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GREENMAN TECHNOLOGIES INC  
Form 10QSB  
August 21, 2003

U.S. Securities and Exchange Commission  
Washington, D.C. 20549

Form 10-QSB

Quarterly Report Under Section 13 or 15(d)  
of the Securities Exchange Act of 1934

For Quarter Ended June 30, 2003  
-----

Commission File Number 1-13776  
-----

GreenMan Technologies, Inc.

-----  
(Exact name of small business issuer as specified in its charter)

Delaware  
-----

(State or other jurisdiction  
of incorporation or organization)

71-0724248  
-----

(I.R.S. Employer  
Identification No.)

7 Kimball Lane, Building A, Lynnfield, MA  
-----

(Address of principal executive offices)

01940  
-----

(Zip Code)

Issuer's telephone number, including area code (781) 224-2411  
-----

-----  
(Former name, former address and former fiscal year,  
if changed since last report.)

Indicate by check mark whether the issuer (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes  No

Number of shares outstanding as of August 19, 2003  
Common Stock, \$.01 par value, 16,033,833 shares

GreenMan Technologies, Inc.  
Form 10-QSB  
Quarterly Report  
June 30, 2003

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\* The financial information at September 30, 2002 has been taken from audited financial statements at that date and should be read in conjunction therewith. All other financial statements are unaudited.

GreenMan Technologies, Inc.  
Unaudited Condensed Consolidated Balance Sheets

	June 30 2003
	-----
ASSETS	
Current assets:	
Cash and cash equivalents .....	\$ 916,
Accounts receivable, trade, less allowance for doubtful accounts of \$85,145 and \$196,920 as of June 30, 2003 and September 30, 2002 .....	3,275,
Equipment held for sale .....	163,
Product inventory .....	448,
Other current assets .....	1,009,
	-----
Total current assets .....	5,812,
	-----
Property, plant and equipment, net .....	11,505,
	-----
Other assets:	
Deferred loan costs .....	244,

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Goodwill .....	3,413,
Customer relationship intangibles, net .....	238,
Note receivable .....	
Other .....	805,
	-----
Total other assets .....	4,702,
	-----
	\$ 22,020,
	=====

LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities:	
Notes payable, current .....	\$ 4,212,
Accounts payable .....	3,645,
Accrued expenses and other current liabilities .....	1,595,
Obligations under capital leases, current .....	417,
	-----
Total current liabilities .....	9,870,
Notes payable, related party .....	575,
Notes payable, non-current portion .....	6,201,
Obligations under capital leases, non-current portion .....	2,091,
	-----
Total liabilities .....	18,738,
	-----
Stockholders' equity:	
Preferred stock, \$1.00 par value, 1,000,000 shares authorized, none outstanding ...	
Common stock, \$.01 par value, 30,000,000 shares authorized at June 30, 2003 and 20,000,000 shares authorized at September 30, 2002: 15,906,833 and 15,654,665 shares issued and outstanding at June 30, 2003 and September 30, 2002 .....	159,
Additional paid-in capital .....	28,697,
Accumulated deficit .....	(25,529,
Notes receivable, common stock .....	(45,
	-----
Total stockholders' equity .....	3,282,
	-----
	\$ 22,020,
	=====

See accompanying notes to unaudited condensed consolidated financial statements

GreenMan Technologies, Inc.  
Unaudited Condensed Consolidated Statements of Operations

	Three Months Ended		Nine Months
	June 30,	June 30,	June 30,
	2003	2002	2003
	-----	-----	-----
Net sales .....	\$ 7,159,221	\$ 7,175,533	\$ 21,271,112
Cost of sales .....	6,215,540	5,280,437	18,346,376
	-----	-----	-----
Gross profit .....	943,681	1,895,096	2,924,736
	-----	-----	-----

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Operating expenses:			
Selling, general and administrative .....	1,297,240	1,133,028	4,128,773
	-----	-----	-----
Operating profit (loss) .....	(353,559)	762,068	(1,204,037)
	-----	-----	-----
Other income (expense):			
Interest and financing costs .....	(347,618)	(338,537)	(1,052,319)
Forgiveness of indebtedness .....	--	65,594	--
Casualty loss, net .....	(151,267)	--	(151,267)
Loss on disposal of assets, net .....	(112,082)	--	(112,082)
Other, net .....	(6,317)	(3,121)	13,062
	-----	-----	-----
Other income (expense), net .....	(617,284)	(276,064)	(1,302,606)
	-----	-----	-----
Net income (loss) before income taxes .....	(970,843)	486,004	(2,506,643)
Income tax provision .....	--	(55,000)	(550)
	-----	-----	-----
Net income (loss) .....	\$ (970,843)	\$ 431,004	\$ (2,507,193)
	=====	=====	=====
Net income (loss) per share - basic .....	\$ (0.06)	\$ 0.03	\$ (0.16)
	=====	=====	=====
Net income (loss) per share - diluted .....	\$ (0.06)	\$ 0.02	\$ (0.16)
	=====	=====	=====
Weighted average shares outstanding - basic ....	15,821,764	15,082,778	15,734,269
	=====	=====	=====
Weighted average shares outstanding - diluted ..	15,821,764	17,713,259	15,734,269
	=====	=====	=====

See accompanying notes to unaudited condensed consolidated financial statements.

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GreenMan Technologies, Inc.  
Unaudited Condensed Consolidated Statement of Changes in Stockholders' Equity  
Nine Months Ended June 30, 2003

	Common Stock		Additional	Accum
	Shares	Amount	Paid-in Capital	De
	-----	-----	-----	-----
Balance, September 30, 2002 .....	15,654,665	\$156,547	\$28,473,710	\$ (23,
Common stock issued upon exercise of stock options .....	124,000	1,240	45,358	
Sale of common stock .....	128,168	1,281	178,719	
Net loss for the nine months ended June 30, 2003 ..	--	--	--	(2,
	-----	-----	-----	-----
Balance, June 30, 2003 .....	15,906,833	\$159,068	\$28,697,787	\$ (25,
	=====	=====	=====	=====

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See accompanying notes to unaudited condensed consolidated financial statements.

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### GreenMan Technologies, Inc. Unaudited Condensed Consolidated Statements of Cash Flow

	Nine M Ju 2003 -----
Cash flows from operating activities:	
Net income (loss) .....	\$(2,507,193)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:	
Depreciation .....	1,632,953
Loss on disposal of property, plant and equipment .....	148,484
Non cash casualty loss .....	75,267
Common stock and warrants issued for services .....	--
Amortization .....	83,543
Forgiveness of indebtedness .....	--
Decrease (increase) in operating assets:	
Accounts receivable .....	797,145
Product inventory .....	(314,658)
Other current assets .....	142,803
(Decrease) increase in operating liabilities:	
Accounts payable .....	1,068,861
Other current liabilities .....	410,772
Net cash provided by operating activities .....	1,537,977
Cash flows from investing activities:	
Purchase of property and equipment .....	(2,411,663)
Proceeds on disposal of property and equipment .....	250,000
Repayment of notes receivable .....	200,000
Acquisition of businesses, net of cash acquired .....	--
Decrease (increase) in other assets .....	(224,604)
Net cash used for investing activities .....	(2,186,267)
Cash flows from financing activities:	
Deferred financing costs .....	(31,139)
Net advances under line of credit .....	341,988
Repayment of notes payable .....	(1,186,480)
Proceeds from notes payable .....	1,724,967
Principal payments on obligations under capital leases .....	(291,327)
Repayment of notes receivable, common stock .....	--
Cash received upon exercise of stock options and warrants .....	46,598
Net proceeds on sale of common stock .....	180,000
Net cash provided by financing activities .....	784,607
Net increase (decrease) in cash .....	136,317
Cash and cash equivalents at beginning of period .....	780,497
Cash and cash equivalents at end of period .....	\$ 916,814

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### Supplemental cash flow information:

Machinery and equipment acquired under capital leases .....	\$	279,300
Interest paid .....		997,003
Note payable issued in connection with Preferred stock repurchase .....		--
Common stock issued in connection with acquisitions .....		--
Taxes paid .....		550

See accompanying notes to unaudited condensed consolidated financial statements

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GreenMan Technologies, Inc.  
Notes To Unaudited Condensed Consolidated Financial Statements  
June 30, 2003

### 1. Business

GreenMan Technologies, Inc. ("GreenMan" or the "Company") was founded in 1992 and today comprises six operating locations that collect, process and market scrap tires in whole, shredded or granular form. We are headquartered in Lynnfield, Massachusetts and currently operate size reduction operations in California, Georgia, Iowa, Minnesota, Tennessee and Wisconsin and operate under exclusive agreements to supply whole tires to cement kilns located in Florida, Georgia, Illinois, Missouri, Tennessee and Texas.

In February 2003, GreenMan announced its intent to open a new high-volume tire processing facility in LaVergne, Tennessee. GreenMan is operating the facility under a new wholly-owned subsidiary, GreenMan Technologies of Tennessee, Inc. and began shredding operations during July 2003 under limited operating conditions.

In February 2003, management decided to reconfigure the operations of GreenMan Technologies of Wisconsin from a low-volume size reduction facility to a whole tire transfer station supplying compliant tires to a certain cement kiln. The decision was made because the cement kiln has been and is anticipated to continue consuming a majority of the scrap tires collected by GreenMan Technologies of Wisconsin. Management intends to utilize the available Wisconsin size reduction equipment at other GreenMan locations.

Due to the uncertain impact of certain pending Oklahoma scrap tire legislation, management determined that it was in the Company's best interest to divest its interest in Able Tire of Oklahoma, LLC a joint venture formed in January 2002. On April 1, 2003 GreenMan sold its majority interest in Able Tire of Oklahoma, LLC, to the minority member for \$50,000 and recognized a \$71,000 loss.

### 2. Basis of Presentation

The consolidated financial statements include the results of operations of GreenMan Technologies, Inc. and its wholly-owned and majority-owned subsidiaries. All significant intercompany accounts and transactions are eliminated in consolidation.

The financial statements are unaudited and should be read in conjunction with the financial statements and notes thereto for the year ended September 30, 2002 included in GreenMan's Annual Report on Form 10-KSB. Certain information

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and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to the Securities and Exchange Commission rules and regulations, although management believes the disclosures which have been made are adequate to make the information presented not misleading. The results of operations for the periods reported are not necessarily indicative of those that may be expected for a full year. In the opinion of management, all adjustments (consisting only of normal recurring adjustments) which are necessary for a fair statement of operating results for the interim periods presented have been made.

### 3. Net Income (Loss) Per Share

Basic earnings per share represents income available to common stockholders divided by the weighted average number of common shares outstanding during the period. Diluted earnings per share reflects additional common shares that would have been outstanding if potential dilutive common shares had been issued, as well as any adjustment to income that would result from the assumed conversion. Potential common shares that may be issued by GreenMan relate to outstanding stock options and warrants (determined using the treasury stock method), preferred stock and convertible debt. Basic and diluted net loss per share are the same for the three and nine months ended June 30, 2003, since the effect of the inclusion of all outstanding options and warrants would be anti-dilutive. The assumed conversion of outstanding dilutive stock options, warrants and preferred stock for the three and nine months ended June 30, 2003 would increase the shares outstanding but would not require an adjustment to income as a result of the conversion.

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GreenMan Technologies, Inc.  
Notes To Unaudited Condensed Consolidated Financial Statements  
June 30, 2003

### 3. Net Income (Loss) Per Share - (Continued)

Net income per common share has been computed based on the following for the following periods:

	Three Months Ended June 30, 2002	Nine Months Ended June 30, 2002
	-----	-----
Net income applicable to common stock .....	\$ 431,004	\$ 891,860
	=====	=====
Average number of common shares outstanding .....	15,082,778	14,238,958
Effect of dilutive options .....	2,630,481	1,543,638
	-----	-----
Average number of common shares outstanding used to calculate diluted net income per share ...	17,713,259	15,782,596
	=====	=====

### 4. New Accounting Pronouncements

In June 2001, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting 141, "Business Combinations" and Standard (SFAS) No. 142, "Goodwill and Other Intangible Assets". SFAS No. 141 applies to all business combinations with a closing date after June 30, 2001 and eliminates

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the pooling-of-interests method of accounting and further clarifies the criteria for recognition of intangible assets separately from goodwill. SFAS No. 142 eliminates the amortization of goodwill and indefinite-lived intangible assets and initiates an annual review for impairment. Identifiable intangible assets with a determinable useful life will continue to be amortized. GreenMan adopted SFAS No. 142 effective October 1, 2001, which required GreenMan to cease amortization of its remaining net goodwill balance and to perform an impairment test of its existing goodwill based on a fair value concept. As of June 30, 2003 and September 30, 2002, GreenMan has net unamortized goodwill of \$3,413,894.

In June 2001, the FASB issued SFAS No. 143, "Accounting for Asset Retirement Obligations". This statement establishes standards for accounting for obligations associated with the retirement of tangible long-lived assets, and is effective for fiscal years beginning after June 15, 2002.

In August 2001, the FASB issued SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets". This statement addresses financial accounting and reporting for the impairment and disposal of long-lived assets, and is effective for fiscal years beginning after December 15, 2001.

In July 2002, the FASB issued SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities". SFAS No. 146 requires companies to recognize costs associated with exit or disposal activities when they are incurred rather than at the date of a commitment to an exit or disposal plan. SFAS No. 146 will be applied prospectively to any exit or disposal activities initiated after December 31, 2002. GreenMan has adopted SFAS No. 143 and SFAS No. 144 in the first quarter of fiscal 2003, such adoption did not impact its financial position and results of operations. GreenMan does not expect the future adoption of SFAS No. 146 to impact its financial position and results of operations.

In December 2002, the FASB issued SFAS No. 148, "Accounting for Stock-Based Compensation - Transition and Disclosure", amending the disclosure requirements for stock-based compensation. This statement requires prominent disclosures in both annual and interim financial statements about the method of accounting for stock-based employee compensation and the effect of the method used on reported results.

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GreenMan Technologies, Inc.  
Notes To Unaudited Condensed Consolidated Financial Statements  
June 30, 2003

### 5. Stock Options

The Company accounts for its stock-based employee compensation under the recognition and measurement principles of APB Opinion No. 25, Accounting for Stock Issued to Employees, and related interpretations. No stock-based employee compensation cost is reflected in the results of operations, as all options granted under those plans had an exercise price greater than or equal to the fair value of the underlying common stock on the date of the grant. Fair values of stock options are determined using the Black-Scholes option pricing model. The following table illustrates the effect on net income and earnings per share had the Company applied the fair value recognition provisions of FASB Statement No. 123, Accounting for Stock-Based Compensation, to stock-based employee compensation:



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	Three Months Ended		Nine Mo
	June 30, 2003	June 30, 2002	June 30, 2003
	-----	-----	-----
Net income (loss) as reported .....	\$ (970,843)	\$ 431,004	\$ (2,507,19
Less: Total stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effects .....	(4,014)	(4,753)	(15,93
Pro forma net income (loss) .....	\$ (974,857)	\$ 426,251	\$ (2,523,12
	=====	=====	=====
Earnings per share:			
Basic - as reported .....	\$ (0.06)	\$ 0.03	\$ (0.1
Basic - pro forma .....	\$ (0.06)	\$ 0.03	\$ (0.1
Diluted - as reported .....	\$ (0.06)	\$ 0.02	\$ (0.1
Diluted - pro forma .....	\$ (0.06)	\$ 0.02	\$ (0.1
	=====	=====	=====

6. Property, Plant and Equipment

Property, plant and equipment consists of the following:

	June 30, 2003	September 30, 2002	Estimated Useful Lives
	-----	-----	-----
Land .....	\$ 504,346	\$ 336,365	10-20 years
Buildings .....	2,604,939	2,245,891	5-10 years
Machinery and equipment .....	9,710,962	7,875,139	3-5 years
Furniture and fixtures .....	279,561	169,721	3-10 years
Motor vehicles .....	5,595,626	5,410,434	
Construction in progress .....	218,078	848,515	
	-----	-----	
	18,913,512	16,886,065	
Less accumulated depreciation and amortization .....	(7,407,950)	(6,040,728)	
	-----	-----	
Property, plant and equipment, net ..	\$ 11,505,562	\$ 10,845,337	
	=====	=====	

On March 31, 2003, a portion of GreenMan Technologies of Georgia's facility and several pieces of waste wire processing equipment were damaged by a fire. The Company believes that the damage will be adequately covered by insurance and is in the final stages of assessing the full extent of the damage in conjunction with its insurance carrier. As of June 30, 2003, damaged equipment and parts with a net book value of approximately \$75,000 have been written off and the Company has incurred \$175,000 of expenses associated with the fire, including \$162,000 of excess waste wire disposal. These amounts have been offset by a \$99,000 advance received from the insurance company but management has not recognized any additional offsetting insurance proceeds

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expected to be received until the amounts are paid or approved in writing by our insurance carrier. Management estimates these amounts recoverable for losses incurred through the quarter ended June 30, 2003 should be sufficient, at a minimum, to recover the expenses recorded thus far;

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### GreenMan Technologies, Inc. Notes To Unaudited Condensed Consolidated Financial Statements June 30, 2003

#### 6. Property, Plant and Equipment - (Continued)

however, no assurances can be given on the amount of the recovery until the matter is settled by our insurance company.

In April, 2003, GreenMan was notified that the Company's property insurance policy, which expires on June 21, 2003, would not be renewed by its current carrier. GreenMan successfully renewed it's property insurance policy prior to expiration.

On April 1, 2003, GreenMan Technologies of Wisconsin acquired the land and buildings previously being leased for \$362,900. The seller issued a sixty seven month note payable with payments during the first eight months aggregating \$76,500 with monthly payments of \$2,885.81, including interest at 8% commencing December 1, 2003 with the remaining principal due November 1, 2008.

In May 2003, GreenMan Technologies of Iowa entered into a five-year real estate operating lease with Maust Asset Management Company, LLC ("Maust Asset Management"), a company co-owned by an officer of the Company. Under the terms of the lease, GreenMan Technologies of Iowa is required to pay \$7,000 per month rental and has the ability to extend the term of the lease for an additional two (5) year terms at a mutually agreed upon rate. Maust Asset Management acquired the property from the Company's former lessor.

#### 7. Credit Facility

On February 7, 2003, Southern Pacific Bank ("SPB") and its wholly owned subsidiary Coast Business Credit ("CBC") were closed by the Commissioner of Financial Institutions of the State of California. The Federal Deposit Insurance Corporation ("FDIC") was appointed receiver of SPB and its subsidiaries. Prior to its closure, CBC had been GreenMan's principal source of working capital financing and long term debt under a January 2001 credit facility agreement (the "Credit Facility").

On May 15, 2003, the FDIC notified GreenMan that Waco Asset Management Company, 31 Ltd., ("WAMCO") had purchased the Credit Facility. GreenMan believes that the liquidity available under the line of credit will be sufficient to fund its operations, but recognizes that it must refinance its Credit Facility obligations in the near future. GreenMan is currently evaluating several refinancing alternatives. Although GreenMan currently believes that it will be able to refinance all of its Credit Facility obligations no assurances can be given that such refinancing will be concluded in the near future, on terms favorable to the Company, or at all. As of June 30, 2003, the unamortized balance of deferred financing charges relating to this obligation was \$200,566.

#### 8. Segment Information

GreenMan operates in one business segment, the collecting, shredding and

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marketing of scrap tires to be used as feedstock for tire derived fuel (TDF), civil engineering projects and/or for further processing into crumb rubber.

### 9. Stockholders' Equity

#### Increase in Authorized Shares of Common Stock

On February 20, 2003, the stockholders of the Company approved an amendment to the Company's Certificate of Incorporation to increase the number of authorized shares of common stock from 20,000,000 to 30,000,000.

#### Common Stock Transactions

In February 2002, GreenMan commenced a private offering of unregistered common stock in an effort to raise up to \$2,000,000 in gross proceeds (subsequently increased to \$3,000,000 in August 2002). As of June 30, 2003, the Company has sold 1,458,511 shares of unregistered common stock to investors, including existing shareholders, for gross proceeds of \$2,133,633. The investors have been granted limited registration rights to cause the Company to register the common stock for resale in the event that GreenMan registers shares of common stock for its own account. The investors have agreed not to sell or transfer the shares for a period of at least 18 months after issuance.

In December 2002, 12,000 qualified options to purchase unregistered shares of common stock were exercised at \$.85 per share. In May 2003, two directors of the Company exercised options to purchase 112,000 of unregistered shares of common stock at exercise prices ranging from \$.31 to \$.45 per share for gross proceeds of \$46,598.

### 10. Subsequent Events

On July 14, 2003, GreenMan was notified that the Company's Director's and Officer's liability insurance policy, which expires on October 1, 2003, will not be renewed by its current carrier. GreenMan is currently evaluating several alternatives. Although GreenMan currently believes that it will be able to obtain Director's and Officer's Liability insurance coverage prior to the expiration of existing coverage, no assurances can be given that such new coverage will be secured in the near future, on terms favorable to the Company, or at all.

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### Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following information should be read in conjunction with the unaudited condensed consolidated financial statements and the notes thereto included in Item 1 of the Quarterly Report, and the audited consolidated financial statements and notes thereto and Management's Discussion and Analysis of Financial Condition and Results of Operations contained in GreenMan's Form 10-KSB filed for the year ended September 30, 2002.

#### Results of Operations

Three Months ended June 30, 2003 Compared to the Three Months ended June 30, 2002

Net sales for the three months ended June 30, 2003 were \$7,159,221 compared to last year's net sales of \$7,175,533, which included approximately \$328,000 of net sales and 383,000 passenger tire equivalents associated with

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GreenMan's majority owned joint venture which was divested on April 1, 2003. In addition, several large tire pile cleanup projects accounting for 10% of the total passenger tire equivalents processed during the three months ended June 30, 2002 were completed during June 2002. These decreases were offset by the inclusion of the California operations, which were acquired in July 2002 as well as increased end product sales which accounted for 27% of consolidated revenues for the three months ended June 30, 2003 as compared to 15% for the same period last year. GreenMan processed 6.9 million passenger tire equivalents during the three months ended June 30, 2003, as compared to 7.1 million passenger tire equivalents for the three months ended June 30, 2002. The overall quality of revenue (revenue per passenger tire equivalent) improved due to improved end product sales which offset an 8% reduction in tipping fees and lower tire volumes in certain markets due to the completion of several large on-going tire pile cleanups during the spring of 2002.

Gross profit for the three months ended June 30, 2003 was \$943,681 or 13% of net sales as compared to \$1,895,096 or 26% of net sales for the three months ended June 30, 2002. The decrease was attributable to: (1) the completion of several large tire pile cleanups during June 2002; (2) decreased product revenue in Georgia as a result of the March 31, 2003 waste wire processing equipment fire and which management estimates to exceed \$300,000; (3) more than \$200,000 of excess transportation costs necessitated by processing Tennessee-sourced tires at our Georgia facility until the announced Nashville area facility commences full operation; (4) approximately \$170,000 of operating inefficiencies associated with the transition of Wisconsin operations from a size reduction facility to a whole tire transfer station, which is anticipated to be completed during the fourth quarter; (5) previously reported corporate-wide insurance cost increases of more than \$135,000 per quarter; and (6) more than \$50,000 in lost profitability due to boiler problems experienced at two large tire derived fuel ("TDF") customers and which were corrected during June 2003.

Selling, general and administrative expenses for the quarter ended June 30, 2003 were \$1,297,240 or 18% of net sales as compared to \$1,133,028 or 16% of net sales for the three months ended June 30, 2002. The increase is primarily attributable to inclusion of GreenMan's California operation which was acquired in fiscal 2002 as well as approximately \$72,000 associated with the initial startup of GreenMan's Tennessee operation.

In addition to the disruption of operations and lost revenues caused by the March 2003 fire, the Company also incurred additional direct costs relating to damaged equipment and excess disposal costs totaling approximately \$151,000, net of partial insurance recovery of \$99,000. The Company also incurred a net loss of approximately \$112,000 associated with the divestiture of under-performing assets, unrelated to the fire during the quarter ended June 30, 2003.

GreenMan's net loss for the quarter ended June 30, 2003 was \$970,843 or \$.06 per basic share as compared to net income of \$431,004 or \$.03 per basic share for the quarter ended June 30, 2002, which included \$65,594 of other income associated with forgiveness of debt.

Nine Months ended June 30, 2003 Compared to the Nine Months ended June 30, 2002

Net sales for the nine months ended June 30, 2003 increased 12% or \$2,226,629 to \$21,271,112 as compared to \$19,044,483 for the nine months ended June 30, 2002, which included approximately \$444,000 of net sales associated with GreenMan's majority owned joint venture which was divested on April 1, 2003. In addition, several large tire pile cleanup projects accounting for 11%

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of the total passenger tire equivalents processed during the nine months ended June 30, 2002 were completed. The increase was primarily attributable to the inclusion of operations of three new subsidiaries formed in connection with fiscal 2002 acquisitions and the majority owned joint venture formed in fiscal 2002, as well as increased end product sales which accounted for 23% of consolidated revenues for the nine months ended June 30, 2003 as compared to 14% for the same period last year. GreenMan processed 21 million passenger tire equivalents during the nine months ended June 30, 2003, as compared to 18.4 million passenger tire equivalents for the nine months ended June 30, 2002. The overall quality of revenue (revenue per passenger tire equivalent) benefited from increased end product sales but decreased 2% overall as a result of a 15% reduction in tipping fees and lower tire volumes in certain markets due to current economic conditions, world events and the completion of several large on-going tire pile cleanups during the spring of 2002.

Gross profit for the nine months ended June 30, 2003 was \$2,924,736 or 14% of net sales as compared to \$4,680,678 or 25% of net sales for the nine months ended June 30, 2002. The decrease was attributable to: (1) the completion of several large tire pile cleanups completed during June 2002; (2) more than \$440,000 of excess transportation costs necessitated by processing Tennessee-sourced tires at our Georgia facility until the announced Nashville area facility commences full operation; (3) previously reported corporate-wide insurance cost increases of more than \$135,000 per quarter; (4) \$260,000 of increased raw material costs incurred by GreenMan Technologies of Iowa resulting from the need to supplement crumb rubber feedstock requirements externally during the \$1.5 million facility rebuild period and the winter months when seasonally inbound volumes are lower; (5) decreased product revenue in Georgia as a result of the March 31, 2003 waste wire processing equipment fire and which management estimates to exceed \$300,000; (6) approximately \$250,000 of operating inefficiencies associated with the transition of Wisconsin operations from a size reduction facility to a whole tire transfer station which is anticipated to be completed during the fourth quarter; (7) approximately \$150,000 relating to costs specifically associated with operational disruptions and increased transportation costs due to a complete shredding equipment upgrade at GreenMan of Iowa which was completed in February 2003; (8) over \$125,000 in lost profitability due to boiler problems experienced at two large TDF customers and which were corrected in June 2003; and (9) approximately \$105,000 relating to operating and startup losses associated with a new kiln relationship, which was terminated December 31, 2002 and the commercialization of our roofing shingle project.

Selling, general and administrative expenses for the nine months ended June 30, 2003 were \$4,128,773 or 19% of sales as compared to \$2,983,369 or 16% of sales for the nine months ended June 30, 2002. The results for the nine months ended June 30, 2003, include the operations of three new subsidiaries formed in connection with fiscal 2002 acquisitions and the majority owned joint venture formed in fiscal 2002. In addition, the June 30, 2003 year-to-date results include approximately \$55,000 of costs relating to GreenMan's curtailed specialty waste initiatives and approximately \$228,000 associated with the initial startup of the recently announced Tennessee operation.

In addition to the disruption of operations and lost revenues caused by the March 2003 fire, the Company also incurred additional direct costs relating to damaged equipment and excess disposal costs totaling approximately \$151,000, net of partial insurance recovery of \$99,000. The Company also incurred a net loss of approximately \$112,000 associated with the divestiture of under-performing assets during the quarter ended June 30, 2003.

GreenMan reported a net loss of \$2,507,193 or \$.16 per basic share for the nine months ended June 30, 2003 as compared to net income of \$891,860 or \$.06 per basic share for the nine months ended June 30, 2002, which included \$126,405 of other income associated with forgiveness of debt.

#### Liquidity and Capital Resources

As of June 30, 2003, the Company had \$916,814 in cash and cash equivalents and a working capital deficiency of \$4,058,130. Management understands that the continued, successful sales and marketing of the Company's services and products, the introduction of new products, raising additional growth capital and re-establishing continued profitability from operations will be critical to the Company's future liquidity.

During the past four years, GreenMan has divested and/or closed under performing non-core operations and eliminated the use of non-conventional financing methods that had contributed over \$18.7 million of GreenMan's cumulative losses. As a result of these divestitures and by implementing a very focused business plan and adding businesses, relationships and product lines that complement our core business of scrap tire management, GreenMan has been profitable during the previous two fiscal years. However, GreenMan believes that it will be necessary to raise additional financing to fund continued growth.

In order to better position GreenMan for the future, management has implemented the following actions:

#### Operating Performance Enhancements

Historically, GreenMan's tire shredding operations were able to recover and sell approximately 60% of a processed tire with the balance disposed of as waste wire residual (cross-contaminated rubber and steel) at an annual cost in excess of \$1,000,000. We have installed equipment at our Georgia, Iowa and Minnesota (as of July 2003) facilities to further process the waste wire residual into saleable components of rubber and steel to provide new sources of revenue and reduce disposal costs. Following a February 2003 decision to reconfigure GreenMan Technologies of Wisconsin operations, waste wire processing equipment in Wisconsin was taken off line in March 2003 with the intention of moving it to GreenMan's Minnesota operation. GreenMan Technologies of Georgia's waste wire processing equipment was damaged in a March 2003 fire however, and therefore we anticipate increased disposal costs and reduced product revenue in Georgia until the equipment is repaired (which is currently estimated to be complete by October 2003). As of June 30, 2003, GreenMan has recorded over \$250,000 of additional fire related costs prior to recognition of a partial insurance recovery of \$99,000 and exclusive of forgone product revenues associated with recovered rubber and steel. Management intends to seek reimbursement for these extra costs and forgone profits through its business interruption insurance. Management delayed the relocation of the Wisconsin waste wire processing equipment to Minnesota as originally planned in order to evaluate whether to deploy it instead in Georgia to temporarily replace the damaged equipment; however in May 2003 management decided to relocate the Wisconsin equipment to Minnesota. The Minnesota waste wire processing equipment began initial operation in July 2003 which management estimates will reduce annual disposal expense by over \$160,000 per year, and provide new sources of revenue and much needed material feedstock for our Iowa crumb rubber operations.

During the fourth quarter of fiscal 2002, GreenMan initiated a \$1.5 million equipment upgrade to its Des Moines, Iowa tire processing facility. We completely replaced all tire shredders with more efficient, higher volume equipment and installed a waste wire processing equipment line which will reduce waste wire disposal costs while increasing our capacity to produce over 20 million pounds of rubber feedstock per year for our internal crumb rubber operations. During the July to December timeframe, we experienced inevitable

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one-time operational disruptions as well as increased transportation costs associated with temporarily diverting a significant portion of Iowa tires to our Minnesota plant during the equipment installation. These disruptive factors negatively impacted earnings in the first quarter of fiscal 2003 by approximately \$150,000.

The internalization of crumb rubber feedstock supply and production via our new processing equipment will eliminate over \$250,000 in estimated annual transportation costs necessitated by sourcing crumb rubber feedstock from other GreenMan locations. Additionally, these actions position us to better meet the growing market demand for our products and services as evidenced by the fact that Iowa crumb product shipments have increased five-fold on a fiscal-year-to-date basis through July 2003 as compared to the same period last year. The capital investment in Iowa is being funded by a combination of internal cash flow and long term debt provided by both an existing lender, First American Bank of Des Moines, Iowa and the State of Iowa.

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### New Market Development Initiatives

The July 2002 acquisition of Azusa, California based Unlimited Tire Technologies, Inc. marked GreenMan's first location in the western portion of the United States. Management has devoted significant resources during the past twelve months to expand and enhance GreenMan's California market position in order to provide a solid foundation for future growth and sustainable profitability.

In February 2003, GreenMan announced its intent to open a new high-volume tire processing facility in LaVergne, Tennessee as a result of experiencing significant market share growth during the last two years. The facility will be operated under a new wholly-owned subsidiary, GreenMan Technologies of Tennessee, Inc. Historically, GreenMan has transported all Tennessee-sourced tires to GreenMan's Georgia facility to be processed. In July 2003, GreenMan's Tennessee facility began processing local tires on a limited basis utilizing excess and idle equipment from various GreenMan subsidiaries. Management is evaluating several immediate financing alternatives to provide the capital necessary to purchase all remaining equipment. When the Tennessee facility is fully operational, management estimates the cost savings realized by processing Tennessee-sourced tires locally instead of transporting them to Georgia should exceed \$70,000 per month.

Also, in February 2003, management decided to reconfigure the operations of GreenMan Technologies of Wisconsin from an unprofitable low-volume size reduction facility to a whole tire transfer station supplying compliant tires to a certain cement kiln. The decision was made because the cement kiln has been and is anticipated to continue consuming a majority of the scrap tires collected by GreenMan Technologies of Wisconsin. Management intends to utilize the available Wisconsin size reduction equipment at other GreenMan locations and continue its efforts to increase Wisconsin tire volumes and reduce expenses in order to reach profitability in the near term.

During the past nine months, GreenMan has invested over \$1.1 million developing and or reconfiguring it's California, Tennessee and Wisconsin operations. These investments have come in the form of new internally financed capital equipment and the funding of new market development initiatives. While these efforts are ongoing, management believes a majority of the investment necessary to achieve near term profitability has been expended.

### Private Offering of Common Stock

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In February 2002, GreenMan commenced a private offering of unregistered common stock in an effort to raise up to \$2,000,000 in gross proceeds (subsequently increased to \$3,000,000 in August 2002). As of June 30, 2003, the Company has sold 1,458,511 shares of unregistered common stock to investors, including existing shareholders, for gross proceeds of \$2,133,633. The investors have been granted limited registration rights to cause the Company to register the common stock for resale in the event that GreenMan registers shares of common stock for its own account. The investors have agreed not to sell or transfer the shares for a period of at least 18 months after issuance. A majority of the proceeds of this offering were used to acquire certain tire recycling operations and assets.

### Credit Facility

On February 7, 2003, Southern Pacific Bank ("SPB") and its wholly owned subsidiary Coast Business Credit ("CBC") were closed by the Commissioner of Financial Institutions of the State of California. The Federal Deposit Insurance Corporation ("FDIC") was appointed receiver of SPB and its subsidiaries. Prior to its closure, CBC had been GreenMan's principal source of working capital financing and long term debt under a January 2001 credit facility agreement (the "Credit Facility").

On May 15, 2003, the FDIC notified GreenMan that Waco Asset Management Company, 31 Ltd., ("WAMCO") had purchased the Credit Facility. GreenMan believes that the liquidity available under the line of credit will be sufficient to fund its operations, but recognizes that it must refinance its Credit Facility obligations in the near future. GreenMan is currently evaluating several refinancing alternatives. Although GreenMan currently believes that it will be able to refinance all of its Credit Facility obligations no assurances can be given that such refinancing will be concluded in the near future, on terms favorable to the Company, or at all. As of June 30, 2003, the unamortized balance of deferred financing charges relating to this obligation was \$200,566.

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### Cautionary Statement

Information contained or incorporated by reference in this document contains "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995, which statements can be identified by the use of forward-looking terminology such as "may," "will," "would," "can," "could," "intend," "plan," "expect," "anticipate," "estimate" or "continue" or the negative thereof or other variations thereon or comparable terminology. The following matters constitute cautionary statements identifying important factors with respect to such forward-looking statements, including certain risks and uncertainties, that could cause actual results to differ materially from those in such forward-looking statements.

### Factors Affecting Future Results

There are several factors which may effect the future operating results of GreenMan, including:

- o the ability to re-establish its Georgia waste wire processing capabilities in a timely manner and reach a satisfactory resolution with the insurance carriers;
- o the ability to realize the anticipated benefits associated with the re-configuration of GreenMan's Wisconsin operations into a transfer



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station;

- o the ability to realize the anticipated benefits associated with the establishment of GreenMan's Tennessee operations and mitigate the impact on GreenMan's Georgia operations associated with the diverted tire volumes;
- o the ability to successfully renegotiate existing short and long term obligations when necessary in order to maintain ongoing working relationships with certain vendors in light of GreenMan's current working capital deficit;
- o the ability to secure new Director's and Officer's liability insurance prior to the October 1, 2003 expiration;
- o a significant part of GreenMan's business strategy entails future acquisitions, or significant investments in businesses that offer complementary products, services and technologies. Any acquisition of a business is accompanied by certain risks including, but not limited to:
  - the ability to integrate future acquisitions without significant disruption of the Company's ongoing business;
  - distraction of management from the Company's on-going business;
  - overpaying for the entity or assets acquired; and
  - the dilutive impact to existing shareholder's stock positions and earnings per share common stock from the potential issuance of common stock or rights to purchase common stock used in future acquisitions.
- o general economic conditions.

GreenMan's plans and objectives are based on assumptions that it will be successful in receiving additional financing to fund future growth and that there will be no material adverse change in GreenMan's operations or business. There can be no assurance that GreenMan will obtain such financing on acceptable terms.

Assumptions relating to the foregoing involve judgments with respect to, among other things, future economic, competitive and market conditions, all of which are difficult or impossible to predict accurately and many of which are beyond the control of GreenMan. As a result, there can be no assurance that GreenMan will be able to achieve or sustain profitability on a quarterly or annual basis. In light of the significant uncertainties inherent in GreenMan's business, forward-looking statements made in this report should not be regarded as a representation by GreenMan or any other person that the objectives and plans of GreenMan will be achieved.

### Item 3. Controls and Procedures

(a) Evaluation of disclosure controls and procedures. Based on evaluation as of a date within 90 days of the filing date of this Quarterly Report on Form 10-QSB, GreenMan's principal executive officer and principal financial officer have concluded that GreenMan's disclosure controls and procedures (as defined in Rules 13a-14(c) and 15d-14(c) under the Securities Exchange Act of 1934 (the "Exchange Act")) are effective to ensure that information required to be

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disclosed by the Company in reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms.

(b) Changes in internal controls. There were no significant changes in GreenMan's internal controls or in other factors that could significantly affect these controls subsequent to the date of their evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

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### PART II - OTHER INFORMATION

#### Item 2. Changes in Securities

During the nine months ended June 30, 2003 the Company issued 128,168 unregistered shares of its common stock in connection with a private placement of shares of common stock for gross proceeds of \$180,000. Exemption from registration for these transactions is claimed under Rule 506 of Regulation D promulgated under the Securities Act of 1933, as amended (the "Securities Act").

During the nine months ended June 30, 2003, the Company issued 124,000 unregistered shares of its common stock upon exercise of qualified stock options and warrants for gross proceeds of \$46,598. Exemption from registration for this transaction is claimed under Section 4(2) of the Securities Act of 1933, as amended.

#### Item 6. Exhibits and Reports on Form 8-K

##### (a) Exhibits

Exhibit 31.1	Certification of Chief Executive Officer under Section 302 of the Sarbanes-Oxley Act of 2002.
Exhibit 31.2	Certification of Chief Financial Officer under Section 302 of the Sarbanes-Oxley Act of 2002.
Exhibit 32.1	Certification of Chief Executive Officer under 185 U.S.C Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
Exhibit 32.2	Certification of Chief Financial Officer under 185 U.S.C Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

##### (b) Reports on Form 8-K

A Form 8-K was filed on May 16, 2003, under Item 7 "Financial Statements and Exhibits" and Item 9 "Regulation FD Disclosure". The Company's press release dated May 14, 2003, GreenMan Technologies, Inc. Reports Second Quarter Results.

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### SIGNATURES

Pursuant to the requirements of the Securities Act of 1934, the Registrant certifies that it has duly caused this report to be signed on its

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behalf by the undersigned thereunto duly authorized.

By: GreenMan Technologies, Inc.

/s/ Robert H. Davis

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Robert H. Davis  
Chief Executive Officer

By: GreenMan Technologies, Inc.

/s/ Charles E. Coppa

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Chief Financial Officer, Treasurer,  
Secretary