



QUARTERLY REPORT
September 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 September 30, 2004



QUARTERLY REPORT - SEPTEMBER 30, 2004

Main economic and financial data of the Emak Group

Year 2003		3rd Quarter 2004	3rd Quarter 2003	9 months 2004	9 months 2003
Income statements (in € thousand)					
152.681	Net revenues	29.354	26.590	123.628	118.152
23.922	Ebitda	2.832	3.099	18.248	19.565
17.549	Ebit - Group Total	1.265	1.578	13.764	15.148
16.376	Profit before taxes	1.080	1.396	13.031	14.219

Year 2003		3rd Quarter 2004	3rd Quarter 2003	9 months 2004	9 months 2003
Investments and cash flow (in € thousands)					
2.126	Investments in intangible assets	187	805	1.073	1.808
6.050	Investments in tangible assets	1.823	1.996	5.420	4.355
752	Investments in financial assets				
22.307	Cash flow (before taxes)	2.562	2.902	17.252	18.388

31.12.2003		30.09.2004	30.09.2003
Assets and Liabilities (in € thousand)			
92.941	Net invested capital (gross of taxes)	82.845	81.679
(21.102)	Net financial position	(8.941)	(11.996)
71.839	Group Shareholders' Equity and minorities (gross of taxes)	73.904	69.683

Year 2003		3rd Quarter 2004	3rd Quarter 2003	9 months 2004	9 months 2003
Ratios					
15,7%	Ebitda/Net revenues (%)	9,6%	11,7%	14,8%	16,6%
11,5%	Ros (%)	4,3%	5,9%	11,1%	12,8%
10,7%	Ebit/Net revenues (%)	3,7%	5,3%	10,5%	12,0%
18,9%	Ebit/ Net invested capital (%)			16,6%	18,5%
0,29	Debt /Equity			0,12	0,17
573	Employees at the end of the period			616	582



Group financial statements

Balance sheet

(in € thousand)

31.12.2003		30.09.2004	30.09.2003
Assets			
Fixed assets			
3.387	Intangible fixed assets	3.576	3.508
28.868	Tangible fixed assets	30.892	28.816
1.020	Financial fixed assets	345	287
33.275	Total fixed assets	34.813	32.611
Current assets			
46.174	Inventories	46.265	43.565
51.663	Accounts receivables	42.387	43.090
806	Financial assets not held as fixed assets	493	951
2.841	Cash	12.106	7.217
101.484	Total current assets	101.251	94.823
266	Accrued income and prepaid expenses	370	347
135.025	Total Assets	136.434	127.781
Equity and Liabilities			
Shareholders' Equity			
Shareholders' equity of the Group			
7.190	Capital stock	7.190	7.190
47.752	Reserves and retained earnings	53.322	47.795
	Pre-tax profit for the period	12.920	14.116
9.575	Profit for the year		
64.517	Total	73.432	69.101
575	Total minority interest	472	582
65.092	Total equity	73.904	69.683
1.277	Provisions for liabilities and charges	1.151	1.387
5.239	Termination indemnities provision	5.495	5.016
62.590	Payables	54.700	50.840
827	Accrued expenses and deferred income	1.184	855
135.025	Total Equity and Liabilities	136.434	127.781



Group financial statements

Income Statement

(in € thousand)

Year 2003		3rd Quarter 2004	3rd Quarter 2003	9 Months 2004	9 Months 2003
	Value of production				
152.681	Revenues from sales and services	29.354	26.590	123.628	118.152
1.499	Change in inventories	(122)	219	(2.147)	(840)
842	Other income and revenues	124	295	442	657
155.022	Total value of production	29.356	27.104	121.923	117.969
	Costs of production				
(92.542)	Raw materials, supplies and merchandise	(16.032)	(14.233)	(71.945)	(70.295)
(18.302)	Services	(5.055)	(3.736)	(16.563)	(13.351)
(1.031)	Hire purchase and leasing charges	(261)	(287)	(825)	(840)
(21.003)	Personnel	(4.891)	(4.899)	(16.251)	(15.679)
(6.291)	Amortisation, depreciation and write-downs	(1.552)	(1.521)	(4.464)	(4.388)
2.411	Change in inventories	(219)	(734)	2.182	2.097
(82)	Other provisions	(15)		(20)	(29)
(633)	Other charges	(66)	(116)	(273)	(336)
(137.473)	Total cost of production	(28.091)	(25.526)	(108.159)	(102.821)
17.549	Operating profit	1.265	1.578	13.764	15.148
	Financial income and expenses				
4	Investment income	1	0	2	3
145	Income from securities held as current income	9	85	35	137
444	Other financial income	55	60	321	314
(1.297)	Interest and other financial charges	(271)	(269)	(1.016)	(989)
(12)	Gains/losses on rates	54	16	142	12
(716)	Total financial income and expenses	(152)	(108)	(516)	(523)
	Extraordinary income and expenses				
530	Income	12	57	244	185
(987)	Expenses	(45)	(131)	(461)	(591)
(457)	Total extraordinary income and expenses	(33)	(74)	(217)	(406)
16.376	Profit before taxes	1.080 ⁽¹⁾	1.396 ⁽²⁾	13.031 ⁽³⁾	14.219 ⁽⁴⁾
(6.747)	Taxes for the year				
9.629	Profit before taxes				
(54)	Minority interest				
9.575	Net profit				

(1) of which 1.057 related to the Group

(2) of which 1.408 related to the Group

(3) of which 12.920 related to the Group

(4) of which 14.116 related to the Group



Net Financial Debt

(in € thousand)

31.12.2003		30.09.2004			30.09.2003		
		short	medium/long	Total	short	medium/long	Total
2.841	Cash	12.106		12.106	7.217		7.217
734	Financial credit	450		450	866		866
81	Other financial credit	26	23	49	27	65	92
(24.686)	Financial debts	(11.786)	(9.666)	(21.452)	(7.122)	(13.007)	(20.129)
(72)	Other financial debt	(88)	(6)	(94)	(36)	(6)	(42)
(21.102)	Net financial position	708	(9.649)	(8.941)	952	(12.948)	(11.996)



Emak as at 30 September, 2004

Directors' report

Turnover in the third Quarter totalled 29,354 thousand euro compared to 26,590 thousand euro in the corresponding period of the previous year, with an up turn of 10.4%.

Progressive turnover throughout the first nine months edged up on the previous year by 4,6% from 118,152 thousand euro to 123,628 thousand euro.

The following table shows a breakdown of sales by product type for the nine months of 2004, with figures for the same period of the previous year:

In euro thousand	09.30.2004	09.30.2003
Brushcutters	23,876	25,027
Chainsaws	24,322	23,870
Lawnmowers	17,703	18,117
Garden tractors	10,188	10,863
Spare parts and accessories	14,948	13,097
Other products	32,591	27,178
Total	123,628	118,152

The following factors positively influenced the result:

- the introduction of the new line of Staub branded products on the French market;
- the positive trend of sales power cutters and pumps families (shown in the graph under "others");
- the positive trend of sales in the chainsaws families.

Sales of gardening product families, brushcutters, lawnmowers and garden tractors, were negatively influenced by the high level of stocks in the pipeline at the start of season.

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

In euro thousand	09.30.2004	09.30.2003
Italy	27,247	30,293
Europe	77,902	70,574
Rest of the world	18,479	17,285
Total	123,628	118,152



Sales on the domestic market totalled 27,247 euro thousand, falling 10.1% compared to the equivalent period in 2003. Because of significant levels of pre-seasonal purchases by the dealer network, the Italian market has suffered more than other European countries from the previously illustrated problem of high stock levels of gardening products at the beginning of the season.

Sales in Europe showed an increase of 10.4% due to the relevant advances on the French market (for the new line of Staub branded products) and to the good performance in some Eastern European countries.

The Rest of the World displays a rise of turnover mainly thanks to positive business results in Latin America and in Turkey.

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.

Since 01.01.2004 31.10.2004 were bought 1.000 shares at an average price of 3.42 euro, while a total of 15,500 treasury shares were divested during the period at an average unit price of 3.72 euro.

As at 31.10.2004 there were therefore 21,968 shares in the treasury stock portfolio.



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 financial statements of 2004 first nine months are in compliance with the reform of the law (D. Lgs. 17 January 2003 n° 6 and successive modifications and integrations), this involved the integration of the balance sheet. Consequently some accounts of the previous periods have been changed in order to allow full comparison with the 2004 accounts.

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 8,960,189 RMB (Renmimbi). 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 first 2004 nine months the Emak group invested 6,304 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:

- 1,403 euro thousand on product innovation (mainly research and studies for new products);
- 758 euro thousand on boosting production capacity and upgrading manufacturing processes;
- 783 euro thousand on developing the computer network and for other management infrastructure investments;
- 3,360 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.

Inventories were in line with 31.12.2003.

Receivables from customers fell by approximately 10,800 euro thousand with respect to 31.12.2003; since collection conditions remained substantially unchanged, the result is attributable to the seasonality of sales made in the period.

Compared to 31.12.2003, payables to suppliers fell by around 4,000 euro thousand as a consequence of the ordinary business cycle usual.

Net financial debt was 8.941 euro thousand, respect to 21,102 euro thousand as at 31.12.2003, the decrease is due to cash flow of the period.

Internal cash flow before tax for nine months 2004 totalled 17,252 euro thousand compared to the figure of 18,388 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 year 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 30.09.2005 period;
- payables to other sources of finance (mainly for leasing contracts) falling due within the 30.09.2005.



Notes to the economic data

2004 first nine months show a decrease of the group profitability compared to the same period of the previous year.

The following factors positively influenced the result of the third Quarter:

- sales improvement with a favourable mix product/channel;
- prime cost reduction as a result of the supply chain integration and a major efficiency in marketing purchases of components and outsourcing in countries with lower base cost.

While the following factors negatively influence the result, with greater impact:

- Services cost increase is due to:
 - high concentration of new product development, which amount was relevant respect to the past;
 - marketing cost to support the sales network;
 - start-up cost of the new China plant;
- Increase in personnel costs in relation to the increase of employees compared to the same period last year and to the salaries trend;
- Increase of costs for raw materials in the third Quarter with strong impact on component costs and transports.

2004 first nine months turnover has been 123,628 euro thousand, +4,6% on the same period of the previous year (118,152). Third quarter revenues were 29,354 euro thousand, up 10,4%, on 26,590 euro thousand of the same period of the previous year.

The gross operating margin as at 09.30.2004 was 18,248 euro thousand, equivalent to 14.8% of revenues, compared to the 19,565 euro thousand (16.6% of turnover) of the previous year.

In the third quarter Ebitda was 2,832 euro thousand, 9.6% on turnover, on 3,099 euro thousand, 11.7% of turnover, in 2003 third quarter.

As at 30 September 2004 employees numbered 616 (of whom 38 on fixed-term contracts) compared to a workforce of 582 on 30 September 2003 and of 573 on 31 December 2003.

Net operating income as at 30.09.2004 was 13,764 euro thousand, 11.1% of turnover, on 15,148 euro thousand, 12.8% of turnover, of the same period of the previous year. In the 2004 third quarter Ebit was 1,265 euro thousand, 4.3% of sales, compared to 1,578 euro thousand, 5,9% of sales, of the 2003 third quarter.

QUARTERLY REPORT - SEPTEMBER 30, 2004



Financial management for the 2004 first nine months included net revenues on currency exchanges of 142 euro thousand, compared to 12 euro thousand in the same period of the previous year.

In 2004 first nine months income before taxes was 13,031 euro thousand, 10.5% of revenues, compared to 14,219 euro thousand, 12% of revenues, in the same period of the previous year.

In 2004 third quarter income before taxes was equal to 1,080 euro thousand, 3.7% on revenues, on 1,396 euro thousand, 5.3% of turnover, in the corresponding period of the previous year.

Bagnolo in Piano (RE), 12th November 2004

The Chairman
Giacomo Ferretti



Emak[®]

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