



QUARTERLY REPORT  
June 30, 2004



A large decorative graphic consisting of a grid of squares in shades of beige and light brown, surrounding the central text. The grid is denser in the center and becomes sparser towards the edges.

**EMAK S.p.A.**  
Quarterly report as at June 30, 2004



## QUARTERLY REPORT - JUNE 30, 2004

### Main economic and financial data of the Emak Group

Year 2003		2nd Quarter 2004	2nd Quarter 2003	Half-Year 2004	Half-Year 2003
<b>Income statements (in € thousand)</b>					
152.681	Net revenues	46.788	43.668	94.274	91.593
23.922	Ebitda	7.321	8.048	15.416	16.497
17.549	Ebit - Group Total	5.794	6.559	12.499	13.570
16.376	Profit before taxes	5.305	6.231	11.951	12.823

Year 2003		2nd Quarter 2004	2nd Quarter 2003	Half-Year 2004	Half-Year 2003
<b>Investments and cash flow (in € thousands)</b>					
2.126	Investments in intangible assets	480	331	886	1.003
6.050	Investments in tangible assets	2.016	1.080	3.582	2.359
752	Investments in financial assets				
22.307	Cash flow (before taxes)	6.744	7.613	14.690	15.486

31.12.2003		30.06.2004	30.06.2003
<b>Assets and Liabilities (in € thousand)</b>			
92.941	Net invested capital (gross of taxes)	92.522	89.105
(21.102)	Net financial position	(19.677)	(20.817)
71.839	Group Shareholders' Equity and minorities (gross of taxes)	72.845	68.288

Year 2003		2nd Quarter 2004	2nd Quarter 2003	Half-Year 2004	Half-Year 2003
<b>Ratios</b>					
15,7%	Ebitda/Net revenues (%)	15,6%	18,4%	16,4%	18,0%
11,5%	Ros (%)	12,4%	15,0%	13,3%	14,8%
10,7%	Ebit/Net revenues (%)	11,3%	14,3%	12,7%	14,0%
18,9%	Ebit/ Net invested capital (%)			13,5%	15,2%
0,29	Debt /Equity			0,27	0,30
573	Employees at the end of the period			573	582



## Group financial statements

### Balance sheet

(in € thousand)

<b>31.12.2003</b>		<b>30.06.2004</b>	<b>30.06.2003</b>
<b>Assets</b>			
<b>Fixed assets</b>			
3.387	Intangible fixed assets	3.693	2.984
28.868	Tangible fixed assets	30.270	28.060
1.020	Financial fixed assets	356	295
<b>33.275</b>	<b>Total fixed assets</b>	<b>34.319</b>	<b>31.339</b>
<b>Current assets</b>			
46.174	Inventories	46.603	43.986
51.663	Accounts receivables	61.742	64.862
806	Financial assets not held as fixed assets	151	1.121
2.841	Cash	4.994	3.575
<b>101.484</b>	<b>Total current assets</b>	<b>113.490</b>	<b>113.544</b>
266	Accrued income and prepaid expenses	482	447
<b>135.025</b>	<b>Total Assets</b>	<b>148.291</b>	<b>145.330</b>
<b>Equity and Liabilities</b>			
<b>Shareholders' Equity</b>			
<b>Shareholders' equity of the Group</b>			
7.190	Capital stock	7.190	7.190
47.752	Reserves and retained earnings	53.342	47.796
	Pre-tax profit for the period	11.863	12.708
9.575	Profit for the year		
<b>64.517</b>	<b>Total</b>	<b>72.395</b>	<b>67.694</b>
<b>575</b>	<b>Total minority interest</b>	<b>450</b>	<b>594</b>
<b>65.092</b>	<b>Total equity</b>	<b>72.845</b>	<b>68.288</b>
1.277	Provisions for liabilities and charges	1.160	1.452
5.239	Termination indemnities provision	5.334	4.933
62.590	Payables	68.112	69.822
827	Accrued expenses and deferred income	840	835
<b>135.025</b>	<b>Total Equity and Liabilities</b>	<b>148.291</b>	<b>145.330</b>



## Group financial statements

### Income Statement

(in € thousand)

Year 2003		2nd Quarter 2004	2nd Quarter 2003	Half - Year 2004	Half - Year 2003
<b>Value of production</b>					
152.681	Revenues from sales and services	46.788	43.668	94.274	91.593
1.499	Change in inventories	(3.284)	51	(2.025)	(1.059)
842	Other income and revenues	189	195	318	362
<b>155.022</b>	<b>Total value of production</b>	<b>43.693</b>	<b>43.914</b>	<b>92.567</b>	<b>90.896</b>
<b>Costs of production</b>					
(92.542)	Raw materials, supplies and merchandise	(22.716)	(26.054)	(55.913)	(56.062)
(18.302)	Services	(6.245)	(5.048)	(11.508)	(9.615)
(1.031)	Hire purchase and leasing charges	(281)	(270)	(564)	(553)
(21.003)	Personnel	(5.707)	(5.597)	(11.360)	(10.780)
(6.291)	Amortisation, depreciation and write-downs	(1.525)	(1.471)	(2.912)	(2.867)
2.411	Change in inventories	(1.305)	1.216	2.401	2.831
(82)	Other provisions	(2)	(18)	(5)	(60)
(633)	Other charges	(118)	(113)	(207)	(220)
<b>(137.473)</b>	<b>Total cost of production</b>	<b>(37.899)</b>	<b>(37.355)</b>	<b>(80.068)</b>	<b>(77.326)</b>
<b>17.549</b>	<b>Operating profit</b>	<b>5.794</b>	<b>6.559</b>	<b>12.499</b>	<b>13.570</b>
<b>Financial income and expenses</b>					
4	Investment income	0	1	1	3
145	Income from securities held as current income	18	37	26	52
444	Other financial income	90	130	266	254
(1.297)	Interest and other financial charges	(390)	(322)	(745)	(720)
(12)	Gains/losses on rates	37	46	88	(4)
<b>(716)</b>	<b>Total financial income and expenses</b>	<b>(245)</b>	<b>(108)</b>	<b>(364)</b>	<b>(415)</b>
<b>Extraordinary income and expenses</b>					
530	Income	67	96	232	128
(987)	Expenses	(311)	(316)	(416)	(460)
<b>(457)</b>	<b>Total extraordinary income and expenses</b>	<b>(244)</b>	<b>(220)</b>	<b>(184)</b>	<b>(332)</b>
<b>16.376</b>	<b>Profit before taxes</b>	<b>5.305</b> <sup>(1)</sup>	<b>6.231</b> <sup>(2)</sup>	<b>11.951</b> <sup>(3)</sup>	<b>12.823</b> <sup>(4)</sup>
(6.747)	Taxes for the year				
<b>9.629</b>	<b>Profit before taxes</b>				
(54)	Minority interest				
<b>9.575</b>	<b>Net profit</b>				

(1) of which € 5.272 related to the Group

(2) of which € 6.180 related to the Group

(3) of which € 11.863 related to the Group

(4) of which € 12.708 related to the Group



## Net Financial Debt

(in euro thousand)

31.12.2003		30.06.2004			30.06.2003		
		short	medium/long	Total	short	medium/long	Total
<b>2.841</b>	Cash	4.994		<b>4.994</b>	3.575		<b>3.575</b>
<b>734</b>	Financial credit	106		<b>106</b>	828		<b>828</b>
<b>81</b>	Other financial credit	13	41	<b>54</b>	43	61	<b>104</b>
<b>(24.686)</b>	Financial debts	(14.282)	(10.422)	<b>(24.704)</b>	(11.352)	(13.953)	<b>(25.305)</b>
<b>(72)</b>	Other financial debt	(121)	(6)	<b>(127)</b>	(12)	(7)	<b>(19)</b>
<b>(21.102)</b>	Net financial position	<b>(9.290)</b>	<b>(10.387)</b>	<b>(19.677)</b>	<b>(6.918)</b>	<b>(13.899)</b>	<b>(20.817)</b>



## Emak as at 30 june, 2004

### Directors' report

In the 2004 2<sup>nd</sup> Quarter revenues displaying an upturn and totalled euro thousand 94,274 compared to euro thousand 91,593 of the equivalent period of the previous year.

The following table shows a breakdown of sales by product type for the 2004 half-year, with figures for the same period of the previous year provided for comparison purposes:

In euro thousand	06.30.2004	06.30.2003
Brushcutters	19,769	21,302
Chainsaws	15,291	14,034
Lawnmowers	16,002	16,980
Garden Tractors	8,861	9,854
Spare parts and accessories	11,081	10,110
Other products	23,270	19,313
<b>Total</b>	<b>94,274</b>	<b>91,593</b>

The worldwide positive trend for chainsaws is confirmed by our turnover.

The performance of retail demand for gardening products, like brushcutters, lawnmowers and tractors, initially penalized by high levels of stock, was favoured, also by good weather conditions, in the second quarter.

At the present the normalization of stock at the dealer level and in the large-scale retail are creating the basis for sales recovery in this second part of the year and for next season.

Other products have increased thanks to waterpumps and concrete cutters as well as thanks to products branded Staub of the French Branch the acquisition of which took place in the second part of the previous year.

The following table shows a breakdown of sales by geographical area for the 2004 half year compared with figures for the same period in the previous year:

In euro thousand	06.30.2004	06.30.2003
Italy	19,973	23,992
Europe	61,055	56,280
Rest of the world	13,246	11,321
<b>Total</b>	<b>94,274</b>	<b>91,593</b>



Compared to the same period of the previous year sales in Italy decreased by 16,8%, to 19,973 euro thousand, due to high pre season booking practice the Italian market particularly suffered the high level of stocks.

The sell out of our products was in line with the market; consequently our market shares were unchanged. The normalization of stocks at the dealer level is creating the basis for sales recovery in this second part of the year.

The sales of Chainsaw on the Italian market were substantially stable.

Sales in Europe showed an increase of 8.5% due to rise on the French market and East Europe.

In the Rest of the world sales grew thanks especially to Turkey, South America and Far East.

### **Further information**

Further to the authorisation of the Shareholders' Meeting, Emak S.p.A. has purchased and sold out treasury stock on the open market in order to improve share liquidity.

As at 31.12.2003 Emak S.p.A. held No. 36,468 shares in the treasury stock portfolio.

No treasury stock shares were purchased between 01.01.2004 and 30.06.2004, while a total of 14,000 treasury shares were divested during the period at an average unit price of 3.71 euro. As at 30.06.2004 there were therefore 22,468 shares in the treasury stock portfolio.

### **Significant events occurring since the end of the 2004 second quarter**

No significant events are occurring since the 30.06.2004.

### **Notes to the financial statements**

The accounting criteria used in the drafting of the consolidated quarterly statement are the same as those adopted to draft the accounts as at 31 December 2003.

The quarterly result is shown gross of taxes.

The quarterly statement is not subject to auditing.

Compared to 31 December 2003 the consolidation area included the Chinese subsidiary Jiangmen Emak Outdoor Power Equipment Co. Ltd.



In the 2004 second quarter the following changes have occurred:

- Emak S.p.A. purchased a stake in Emak Deutschland GmbH. As a result of this our total shareholding in Emak Deutschland GmbH stands at 100%;
- Emak S.p.A. subscribed the total capital stock in the Chinese subsidiary Jiangmen Emak Outdoor Power Equipment Co. Ltd. The capital stock was purchased at a price of 1,084 dollar thousand. Emak shareholding in the Chinese subsidiary stands to 100%.
- The subsidiary Kens International SA increased his stake in Emak Benelux SA from 83.2% to 99.7%. Therefore Emak S.p.A. shareholding stands to 99.5%.

### **Remarks on assets and liabilities and the financial situation**

During the course of the 2004 half year the Emak group invested 4,279 euro thousand in tangible and intangible fixed assets (consolidation difference, capitalized in the period -equal to 189 euro thousand - excluded). The overall figure can be broken down as follows:

- 1,083 euro thousand on product innovation (mainly research and studies for new products);
- 465 euro thousand on boosting production capacity and upgrading manufacturing processes;
- 622 euro thousand on developing the computer network and for other management infrastructure investments;
- 2,109 euro thousand on works of completion and modernisation of existing buildings and for the purchase of land to accommodate possible future expansion of production sites.

Compared to 31.12.2003 inventories were up by approximately 500 euro thousand as a consequence of seasonal nature of sales.

Receivables from customers increased by approximately 8,400 euro thousand with respect to 31.12.2003; since collection conditions remained substantially unchanged, this rise is attributable to the seasonality of sales made in the period.

Compared to 31.12.2003, payables to suppliers increased by around 5,700 euro thousand as a consequence of the ordinary business cycle usual.

Net financial debt was 19,677 euro thousand, respect to 21,102 euro thousand as at 31.12.2003, the decrease is due to cash flow and to the financial investments of the period.

Internal cash flow before tax for 2004 half-year totalled 14,690 euro thousand compared to the figure of 15,486 euro thousand for the same period of the previous twelve months.



As well as loan instalments, medium/long-term financial liabilities also include capital portions with due dates beyond the 30.06.2005 and the residual capital debt of financial leasing agreements (valued in accordance with reference international accounting principle I.A.S. no. 17).

Short-term financial payables chiefly include:

- overdrawn current accounts;
- loan instalments with due date within the 30.06.2005 period;
- payables to other sources of finance (mainly for leasing contracts) falling due within the 31.03.2005.



## Notes to the economic data

2004 first half year shows a decrease of the group profitability compared to the same period of the previous year. The following factors positively influenced the result:

- sales improvement with a favourable mix product/channel only in part balanced by a negative market mix;
- prime cost reduction as a result of the supply chain integration and a major efficiency in marketing purchases in Far East and European Countries.

While the following factors negatively influenced the result.

1. Services cost increase is due to:
  - high concentration of new product development, which positive effect will be completely showed in the next period;
  - marketing cost to support the sales network (referred to the end user);
  - start-up cost of the new China plant;
2. Increase in personnel costs in relation to the increase of employees compared to the same period last year and to the salaries trend.

Half year consolidated turnover has been 94,274 euro thousand, +2,9% on the same period of the previous year (91,593). Second quarter revenues were 46,788 euro thousand, up 7,1%, on 43,668 euro thousand of the same period of the previous year.

The gross operating margin as at 30.06.2004 was 15,416 euro thousand, equivalent to 16.4% of revenue, compared to the 16,497 euro thousand (18% of turnover) of the previous year.

In the second quarter Ebitda was 7,321 euro thousand, 15.6% on turnover, on 8,048 euro thousand, 18,4% of turnover, in 2003 second quarter.

As at 30 June 2004 employees numbered 573 (of whom 54 on fixed-term contracts) compared to a workforce of 582 on 30 June 2003 and of 573 on 31 December 2003.

Net operating income as at 30.06.2004 was 12,499 euro thousand, 13.3% of turnover, on 13,570 euro thousand, 14.8% of turnover, of the same period of the previous year. 2004 second quarter Ebit was 5,794 euro thousand, 12.4% of sales, compared to 6,559 euro thousand, 15% of sales, of the 2003 second quarter.

Financial management for the 2004 half year included net revenues on currency exchanges of 88 euro thousand, compared to exchange rate net losses of 4 euro thousand in the same period of the previous year.

## QUARTERLY REPORT - JUNE 30, 2004



In 2004 half year income before taxes was 11,951 euro thousand, 12.7% of revenues, compared to 12,823 euro thousand, 14% of revenues, in the same period of the previous year.

In 2004 second quarter income before taxes was equal to 5,305 euro thousand, 11.3% on revenues, on 6,231 euro thousand, 14.3% of turnover, in the corresponding period of the previous year.

Bagnolo in Piano (RE), 30 July 2004

The Chairman  
**Giacomo Ferretti**