



Quarterly Report at 31 March 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)

Year 2006		I Q 2007	I Q 2006
208.402	Net sales	63.160	63.259
25.127	EBITDA (1)	10.431	10.127
19.771	EBIT	9.108	8.752
11.304	Net profit	5.813	4.963

Investment and free cash flow (€/000)

Year 2006		I Q 2007	I Q 2006
8.020	Investment in property, plant and equipment	2.232	1.700
973	Investment in intangible assets	66	146
16.660	Free cash flow from operations (2)	7.136	6.338

Balance sheet (€/000)

31.12.2006		31.03.07	31.03.06
119.740	Net capital employed	135.947	118.461
(37.864)	Net debt	(47.747)	(38.319)
81.876	Total equity	88.200	80.142

Other statistics

Year 2006		I Q 2007	I Q 2006
12,1%	EBITDA / Net revenues (%)	16,5%	16,0%
9,5%	EBIT / Net revenues (%)	14,4%	13,8%
5,4%	Net profit / Net revenues (%)	9,2%	7,8%
16,5%	EBIT/ Net capital employed (%)	6,7%	7,4%
0,46	Debt / Equity	0,54	0,48
902	Number of employees at period end	941	933

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

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

Segment Reporting

(€/000)	Sales		Activities		Investment property	
	I Q 2007	I Q 2006	31.03.2007	31.12.2006	I Q 2007	I Q 2006
Italy	13.366	12.273	125.531	113.109	2.025	632
Europe	41.913	41.657	74.550	55.033	119	160
Rest of world	7.881	9.329	15.671	14.357	154	1.054
Total	63.160	63.259	215.752	182.499	2.298	1.846

Consolidated Income Statement

Y 2006	€/000	I Q 2007	I Q 2006
208.402	Sales	63.160	63.259
1.575	Other operating incomes	1.022	300
9.775	Change in inventories	3.312	8.269
(131.506)	Raw and consumable materials and goods	(40.580)	(44.098)
(27.865)	Salaries and employee benefits	(7.267)	(7.572)
(35.254)	Other operating costs	(9.216)	(10.031)
(5.356)	Amortization, depreciation and impairment losses	(1.323)	(1.375)
19.771	Ebit	9.108	8.752
540	Financial income	163	187
(2.085)	Financial expenses	(681)	(509)
353	Exchange gains and losses	303	(195)
18.579	EBT	8.893	8.235
(7.275)	Income taxes	(3.080)	(3.272)
11.304	Net profit	5.813	4.963
(65)	(Profit)/loss attributable to minority interests	(15)	(21)
11.239	Net profit attributable to the group	5.798	4.942
0,407	Basic earnings pe share	0,210	0,179
0,407	Diluted earnings per share	0,210	0,179

Consolidated Balance Sheet

ASSETS

31.12.2006	€/000	31.03.2007	31.03.2006
	Non-current assets		
35.535	Property, plant and equipment	36.663	32.809
3.076	Intangible assets	2.915	2.955
6.353	Goodwill	6.294	6.173
361	Investment property	352	389
224	Equity investments	224	223
3.126	Deferred tax assets	3.199	2.962
0	Other financial assets	0	3
48	Other receivables	128	36
48.723	Total	49.775	45.550
	Non-current assets held for sale		
269	Assets held for sale	0	797
269	Total	0	797
	Current assets		
68.302	Inventories	71.559	67.684
58.925	Trade and other receivables	86.990	83.983
2.238	Current tax assets	1.902	1.955
9	Other financial assets	0	16
0	Derivative financial instruments	0	99
5	Marketable securities at fair value	5	192
4.028	Cash and cash equivalents	5.521	4.864
133.507	Total	165.977	158.793
182.499	TOTAL ASSETS	215.752	205.140

EQUITY AND LIABILITIES

31.12.2006	€/000	31.03.2007	31.03.2006
	Capital and reserves		
7.190	Share capital	7.190	7.190
21.047	Share premium	21.047	21.047
(527)	Treasury shares	0	(59)
30.223	Other reserves	30.158	30.221
23.460	Retained earnings	29.307	21.264
81.393	Total Group	87.702	79.663
483	Minority interests	498	479
81.876	Total equity	88.200	80.142
	Non-current liabilities		
6.105	Loans and borrowings	10.854	6.952
2.692	Deferred tax liabilities	2.711	2.490
5.796	Post-employment benefits	5.868	5.966
468	Provisions	502	390
2.081	Other non-current liabilities	2.067	2.094
17.142	Total	22.002	17.892
	Non-current liabilities held for sale		
0	Liabilities held for sale	0	224
0	Total	0	224
	Current liabilities		
45.146	Trade and other payables	57.196	63.582
2.150	Current tax liabilities	5.681	6.143
35.572	Loans and borrowings	42.296	36.509
229	Derivative financial instruments	123	31
384	Provisions	254	617
83.481	Total	105.550	106.882
182.499	TOTAL EQUITY AND LIABILITIES	215.752	205.140

Emak Group Net Financial Position

(€/000)	31.03.2007	31.12.2006	31.03.2006	31.12.2005
Cash and banks	5.521	4.028	4.864	4.103
Securities and derivative financial instruments	5	5	290	137
Other financial assets	0	9	16	19
Financial liabilities	(42.296)	(35.572)	(36.509)	(22.921)
Derivative financial instruments	(123)	(229)	(31)	0
Short-term net debt	(36.893)	(31.759)	(31.370)	(18.662)
Other financial assets	0	0	3	0
Financial liabilities	(10.854)	(6.105)	(6.952)	(7.174)
Long-term net debt	(10.854)	(6.105)	(6.949)	(7.174)
Cash and banks	5.521	4.028	4.864	4.103
Securities and derivative financial instruments	5	5	290	137
Other financial assets	0	9	19	19
Financial liabilities	(53.150)	(41.677)	(43.461)	(30.095)
Derivative financial instruments	(123)	(229)	(31)	0
Total net debt	(47.747)	(37.864)	(38.319)	(25.836)

Statement of changes in Consolidated Equity at 31.12.2006 and at 31.03.2007

€/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	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						(65)				(65)		(65)
Change in treasury shares			527					39		566		566
Payment of dividends								11.239	(11.239)	0		0
Other changes								10		10		10
Net profit at 31.03.07									5.798	5.798	15	5.813
Balance at 31.03.2007	7.190	21.047	0	1.438	1.138	(29)	27.611	23.509	5.798	87.702	498	88.200

Emak at 31 March 2007

Directors' report

Emak's first-quarter consolidated sales came in at €63,160 thousand compared with €63,259 thousand in the same period of 2006.

Sales in the first quarter of 2007 (1Q 2007) are broken down by product in the following table which also shows the prior year comparatives.

€/000	31.03.2007	%	31.03.2006	%	% Change
Brushcutters	13.381	21,2%	12.920	20,4%	3,6%
Chainsaws	7.231	11,4%	9.149	14,5%	-21,0%
Lawnmowers	13.800	21,8%	14.161	22,4%	-2,5%
Garden tractors	6.312	10,0%	6.374	10,1%	-1,0%
Other products	16.829	26,7%	15.182	23,9%	10,8%
Spare parts and accessories	5.607	8,9%	5.473	8,7%	2,4%
Total	63.160	100%	63.259	100%	-0,2%

Grass-cutting products reported higher sales for brushcutters and slightly lower sales for garden tractors and lawnmowers; first-quarter sales of these products are typically pre-season ones, with the sell-out only really starting once the spring begins.

The particularly mild winter had a negative impact on demand for chainsaws; sales of the rest of the product range were higher thanks to the ever wider choice being offered.

The geographical breakdown of sales is shown in the following table for both 1Q 2007 and 1Q 2006:

€/000	31.03.2007	%	31.03.2006	%	% Change
Italy	13.366	21,2%	12.273	19,4%	8,9%
Europe	41.913	66,4%	41.657	65,9%	0,6%
Rest of world	7.881	12,5%	9.329	14,7%	-15,5%
Total	63.160	100%	63.259	100%	-0,2%

Sales did well in Italy, while demand in the rest of Europe was generally stable with continued growth in Eastern Europe.

The drop in sales to the rest of the world was mainly due to lower demand in the Middle and Far East.

Additional information

In accordance with the related authorization by shareholders, Emak S.p.A. is allowed to purchase and sell treasury shares on the market for the purpose of improving the stock's liquidity.

The company held 108,849 treasury shares at 31 December 2006, worth €527 thousand.

Between 31 December 2006 and 31 March 2007 it sold all these treasury shares, meaning that no treasury shares have been reported in the balance sheet at 31 March 2007.

No new treasury shares were purchased during the month of April 2007.

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 aforesaid 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 31 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 applying in the current year in the individual countries of operation;
- the quarterly report has not been audited;
- all amounts are expressed in thousands of euro, unless otherwise specified.

Scope of consolidation

There have been no changes in the scope of consolidation between 31 December 2006 and 31 March 2007, while Emak USA Inc. has joined the consolidation in the period since 31 March 2006.

Significant, non-recurring transactions or atypical, unusual transactions

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, the full amount of which was received in March 2007 upon signing the related sale contract.

Balance sheet and financial position

1. Net non-current assets

During 1Q 2007 Emak Group invested €2,298 thousand in property, plant and equipment and intangible assets as follows:

- €635 thousand for product innovation;
- €495 thousand for boosting production capacity and for process innovation;
- €88 thousand for upgrading the computer network;
- €1,064 thousand for completing and modernizing existing buildings and enlarging the factory in Pozzilli;
- €16 thousand for other tangible assets.

2. Net working capital

Net working capital was €15,535 thousand higher than at the end of December 2006, up from €81,785 thousand to €97,320 thousand, reflecting the following changes:

- increase in inventories	€3,257	thousand
- increase in trade receivables	€27,545	thousand
- increase in trade payables	(€12,388)	thousand
- other changes	(€2,879)	thousand

The increase in net working capital since 31 December 2006 was attributable to the seasonal pattern of sales.

3. Equity

Total equity was €88,200 thousand at the end of March 2007 compared with €81,876 thousand at 31 December 2006. Earnings per share were €0.210 at 31 March 2007, up from €0.179 in the corresponding period of the prior year.

4. Net financial position

Net debt increased from €37,864 thousand at 31 December 2006 to €47,747 thousand at 31 March 2007. The increase was mainly due to working capital needs.

Free cash flow from operations was €7,136 thousand after tax, compared with €6,338 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 2008;
- amounts due to other providers of finance falling due by 31 March 2008.

Income statement

1. EBITDA

Sales amounted to €63,160 thousand in 1Q 2007 compared with €63,259 thousand in 1Q 2006.

EBITDA amounted to €10,431 thousand in 1Q 2007 compared with €10,127 thousand in the corresponding quarter of last year, reporting an increase of 3%.

The following factors contributed positively to EBITDA for the period:

- the mix of distribution channels;
- the market mix;
- the decrease in payroll costs;
- the capital gain of €531 thousand arising on the sale of the property in Brescello (Reggio Emilia);
- improved efficiency associated with the new organization of production activities.

The following factors all contributed negatively to results:

- the product mix;
- the trend in the price of raw materials.

The group's total number of employees amounted to 941 at 31 March 2007, compared with 902 at the end of December 2006. The increase was mainly attributable to the growth in production at the Chinese factory.

2. EBIT

EBIT was 4.1% higher in 1Q 2007 at €9,108 thousand compared with €8,752 thousand in 1Q 2006.

3. Net profit

Net profit was €5,813 thousand in 1Q 2007, having increased by 17.1% on the figure of €4,963 thousand reported in 1Q 2006.

Net financial income and expense improved relative to the corresponding quarter last year thanks to exchange gains.

The tax rate went down from 40% in 1Q 2006 to 35% this year, reflecting differences in the tax rules applying in the various countries where the group operates.

Business outlook

After a first quarter mostly featuring preseason sales, the early start to the spring should have a positive impact on the sell out in coming months.

Bagnolo in Piano (RE), 15 May 2007

on behalf of the Board of Directors

Chairman

Giacomo Ferretti