last year. Free cash flow from operations in 3rd Q 2007 was €3.239 thousand after tax, compared with €2,336 thousand in the same period of 2006.

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 30th September 2008;
- amounts due to other providers of finance falling due by 30th September 2008.

Income statement

1. EBITDA

Revenues increased by 7% during first nine months 2007 to €172.102 thousand, up from €160.912 thousand during first nine months 2006. Revenues in 3Q 2007 grew up to €41.913 thousand compared with €34.987 thousand in the same quarter of last year, an increase of 19,8%.

EBITDA improved by 24,5% in nine months 2007 to €26.310 thousand, up from €21.140 thousand in the corresponding period of last year. EBITDA for 3Q 2007 amounts to €4.568 thousand compared with €3.075 thousand in the corresponding quarter of last year.

The following factors contributed positively to first nine months results:

- the increase in sales volumes;
- the product mix improvement;
- the reduction of payroll costs;
- the capital gain from the selling of the industrial building Brescello (Reggio Emilia) amounts to €531 thousand;
- the improvement of production efficiency.

The following factors all contributed negatively to results:

- the cost of raw materials;
- the competition based on price leverage made by the competitors.

The group's total number of employees amounted to 917 at 30th September 2007, compared with 902 at the end of December 2006.

2. EBIT

EBIT was €22.215 thousand in first nine months 2007, an increase of 29,3% on the corresponding prior year figure of €17.179 thousand.

EBIT increased by 84,1% to €3.207 thousand in 3Q 2007 compared to €1.742 thousand in the same period of last year.

3. Net profit

Net profit in first nine months 2007 improved to €14.313 thousand, up from €9.972 thousand in the same period of last year, an increase of 43,5%. Net profit for 3Q 2007 increased by 87,2% to €1.878 thousand, on the figure of €1.003 thousand posted in 3Q 2006.

Net financial expense in first nine months 2007 was in line with the same period of the previous year.

The first nine months tax rate of 32,5% was down from that of 38,3% in the corresponding prior year period, mainly due to differences in the tax rules applied in the various countries where the group operates.

Business outlook

The normal level of stocks in Europe and the steady growth of consumption in the emergent Countries would lead to expect, with the exception of the USA, a good trend in demand also in the last quarter. The weakness of the American currency and the high price of oil, dramatically risen in the last months, could impact on competitiveness of the Countries in the dollar area as well as on costs of raw materials.

In the said scenario, however, we expect for the Group a final year result in line with our Business Plan estimations.

Bagnolo in Piano (RE), 14th November 2007

On behalf of the Board of Directors

Chairman

Giacomo Ferretti



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STATEMENT

Subject: Quarterly report at 30th September 2007.

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 2007, 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 2007

Aimone Burani
executive in charge
of preparing the accounting statements