PRESS RELEASE

Treviso, 24th March 2005

DE'LONGHI: the Board of Directors approved the Consolidated Financial Statements and the draft of the Financial Statements as of 31st December 2004:

- **In a transition year following the review of the industrial platform consolidated net sales were up by 0.7% to € 1,287.0 million (€ 1,278.0 million in 2003). Sales volume increase of about 8% more than offset the negative effects of price pressures and the unfavourable trend of exchange rates, which had a combined impact of about 7% on net sales**

- **The industrial margin was overall flat at € 656.3 million, despite the unfavourable external scenario, thanks to the actions on thecommercial side, the product development and the cost savings arising from the prosecution of the industrial relocation**

- **EBITDA decreased to € 137.2 million from € 151.0 million in the FY 2003, due to the presence of significant non recurring costs arising from the current transition phase with regard to the industrial relocation and the increase of costs related to the sales volume growth**

- **Net income at € 15.0 million (€ 22.3 million in 2003) was affected by the charges representing the full cost of the restructuring of the Italian industrial activities and hedging activities which caused higher losses on exchange rates (€ 10.0 million compared to € 1.5 million in 2003)**

- **Net financial position (gross of securitization) was € 403.4 million (compared to € 356.3 million in 2003), mainly due to the temporary increase of working capital originated by the prudent build-up of inventory consistent with the relocation program, higher stock for air conditioners and lower amounts due to tax authorities and higher VAT credits.**

The De' Longhi Group during 2004 kept the focus on the research and development of new products high, which in particular took shape in the commercial success of the coffee makers, stand mixers, air conditioning products and new ironing systems.

The Board of Directors will propose a dividend of € 0.06 per share, in line with 2003 and which implies a pay-out ratio of 59.8% (40.2% in 2003) to the General Meeting of Shareholders, to be held on April 28th 2005 (on 29th April on second call).

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Main Results of the FY 2004

The Board of Directors which has met today has approved the draft financial statements and the consolidated financial statements as of 31st December 2004.

Within an external environment which was once again marked by negative factors, such as the pressures on selling prices, the further strengthening of the euro and the rising cost of raw materials and in spite of the weak fourth quarter due to the negative season for heating appliances (unfavourable temperatures), in 2004 the De' Longhi Group realised a sales volume growth of about 8%, which translated into a sales growth of 0.7% to € 1,287.0 million (€ 1,278.0 million in 2003).

In such a scenario, the twofold strategy carried out by the Group proved to be correct. In particular this regarded on one side the product development and the geographic expansion which led the Group to stand out in the market thanks to its quality and state of the art technology for the production of coffee makers, air conditioners, stand mixers and ironing systems, categories in which the Group is getting closer to global leadership positions and for which recorded a revenue increase; on the other the prosecution of the industrial relocation in order to ensure the cost savings necessary to preserve the production capacity. These actions allowed to mitigate the negative effects of price pressures and the strengthening of the euro on the industrial margin, which increased to € 656.3 million from € 653.3 million in 2003, with an incidence on sales to 51.0% from 51.1% in 2003.

The costs related to the sales volume increase and the non recurring expenses relative to this transition phase (travels to China, transport costs for moulds and machinery and warehousing costs for pre-productions), penalised the EBITDA, which was € 137.2 million, or 10.7% of consolidated net sales from 11.8% in 2003.

Net profit, at € 15.0 million from € 22.3 million in 2003 was penalised by other non recurring charges; extraordinary items, equal to € 11.7 million, included the necessary charges to cover the full cost of the restructuring.

Another non recurring charge referred to the hedging transactions carried out by Kenwood which originated a loss of € 10.0 million (€ 1.5 million in 2003), due to the dollar weakness. This loss was accounted for in the net interest expenses.

The FY 2005 will be able to benefit from the better efficiency arising from the conversion of the plant located in Mignagola, currently dedicated to cooking and air conditioning products, into a logistic hub. This will allow to reduce the costs of rents of external spaces; the FY 2005 will also see a decrease in the cost of labour, following the reduction of the Italian workforce.

The increase of the net financial debt (€ 313.3 million compared to € 247.2 million in 2003 net of securitization, and € 403.4 million compared to € 356.3 in 2003 gross of securitization) is attributable to the temporary increase of working capital (32.8% from 28.0% in 2003 gross of the securitization), due to the higher inventory related to the pre-production activities prudentially carried out during the phase of the industrial relocation to China, the increase of stock for air conditioners, as well as lower amounts due to tax authorities (relative to past fiscal years) and higher VAT credits.

At a geographical level, main markets in Europe reported a sales increase (France, Germany, thanks to the success of automatic coffee makers, United Kingdom), whereas the North American market reported a significant sales decline, caused by currency fluctuations which penalised the competitiveness of the Group, which had to compete with companies which already fully sourced in low cost Countries and could adapt aggressive commercial policies.

In terms of business segments, cooking and food preparation showed positive results (+ 3.8% at constant exchange rates), by virtue of the contribution of coffee makers, stand mixers and cookers and hobs. Also satisfactory was the performance of air conditioning and treatment (+ 9.0% at constant exchange rates). Sales for the heating segment (-2.8% at constant exchange rates) were penalised by the delayed start of the winter season.
Sales for cleaning and ironing products continued to suffer from weak consumption trends in the steam product category, also driven by competition of low price points products. The sales increase of ironing systems on the contrary contributed to the profitability of the Group.
The sales trend for professional businesses, Climaveneta large thermo-cooling machines and DL Radiators, water-filled radiators was also satisfactory.

The Board of Directors, confident in the Group's ability to increase the net profit and generate cash thanks to the reduction of the working capital already in the current FY, has decided to propose a dividend of € 0.06 per share, in line with 2003 and which implies a pay-out ratio of 59.8% (40.2% in

2003) to the General Meeting of Shareholders, to be held on April 28th 2005 (on 29th April on second call). The share will trade ex dividend as of 2nd May 2005 and the dividend will be paid on 5th May 2005

"During 2004, a transition year" – said the Chairman Giuseppe De' Longhi – "we continued with the product innovation, which represents the life blood of our Group: an example is given by the automatic coffee makers which last year beat our expectations in terms of units and were considered the best model in the market by customers and consumers. We will continue with this trend and in order to foster growth and innovation we will keep on investing in research and development, marketing, design and after-sale service".

"The actions undertaken on the industrial side" – concluded the CEO Stefano Beraldo – "allowed to defend our profitability in a scenario which was as challenging as ever. The Group is well positioned to compete effectively in an environment which remains uncertain. We acted properly so that that the problems which have hit the small domestic appliance industry over the last two years did not undermine the fundamentals of our Group, which remain solid. We believe we created the foundations for further growth opportunities for the Company, both through the development of new products and through the strengthening in some emerging markets, such as Russia and Turkey, where we started operating with dedicated structures. The cost savings on many products will allow us to be competitive again in those markets where we suffered significantly from the strengthening of the euro".

Events after year-end

In the month of February 2005 the Group acquired a plant located in the Republic of Tatarstan (Russian Federation) for an amount lower than € 2 million. This plant will be fully dedicated to the production of oil-filled radiators to be marketed in the Russian market. According to the Group's plan, in the newly acquired facility about 300,000 radiators will be manufactured in 2005 and around 500,000 in 2006. This acquisition is strategically important because it will allow the Group to avoid custom duties on imported goods, which so far have reduced the Group's competitiveness in Russia. The non application of custom duties will also be extended to other imported product categories.

On 17th March 2005 the Group reached an agreement with the Trade Unions on the reorganisation of the Italian industrial activities:

- This program involves the lay-off of 504 Italian employees. The final number of dismissals, considering the use of part-time work and the transfer of some workers to other Group's companies, could reduce to 459;

- Recourse to the Extraordinary Wage Supplementation Fund (*Cassa Integrazione Guadagni Straordinaria - CIGS*) for an initial period of twelve months, subject to extension prior to the control of *Ministero del Lavoro*

- The lay-offs through the recourse to the Extraordinary Wage Supplementation Fund (CIGS) will start in April 2005 and will be spread throughout the year.

The costs relative to the restructuring of the Italian activities were fully expensed in the Profit & Loss Account of the FY 2004.

Outlook and expected business progress

The Group believes that the most critical phase of the industrial relocation took place in the FY 2004; more than half of the small domestic appliances product categories was transferred to China, thus allowing significant cost savings. For the remaining categories, the transfer will be terminated in 2005 and the execution risk seems to be marginal.

The Group reasonably believes that in 2005 there will be no room for further price declines, and views this as an opportunity it should take advantage of.

The first months of 2005 showed a revenue decline compared to the same period of 2004, mainly because of a lower contribution of air conditioning and treatment products.
This business segment in 2004 had reported a growth of almost 47%, thanks to an anticipation of retailers' orders compared to the normal seasonal patterns, based on the positive sell-in for the summer 2003.
The ongoing season appears to be more in line with normal patterns. The management believes that the sales trend may start to improve in the second quarter and aims at a slight increase of sales and significant improvement of profitability for the main items of the profit and loss account for the FY 2005.

The transition to the IAS/IFRS

As far as the application of IAS/IFRS is concerned, in compliance with *Comunicazione Consob DME /5015175* of 10 March 2005, the Group informs it has completed the preliminary phase for the conversion of accounting principles.
In conformity with the document of Consob of 17 February 2005, the De' Longhi Group intends to draw up the first quarter and first half reports using the current accounting principles, whereas the transition to the IAS/IFRS will start with the quarterly report as of 30 September 2005. The 2005 financial statements will be drawn up on the basis of IAS. Based on preliminary analysis, the Group

expects the impacts of the introduction of IAS/IFRS on its Profit & Loss Account and Balance Sheet to be positive.

Further information on the transition process to the IAS/IFRS are disclosed in the management review of the financial statements approved today.

The auditors' report on the 2004 financial statements will be available before the Shareholders' Meeting by the Company's premises and the Italian Stock Exchange in conformity with the law.

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Attached: Reclassified Consolidated Profit and Loss Accounts and Balance Sheets and Statutory Profit and Loss Accounts and Balance Sheets; consolidated sales by business segment and geographical market

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De'Longhi S.p.A. consolidated financial statement as at December, 31st 2004

Income statement as at December, 31st 2004 year-to-date:

	31/12/2004	% on sales	31/12/2003	% on sales
	Euro mil.	%	Euro mil.	%
Net revenues	1.287,0	100,0%	1.278,0	100,0%
Changes 31/12/2004 – 31/12/2003	*9,1*	*0,7%*		
Cost of materials	(630,7)	(49,0%)	(624,7)	(48,9%)
Gross margin	**656,3**	**51,0%**	**653,3**	**51,1%**
Services and other operating expenses	(342,3)	(26,6%)	(328,1)	(25,7%)
Value added	**314,0**	**24,4%**	**325,2**	**25,4%**
Labour costs	(164,0)	(12,7%)	(162,4)	(12,7%)
Provisions	(12,8)	(1,0%)	(11,8)	(0,9%)
EBITDA	**137,2**	**10,7%**	**151,0**	**11,8%**
Changes 31/12/2004 – 31/12/2003	*(13,8)*	*(9,1%)*		
Depreciation and amortisation	(63,2)	(4,9%)	(66,3)	(5,2%)
EBIT	**74,0**	**5,7%**	**84,7**	**6,6%**
Changes 31/12/2004 – 31/12/2003	*(10,7)*	*(12,6%)*		
Net financial expenses	(32,6)	(2,5%)	(32,4)	(2,5%)
Gains (losses) on exchange rates	(10,0)	(0,8%)	(1,5)	(0,1%)
Extraordinary income (expenses)	(11,7)	(0,9%)	(11,6)	(0,9%)
Earnings before taxes and minorities	**19,7**	**1,5%**	**39,2**	**3,1%**
Taxes	(4,6)	(0,4%)	(16,7)	(1,3%)
Earnings before taxes	**15,2**	**1,2%**	**22,4**	**1,8%**
Minorities	0,2	0,0%	0,1	0,0%
Net income	**15,0**	**1,2%**	**22,3**	**1,7%**

Balance sheet as at December, 31st 2004:

	31/12/2004	31/12/2003
	Euro mil.	Euro mil.
Trade receivables	275,9	298,3
Net inventory	290,9	260,4
Trade payables	(267,2)	(308,6)
Other current assets (liabilities)	32,9	(0,9)
Net working capital	**332,5**	**249,2**
Fixed assets:		
Intangible assets	407,0	430,3
Tangible assets	226,7	215,3
Financial assets	7,5	8,1
Non current liabilities	(97,5)	(93,7)
Total capital employed	**876,2**	**809,3**
Net equity	**(563,0)**	**(562,1)**
Net financial position	**(313,3)**	**(247,2)**

De'Longhi S.p.A. financial statement as at December, 31st 2004

Income statement as at December, 31st 2004 year-to-date:

	31/12/2004	% on sales	31/12/2003	% on sales
	Euro mil.	%	Euro mil.	%
Net revenues	575,0	100,0%	594,6	100,0%
Changes 31/12/2004 – 31/12/2003	*(19,6)*	*(3,3%)*		
Cost of materials	(314,6)	(54,7%)	(302,9)	(50,9%)
Gross margin	**260,4**	**45,3%**	**291,7**	**49,1%**
Services and other operating expenses	(161,4)	(28,1%)	(157,1)	(26,4%)
Value added	**98,9**	**17,2%**	**134,6**	**22,6%**
Labour costs	(64,6)	(11,2%)	(69,6)	(11,7%)
Provisions	(7,7)	(1,3%)	(7,3)	(1,2%)
EBITDA	**26,6**	**4,6%**	**57,7**	**9,7%**
Changes 31/12/2004 – 31/12/2003	*(31,1)*	*(53,8%)*		
Depreciation and amortisation	(23,0)	(4,0%)	(30,3)	(5,1%)
EBIT	**3,6**	**0,6%**	**27,4**	**4,6%**
Changes 31/12/2004 – 31/12/2003	*(23,8)*	*(86,7%)*		
Net financial expenses	(0,4)	(0,1%)	(7,0)	(1,2%)
Extraordinary income (expenses)	4,9	0,9%	(10,0)	(1,7%)
Earnings before taxes	**8,2**	**1,4%**	**10,4**	**1,7%**
Taxes	2,9	0,5%	(0,6)	(0,1%)
Net income	**11,1**	**1,9%**	**9,8**	**1,6%**

Balance sheet as at December, 31st 2004:

	31/12/2004	31/12/2003
	Euro mil.	Euro mil.
Trade receivables	174,0	208,3
Net inventory	124,6	105,8
Trade payables	(131,6)	(173,6)
Other current assets (liabilities)	15,7	10,3
Net working capital	**182,7**	**150,8**
Fixed assets:		
Intangible assets	89,7	80,4
Tangible assets	107,0	99,1
Financial assets	321,6	297,4
Non current liabilities	(45,4)	(39,2)
Total capital employed	**655,7**	**588,5**
Net equity	**521,2**	**519,1**
Net financial position	**(134,4)**	**(69,4)**

Business segments

DE'LONGHI GROUP (Euro millions)	2004	2003	Change 2004-2003	% Change at actual x-rates 2004-2003	% Change at constant x-rates 2004-2003
Cooking and food preparation	571,2	556,6	14,6	2,6%	3,8%
Air conditioning and treatment	306,2	283,4	22,8	8,0%	9,0%
Heating	234,2	245,4	(11,2)	(4,6%)	(2,8%)
Home cleaning and ironing	125,1	141,2	(16,1)	(11,4%)	(10,8%)
Other	50,4	51,3	(1,0)	(1,9%)	(1,4%)
Total	**1.287,0**	**1.278,0**	**9,1**	**0,7%**	**1,9%**

Geographical areas

DE'LONGHI GROUP (Euro millions)	2004	2003	Change 2004-2003	% Change at actual x-rates 2004-2003	% Change at constant x-rates 2004-2003
Italy	353,8	372,1	(18,3)	(4,9%)	(4,9%)
UK	184,8	180,1	4,7	2,6%	0,7%
Other European countries	413,5	380,3	33,3	8,7%	9,3%
USA, Canada and Mexico	97,1	127,6	(30,5)	(23,9%)	(17,2%)
Japan	44,0	48,5	(4,5)	(9,4%)	(6,6%)
Rest of the world	193,9	169,4	24,6	14,5%	18,1%
Total	**1.287,0**	**1.278,0**	**9,1**	**0,7%**	**1,9%**