



Member of the YAMA group

## **Quarterly Report as at 31<sup>st</sup> March 2005**

Registered office in Bagnolo in Piano (RE), Via E. Fermi 4  
Capital stock: euro 7.189.910  
Entered under no. 107573 in the Reggio Emilia Company Register no. 107573  
V.A.T. No. 00130010358

## Main financial and economic data of the Emak Group

Year 2004		1st Q 2005	1st Q 2004
<b>Income statements (in € thousand)</b>			
163.168	Net revenues	53.946	47.486
22.633	EBITDA (EBIT plus depreciation, amortization, other charge)	8.288	8.095
16.235	EBIT - Group Total	6.861	6.705
15.716	Profit before taxes	6.820	6.646

Year 2004		1st Q 2005	1st Q 2004
<b>Investments and cash flow (in € thousand)</b>			
933	Investments in intangible assets	140	406
6.779	Investments in tangible assets	1.072	1.566
21.602	Cash flow (gross of taxes)	8.159	7.947

31.12.2004		31.03.2005	31.03.2004
<b>Assets and Liabilities (in € thousand)</b>			
92.940	Net invested capital (gross of taxes)	102.107	98.574
(16.415)	Net financial position	(25.411)	(26.813)
76.525	Group Shareholderrrs' Equity and minorities	76.696	71.761

Year 2004		1st Q 2005	1st Q 2004
<b>Ratios</b>			
17,5%	Ebit/Net invested capital (%)	6,7%	6,8%
13,9%	EBITDA/Revenues (%)	15,4%	17,0%
9,6%	Profit before taxes/Revenues (%)	12,6%	14,0%
9,9%	EBIT/Revenues	12,7%	14,1%
0,21	Debt /Equity	0,33	0,37
634	Employees at the end of the period (number)	708	604

**Consolidated Group Financial Statements****Balance Sheets**

(value in euro thousand)

<b>31.12.2004</b>		<b>31.03.2005</b>	<b>31.03.2004</b>
<b>Assets</b>			
<b>Fixed Assets</b>			
3.259	Intangible fixed assets	3.121	3.560
31.505	Tangible fixed assets	31.521	29.366
325	Financial fixed assets	320	494
<b>35.089</b>	<b>Total Fixed Assets</b>	<b>34.962</b>	<b>33.420</b>
<b>Current Assets</b>			
51.059	Inventories	55.823	51.198
54.131	Credits	76.629	70.640
299	Financial assets not held as fixed assets	254	1.089
5.205	Cash	3.729	2.210
<b>110.694</b>	<b>Total Current Assets</b>	<b>136.435</b>	<b>125.137</b>
<b>271</b>	<b>Accrued Income and Prepaid Expenses</b>	<b>503</b>	<b>585</b>
<b>146.054</b>	<b>Total Assets</b>	<b>171.900</b>	<b>159.142</b>
<b>Equity and Liabilities</b>			
<b>Shareholders' Equity</b>			
<b>Net Group Shareholder's Equity</b>			
7.190	Capital stock	7.190	7.190
53.257	Reserves and retained earnings	62.237	57.350
	Pre-taxes profit for the period	6.786	6.591
8.943	Profit for the year		
<b>69.390</b>	<b>Total Group Shareholder's Equity</b>	<b>76.213</b>	<b>71.131</b>
<b>449</b>	<b>Minority Interest</b>	<b>483</b>	<b>630</b>
<b>69.839</b>	<b>Total Equity</b>	<b>76.696</b>	<b>71.761</b>
<b>1.727</b>	<b>Provisions for Liabilities and Charges</b>	<b>1.787</b>	<b>1.147</b>
<b>5.654</b>	<b>Termination Indemnities Provision</b>	<b>5.845</b>	<b>5.302</b>
<b>67.719</b>	<b>Payables</b>	<b>86.538</b>	<b>80.107</b>
<b>1.115</b>	<b>Accrued Expenses and Deferred Income</b>	<b>1.034</b>	<b>825</b>
<b>146.054</b>	<b>Total Equity and Liabilities</b>	<b>171.900</b>	<b>159.142</b>

**Consolidated Group Income Statements**

(value in euro thousand)

<b>Year 2004</b>		<b>1st Quarter 2005</b>	<b>1st Quarter 2004</b>
	<b>Value of production</b>		
163.168	Revenues from sales and services	53.946	47.486
(89)	Change in inventories	433	1.259
762	Other income and revenues	196	129
<b>163.841</b>	<b>Total value of production</b>	<b>54.575</b>	<b>48.874</b>
	<b>Costs of production</b>		
(99.736)	Raw materials, supplies and merchandise	(37.768)	(33.197)
(22.262)	Services	(6.539)	(5.263)
(1.089)	Hire purchase and leasing charges	(282)	(283)
(22.155)	Personnel	(6.141)	(5.653)
(6.328)	Amortisation, depreciation and write-downs	(1.427)	(1.387)
4.512	Change in inventories	4.563	3.706
(22)	Risk provision		
(48)	Other provisions		(3)
(478)	Other charges	(120)	(89)
<b>(147.606)</b>	<b>Total costs of production</b>	<b>(47.714)</b>	<b>(42.169)</b>
<b>16.235</b>	<b>Operating profit</b>	<b>6.861</b>	<b>6.705</b>
	<b>Financial income and expenses</b>		
2	Investment income		1
37	Income from security held as current income	44	8
404	Other financial income	183	176
(1.301)	Interest and other financial charges	(310)	(355)
23	Gains/losses on rates	41	51
<b>(835)</b>	<b>Total financial income and expenses</b>	<b>(42)</b>	<b>(119)</b>
	<b>Extraordinary income and expenses</b>		
1.215	Income	93	165
(899)	Expenses	(92)	(105)
<b>316</b>	<b>Total extraordinary income and expenses</b>	<b>1</b>	<b>60</b>
<b>15.716</b>	<b>Profit before taxes</b>	<b>6.820</b>	<b>6.646</b>
(6.686)	Taxes for the year	(*)	(*)
<b>9.030</b>	<b>Group and minority interest profit for the year</b>		
(87)	Minority interest		
<b>8.943</b>	<b>Net profit</b>		

(\*) of which € 6,786 thousand related to the Group (€ 6,591 thousand in the 2004 1st Quarter)

**Consolidated Net Financial Debt**

(value in euro thousand)

<b>31.12.2004</b>		<b>31.03.2005</b>			<b>31.03.2004</b>		
		<b>short</b>	<b>medium/long</b>	<b>Total</b>	<b>short</b>	<b>medium/long</b>	<b>Total</b>
<b>5.205</b>	Cash	3.729		<b>3.729</b>	2.211		<b>2.211</b>
<b>252</b>	Financial credit	253		<b>253</b>	1.026		<b>1.026</b>
<b>43</b>	Other financial credit			<b>0</b>	19	41	<b>60</b>
<b>(21.838)</b>	Financial debt	(18.148)	(11.206)	<b>(29.354)</b>	(19.360)	(10.687)	<b>(30.047)</b>
<b>(77)</b>	Other financial debt	(39)		<b>(39)</b>	(57)	(6)	<b>(63)</b>
<b>(16.415)</b>	Net financial position	<b>(14.205)</b>	<b>(11.206)</b>	<b>(25.411)</b>	<b>(16.161)</b>	<b>(10.652)</b>	<b>(26.813)</b>

## Emak Group as at 31<sup>st</sup> March 2005

### Directors' report

Sales in our market of reference in the 2005 1<sup>st</sup> Quarter have been more supported compared to the 2004 1<sup>st</sup> Quarter, thanks to a re-balanced of the stocks in the European distribution network.

The Group consolidated turnover was equal to 53,946 euro thousand, up 13.6%, compared to the same period of the previous year.

The following table shows a breakdown of sales by product type for the 2005 1<sup>st</sup> Quarter compared to the figures of the same period of the previous year:

In euro thousand	1 <sup>st</sup> Quarter 2005	1 <sup>st</sup> Quarter 2004
Brushcutters	10,868	9,994
Chainsaws	9,283	8,938
Lawnmowers	12,780	9,128
Garden tractors	4,177	4,030
Spare parts and accessories	5,107	5,177
Other products	11,731	10,219
<b>Total</b>	<b>53,946</b>	<b>47,486</b>

The favourable course of the market has positively interested all the product families; in particular lawnmowers increased their sales of 40% thanks to a good turnover both in traditional and DIY channel, both on the domestic market and in western European Countries.

The following table shows a breakdown of sales by geographical area for the 2005 1<sup>st</sup> Quarter compared to the figures of the same period of the previous year:

In euro thousand	1 <sup>st</sup> Quarter 2005	1 <sup>st</sup> Quarter 2004
Italy	12.390	9.872
Europe	35.989	30.278
Rest of the world	5.567	7.336
<b>Total</b>	<b>53.946</b>	<b>47.486</b>

Sales on domestic market were equal to 12,390 euro thousand, up 25.5% compared to the same period of the previous year.

Sales in Europe amounted to 35,989 euro thousand, up 18.9%; the increase regarded the Western and Eastern European Countries.

The decrease in the rest of the world was caused by less sales in South and North America, in Far East and in more contained measure in Middle 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.

At 31.12.2004 Emak S.p.A. held no. 21,968 shares in the treasury stock portfolio.

From the beginning of January until 30.04.2005 no share was purchased, all the shares in portfolio were sold out at an average share price of 4,12 euro. So at 30.04.2005 there were no own share in the portfolio.

## Transition to the IAS/IFRS accounting principles

As a result of the approval of the European Union Regulation no. 1606/2002 the 2005 financial statement of Emak will be draw up according to IAS/IFRS accounting principles.

Emak has intention to adopt the new accounting principles with the consolidated 2005 Half Year Report. In this case, according to the Italian Consob regulation, the society will avoid to publish the 2005 2<sup>nd</sup> Quarterly report.

Emak has already constituted an internal office for the processes of transitioning to the new standards regarding general accountability, the process of consolidation and the information technology system.

The office has examined the impact of the new principles on the last 2004 financial statements and the amounts are going to be defined. At the same time Emak is evaluating the interim and annual reports that will be ended in time for the approval of the half-year report as at 30<sup>th</sup> June 2005.

On the basis of our analysis the principal aspects involved in the change of the accounting principles are these:

- Balance sheets structure
- Note to the balance sheets
- The replacement of LIFO for inventories' evaluation
- The treasury stock
- The treatment of goodwill and of consolidation differences
- The deferred taxes as consequence of losses still to be used
- Accounting of economic hedging through swap and of foreign currency forward hedging
- Accounting of the provisions for liabilities and charges

As a result of the adoption of the new criteria the differences won't have influence on the Equity as at 01.01.2004. While the analysis of the impact on 2004 financial year is still in course.

The results of the work of the external auditing society will be published with the approval of the 2005 half -year report by the Board.

## Events occurring since the end of the period

In the month of May, further to the previous agreements, Emak S.p.A. sold to Simest S.p.A. the 49% of the capital stock of Jiangmen Emak Outdoor Power Equipment Co. Ltd at the price, still defined, of 438 thousand euro.

## Notes to the accounts

The accounting criteria used in the drafting of the consolidated quarterly statement are the same as those adopted in the drafting of 2004 1<sup>st</sup> Quarter.

The accounts were presented before taxes.

The quarterly statement is not subject to auditing.

## Notes to the financial statements

During the course of 2005 1<sup>st</sup> Quarter Emak Group invested 1,212 euro thousand in tangible and intangible fixed assets broken down as follows:

- 331 euro thousand on product innovation;
- 215 euro thousand on boosting production capacity and upgrading manufacturing processes;
- 196 euro thousand in developing the computer network and for other management infrastructure investment;
- 470 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 31.12.2004 inventories were up by approximately 4,800 euro thousand because of the increase of sales estimated for the next months.

Receivables from customers increased by approximately 23,500 euro thousand compared to 31.12.2004; since collection conditions remained substantially unchanged, the rise is due to the higher volumes of sales made in the 2005 1<sup>st</sup> Quarter compared to the 2004 4<sup>th</sup> Quarter.

Payables to suppliers increased by approximately 11,700 euro thousand compared to the 31.12.2004 for the higher purchases made in the period in consideration compared to the 2004 4<sup>th</sup> Quarter.

Net financial passive position was of 25,411 euro thousand compared to the 16,415 euro thousand as at 31.12.2004, as a result of the increase of operating capital.

Operating cash flow, before taxes, amounted to 8,159 euro thousand, in the period in consideration, compared to 7,947 euro thousand of the same period of the previous year.

As well as loan debts as medium/long term, financial liabilities also include capital portions with due date beyond 31.03.2006, of the financial leasing agreements, accounted in accordance with the reference international accounting principle I.A.S. no. 17.

Short-term financial payables chiefly include:

- overdrawn current accounts;
- loan instalments with due date within 31.03.2006;
- payables to other sources of finance falling due within 31.03.2006.

## Notes to the economic data

Sales turnover totalled to 53,946 euro thousand, compared to 47,486 euro thousand in the same period of the previous year, rising by 13.6%.

The gross operating margin as at 31.03.2005 was 8,288 euro thousand, equivalent to 15.4% of revenues, compared to 8,095 euro thousand., equivalent to 17% of revenues, in the same period of the previous year.

The operating result as at 31.03.2005 was 6,861 euro thousand, equivalent to the 12.7% of revenues, compared to 6,705 euro thousand, equivalent to 14.1% of revenues of the same period of the previous year.

Compared to the same period of the previous year profitability increased in value thanks to the growth of sales realized during the quarter; while an unfavourable mix product/channel, the greater incidence of lawnmowers and the turnover on DIY channel caused the decrease of the profit in terms of percentage on turnover.

In the next months profitability will be recovered by a most favourable mix product/channel and a partial transfer of the increase in the price of raw materials on the selling prices.

2002 1<sup>st</sup> Quarter closed with a income before taxes at 6,820 euro thousand, equal to 12.6% on sales, compared to 6,646 euro thousand, 14% on sales, in the same period of the previous year, with an increase, in value, of 174 euro thousand.

At 31<sup>st</sup> March 2005, employees were no. 708 (103 of which for a determined time) compared to no. 604 at 31<sup>st</sup> March 2004 and the no. 634 at 31<sup>st</sup> December 2004. The increase of the number of employees is mainly due to the start-up of the facility in China.

Bagnolo in Piano (RE), 13th May 2005

The Board of Directors

The Chairman

**Giacomo Ferretti**