



QUARTERLY REPORT
December 31, 2004



Emak[®]

MEMBER OF THE YAMA GROUP

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 December 31, 2004



QUARTERLY REPORT - DECEMBER 31, 2004

Main economic and financial data of the Emak Group

	4th Quarter 2004	4th Quarter 2003	Year 2004	Year 2003
Income statements (in € thousand)				
Net revenues	39,549	34,529	163,177	152,681
EBITDA (EBIT plus depreciation, amortization and other charges)	4,626	4,357	22,845	23,922
EBIT - Group Total	2,716	2,401	16,480	17,549
Profit before taxes	2,904	2,157	15,935	16,376

	4th Quarter 2004	4th Quarter 2003	Year 2004	Year 2003
Investments and cash flow (in € thousand)				
Investments in intangible assets	114	318	925	2,126
Investments in tangible assets	1,552	1,695	6,972	6,050
Investments in financial assets	0	752	0	752
Cash flow (before taxes)	4,541	3,919	21,793	22,307

12.31.2004 12.31.2003

Assets and Liabilities (in € thousand)				
Net invested capital (gross of taxes)			93,155	92,941
Net financial position			(16,411)	(21,102)
Group Shareholders' Equity and minorities (gross of taxes)			76,744	71,839

	4th Quarter 2004	4th Quarter 2003	Year 2004	Year 2003
Ratios				
EBIT / Net Invested Capital (%)			17.7%	18.9%
EBITDA / Revenues (%)	11.7%	12.6%	14.0%	15.7%
EBIT / Revenues (%)	6.9%	7.0%	10.1%	11.5%
Profit before taxes / Revenues (%)	7.3%	6.2%	9.8%	10.7%
Debt / Equity			0.21	0.29
Employees at the end of the period (number)			634	573



Consolidated financial statements

Balance sheets

(in € thousand)

	12.31.2004	12.31.2003
Assets		
Fixed assets		
Intangible fixed assets	3,261	3,387
Tangible fixed assets	31,475	28,868
Financial fixed assets	325	1,020
Total fixed assets	35,061	33,275
Current Assets		
Inventories	50,701	46,174
Credits	60,042	51,663
Financial assets not held as fixed assets	299	806
Cash	5,205	2,841
Total current assets	116,247	101,484
Accrued income and prepaid expenses	270	266
Total Assets	151,578	135,025
Equity and Liabilities		
Shareholders' Equity		
Net Shareholder's Equity of the Group		
Capital stock	7,190	7,190
Reserves and retained earnings	53,257	47,752
Pre-tax profit for the period	15,798	
Profit for the year		9,575
Total	76,245	64,517
Total minority interest	499	575
Total Equity	76,744	65,092
Provisions for liabilities and charges	1,401	1,277
Termination indemnities provision	5,654	5,239
Payables	66,664	62,590
Accrued expenses and deferred income	1,115	827
Total Equity and Liabilities	151,578	135,025



Consolidated financial statements

Income statements

(in € thousand)

	4th Quarter 2004	4th Quarter 2003	Year 2004	Year 2003
Value of production				
Revenues from sales and services	39,549	34,529	163,177	152,681
Change in inventories	2,158	2,339	11	1,499
Other income and revenues	301	185	743	842
Total value of production	42,008	37,053	163,931	155,022
Costs of production				
Raw materials, supplies and merchandise	(27,692)	(22,247)	(99,637)	(92,542)
Services	(5,637)	(4,987)	(22,200)	(18,658)
Hire purchase and leasing charges	(262)	(191)	(1,087)	(1,031)
Personnel	(6,017)	(5,288)	(22,268)	(20,647)
Amortization, depreciation and write-downs	(1,845)	(1,903)	(6,309)	(6,291)
Change in inventories	2,308	314	4,490	2,411
Other provisions	(36)	(53)	(56)	(82)
Other charges	(111)	(297)	(384)	(633)
Total costs of production	(39,292)	(34,652)	(147,451)	(137,473)
Operating profit	2,716	2,401	16,480	17,549
Financial income and expenses				
Investment income	0	1	2	4
Income from security held as current income	2	8	37	145
Other financial income	77	130	398	444
Interest and other financial charges	(293)	(308)	(1,309)	(1,297)
Gains/losses on rates	(33)	(24)	109	(12)
Total financial income and expenses	(247)	(193)	(763)	(716)
Extraordinary income and expenses				
Income	893	345	1,137	530
Expenses	(458)	(396)	(919)	(987)
Total extraordinary income and expenses	435	(51)	218	(457)
Profit before taxes	2,904 ⁽¹⁾	2,157	15,935 ⁽²⁾	16,376
Taxes for the year				(6,747)
Group and Minority interest profit for the year				9,629
Minority interest				(54)
Net profit				9,575

(1) of which 2,878 thousand related to the Group

(2) of which 15,798 thousand related to the Group



Consolidated Net Financial Debt

(in € thousand)

	12.31.2004			12.31.2003		
	short	medium/long	Total	short	medium/long	Total
Cash	5,205	0	5,205	2,841	0	2,841
Financial credit	252	0	252	734	0	734
Other financial credit	24	19	43	39	42	81
Financial debt	(12,381)	(9,453)	(21,834)	(13,791)	(10,895)	(24,686)
Other financial debt	(77)	0	(77)	(70)	(2)	(72)
Net financial debt	(6,977)	(9,434)	(16,411)	(10,247)	(10,855)	(21,102)



Emak as at December 31, 2004

Directors' report

Sales in the fourth quarter of 2004 were positively affected by the good results accomplished on the Italian market and on the markets of central-northern Europe, where the group operates with its own sales network.

The sales proceeds in the fourth quarter were 39,549 thousand euro, up by 14.5%, compared to the 34,529 thousand euro in the same period last year.

The sales proceeds for the entire year grew by 6.9%, from 152,681 thousand euro to 163,177 thousand euro.

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	12.31.2004	12.31.2003
Brushcutters	31,382	31,836
Chainsaws	34,857	33,153
Lawnmowers	21,704	22,853
Garden Tractors	12,559	12,671
Spare parts and accessories	20,752	17,053
Other products	41,923	35,115
Total	163,177	152,681

The increase in sales proceeds was due to the healthy results achieved for some product categories:

- the new line of products with the Staub brand name, launched in 2004 on the French market;
- our other products such as powercutters and water pumps;
- chainsaws for which there has been a positive trend in demand worldwide.

For the ranges of garden products, that is to say brushcutters, lawnmowers and garden tractors, sales at the sell-in level were conditioned by the high stock levels dealers had at the start of the season.



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	12.31.2004	12.31.2003
Italy	37,060	38,604
Europe	101,001	90,469
Rest of the world	25,116	23,608
Total	163,177	152,681

Sales on the domestic market amounted to 37,060 thousand euro, a decrease of 4% with respect to last year. Because of the high quantity of pre-season purchases by the network, the Italian market suffered the problem of high stock levels at the start of the 2004 season more than other European countries.

Sales in Europe increased by 11.6%. This growth was significant on the French market (due to the above-mentioned products with the Staub brand name) and in most East European countries.

In the rest of the world sales increased due to good performance in South America and Turkey.

Our order book for the first quarter of 2005 is approximately 15% higher than in the same period of 2004.

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 36,468 shares in the treasury stock portfolio.

From 01.01.2004 until 12.31.2004 a total of 1,000 treasury stock shares were purchased at an average unit price of 3.4 euro, while 15,500 shares were sold at an average share price of 3.72 euro. As at 12.31.2004 there were therefore 21,968 shares in the treasury stock portfolio.



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 the balance sheet as at December 31, 2003.

The financial statements for the year 2004 were drawn up incorporating the modifications dictated by the corporate law reform (Italian legislative decree D.Lgs. 17 January 2003, no. 6 and subsequent modifications and supplements), which involved integrating the balance sheet and report as directed by the law.

Accordingly:

- some items of past years were reclassified in order to make them homogeneous and comparable with those of the period under examination;
- tax interference was eliminated from the relevant balance sheet items with an overall benefit net of taxes equal to approximately 340 thousand euro that was charged to extraordinary administration.

At 12.31.2004 the companies in the group, which previously had always evaluated stock-in-trade with the Lifo method, changed the criterion of evaluation to the weighted average cost method. The effects of this change on the performance in the period, before tax, are the following:

- the cumulative positive effect on the opening shareholders' equity obtained by applying the new criterion retroactively to the opening stock-in-trade is approximately 123 thousand euro and was recorded as extraordinary proceeds in the profit and loss account;
- the negative effect on the ordinary income of the period after changing the evaluation criterion, that is not having continued to follow the previous criterion, was approximately 152 thousand euro.

The accounts were presented before tax in accordance with art. 81 of the aforesaid Consob regulations.

The quarterly statement is not subject to auditing.

With respect to December 31, 2003 the consolidation area includes the Chinese company Jiangmen Emak Outdoor Power Equipment Co. Ltd.



The period contains the following extraordinary operations that affected the financial statements of the Emak group:

- Emak S.p.A. increased its holding in Emak Deutschland GmbH. After this increase its holding passed from 80% to 100% of equity;
- Emak S.p.A. fully subscribed and paid up the capital stock of the Chinese subsidiary company Jiangmen Emak Outdoor Power Equipment Co. Ltd. that to date amounts to 1,084 thousand U.S. dollars for its holding of 100%.

In the month of December Emak S.p.A. undersigned an agreement with Simest S.p.A. that includes the following:

- sale to Simest S.p.A. of 49% of the current capital stock of the Chinese company at the price calculated in relation to the total cost sustained (438 thousand euro);
 - resolution to increase the capital stock of the Chinese company up to 2,200 thousand U.S. dollars, which is to be subscribed proportionally (51% Emak S.p.A. and 49% Simest S.p.A.);
 - the stake held by Simest S.p.A. is subject to a binding repurchase agreement by Emak S.p.A. at the date of 30.06.2012.
- The subsidiary Kens International SA increased its holding in Emak Benelux SA passing from 83.2% to 99.7%. The stake held by the Emak group therefore rose from 82% to 99.5%.



Notes to the financial statements

During the course of 2004 the Emak group invested 7,708 thousand euro in tangible and intangible fixed assets (value quoted net of the capitalised consolidation differences of 189 thousand euro) broken down as follows:

- 2,063 thousand euro on product innovation (mainly referred to studies, research, and equipment for new products);
- 1,001 thousand euro on boosting production capacity and upgrading manufacturing processes;
- 914 thousand euro in developing the computer network and for other management infrastructure investments;
- a total of 3,730 thousand euro 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 12.31.2003 inventories were up by approximately 4,528 thousand euro because of production being brought forward for orders for the first quarter of 2005.

Receivables from customers increased by approximately 2,242 thousand euro with respect to 12.31.2003; since collection conditions remained substantially unchanged, this rise is attributable to the higher volume of sales made in the last quarter of 2004 with respect to the corresponding period of 2003.

Compared to 12.31.2003, payables to suppliers increased by approximately 7,438 thousand euro after the higher levels of purchases made in the last quarter of 2004 with respect to the corresponding period of 2003.

Net financial liabilities decreased by 4,691 thousand euro, passing from 21,102 thousand euro at 12.31.2003 to 16,411 thousand euro at 12.31.2004, as a result of the high level of cash flow generated by the current administration.

Internal cash-flow before tax amounted to 21,793 thousand euro in the period, compared to 22,307 thousand euro in the same period of the preceding year.

As well as loan instalments, medium/long-term financial liabilities also include capital portions with due dates beyond 12 months and the residual capital debt of financial leasing agreements (accounted in accordance with the reference international accounting principle I.A.S. n. 17).



Short-term financial payables chiefly include:

- overdrawn current accounts;
- loan instalments with due date within 12 months;
- payables to other sources of finance (mainly for leasing contracts) falling due within 12 months.

Notes to economic data

In the year 2004, the Emak group accomplished revenue growth of 6.9% with total sales proceeds of 163,177 thousand euro, compared to 152,681 thousand euro in the preceding year. Revenues for the first quarter of 2004 totalled 39,549 thousand euro, compared to 34,529 thousand euro for the same period in the preceding year, rising by 14.5%.

The gross operating margin as at 31.12.2004 was 22,845 thousand euro, equivalent to 14% of revenue, compared to 23,922 thousand euro (15.7% of revenue) for the preceding year. In the fourth quarter of 2004 the gross operating margin grew by 269 thousand euro for a total of 4,626 thousand euro, equivalent to 11.7% of revenue, compared to the 4,357 thousand euro (12.6% of revenue) of the same period in the preceding year.

The operating result as at 31.12.2004 was 16,480 thousand euro, equivalent to 10.1% of revenue, compared to the 17,549 thousand euro (11.5% of revenue) in the same period of the preceding year. In the fourth quarter of 2004 the operating result increased by 315 thousand euro to 2,716 thousand euro, equivalent to 6.9% of revenue, compared to 2,401 thousand euro (7% of revenue) in the same period of the preceding year.

The overall income for the period was negatively conditioned by the increase in the costs for services, higher personnel costs and by the increase in the price of the main raw materials.

The costs for services increased due to the higher R&D costs because of the high concentration of development projects for new products that caused a significantly higher amount to be spent in the period than in the past, the commercial costs sustained in the period for promotional initiatives supporting the sales network and the start-up costs for the production unit in China.



QUARTERLY REPORT - DECEMBER 31, 2004

The cost of labour increased both in relation to the increase in average staffing levels and because of pay increases. As at December 31, 2004 the number of employees was 634 units (of whom 53 in fixed-term contracts) compared to a workforce of 573 on 31 December 2003.

The increase in the price of the main raw materials, contained in the first part of the year due to purchase contracts already in being, had significant consequences as of the third quarter of 2004 on the costs of both components and transport.

Income was positively affected by the increase in sales and the limitation on the costs of purchase of some components due to efficiency plans implemented by the company with purchase marketing policies in areas with more competitive costs. The company aims to foster an increasingly greater integration of suppliers according to an extended factory model.

Income before tax was 15,935 thousand euro, equivalent to 9.8% of revenue, compared to 16,376 thousand euro (10.7% of revenue) in the preceding year. In the fourth quarter of 2004 earnings before tax increased by 747 thousand euro to 2,904 thousand euro, equivalent to 7.3% of revenue, compared to 2,157 thousand euro (6.2% of revenue) in the same period of the previous year.

Bagnolo in Piano (RE), 11th February 2005

p. The Board of Directors

The Chairman

Giacomo Ferretti



Emak[®]

MEMBER OF THE YAMA GROUP

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