



PRESS RELEASE

Treviso, 12 May 2005

DE' LONGHI SpA: the Board of Directors has approved the quarterly results as of March 31st 2005

- Consolidated net sales decreased by 13.2% (from € 270.7 million to € 234,9 million), mainly due to a sales reduction of the air conditioning and treatment business segment and, to a lesser extent, of the cleaning and ironing segment. This sales reduction, in presence of fixed costs which were substantially in line with the same period of 2004, resulted in a decrease of the Group's profitability in the first quarter of the year, which is traditionally the least important in terms of contribution to the sales and profitability of the Group
- The gross margin, at € 94.3 million from € 112.1 million in the first quarter of 2004, was penalised by the lower contribution of air conditioning products, a category which has a higher profitability than the average of the Group
- EBITDA was € 16.0 million (€ 28.8 million in the first quarter of 2004) and EBIT was € 0.3 million (€ 11.7 million in the first quarter of 2004)

Main Results of the First Quarter

The Board of Directors has today approved the quarterly results as of 31st March 2005; the three-month period was marked by a sales reduction, mainly caused by a different trend of orders for air conditioning products from retailers.

As a matter of fact, the first quarter of 2004 had benefited from an anticipation of retailers' orders compared to the normal seasonal patterns, which had created a positive effect on the sales of this business segment (+ 47% in the three-month period of 2004). The current year seems to be more in line with standard patterns and this caused a physiological reduction of the sales for the air conditioning and treatment business segment (-21.5%). The sales reduction for the cleaning and ironing business came from the loss of an OEM customer in the German market; the Group estimates this turnover could be recovered in the course of 2005.

Consolidated net sales were overall € 234.9 million, a decrease of 13.2% compared to the first quarter of 2004. The lower contribution of air conditioning products, a category which has a higher profitability than the average of the Group, caused a decline of the gross margin*, from 41.4% to 40.1%.



EBITDA at € 16.0 million and EBIT at € 0.3 million were also penalised by a higher incidence of fixed costs on sales, in particular with regard to the cost of labour not related to production activities. Following the agreement with the Trade Unions on the reorganisation of the Italian industrial activities, through the Recourse to the Extraordinary Wage Supplementation Fund (*CIGS*), the first lay-offs started in the month of April 2005. The benefits arising from a lower cost of labour on the profit and loss account will materialise starting in the second quarter of this year. After financial charges which were substantially in line with the first quarter of 2004, the loss before tax was € 9.9 million.

In terms of geographical breakdown, the sales decline in the Italian market arose exclusively from lower revenues of air conditioning products. In the German market, sales of main product categories were substantially flat, excluding cleaning products which suffered from the loss of revenues to an OEM customer. The sales decline in North America came from the still low competitiveness of some Group's products, which were mainly manufactured in Italy, whereas its competitors fully sourced from Far Eastern Countries. Within the Rest of Europe, sales performance in France, Benelux and Spain was positive.

With regard to product families, the positive sales trend continued for coffee makers, stand mixers and large thermo-cooling machines. In addition to cleaning and ironing, sales performance was weak for electric ovens. The Group expects positive effects on the sales of this product family to start in the second quarter, when a new range of ovens, manufactured in China, will be marketed in the United States. The first quarter of the year, even if traditionally marked by cash absorption, reported a lower absorption compared to the same period of last year (€ 24.6 million net of the securitization in the period January-March 2005, compared to € 31.3 million in the first quarter of 2004).

** Profitability index calculated by excluding those industrial costs classified within the service costs and the cost of labour. Gross Margin is defined as Sales – Consumption – Industrial Cost of Labour – Temporary Work – Outsourcing Costs – Motive Power – Maintenance Costs – Transports on Procured Goods*

“The first quarter could not entirely benefit from the several actions put in place on the cost saving side” – said the CEO Stefano Beraldo – “The three-month period suffered from a tough comparison base, due to the different sales trend for the air conditioning products compared to the same period of last year. We are confident in a recovery for the remainder of the year, thanks to the prosecution of the actions on the efficiency side and the richness of our product portfolio. I would like therefore to remind that *Planos*, our innovative fixed air with a flat screen was very well accepted by customers and that we have a new model of dehumidifier equipped with a pump for the North American market, as well as a new version of fully automatic coffee machine equipped with the so-called *cappuccinatore*”.



Outlook and expected business progress

The first quarter of the year is little indicative of the economic and financial performance for the remainder of the year. As a consequence, the management still believes that its target of achieving a moderate sales growth and a significant improvement of profitability for the current year is still possible, provided that the season for portable and fixed air conditioning turns out to be positive.

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

Contacts:

For the Press::

Barabino & Partners
Federico Steiner
Niccolò Moschini
T 0039 – 02 – 72.02.35.35

For analysts and investors:

De' Longhi S.p.A.
Investor Relations
T 0039 – 0422 – 413.236

www.delonghi.it



De'Longhi S.p.A. consolidated financial statement as at March, 31st 2005
Income statement as at March, 31st 2005:

	I Quarter 2005	% on sales	I Quarter 2004	% on sales	31/12/200 4	% on sales
	Euro mil.	%	Euro mil.	%	Euro mil.	%
Net revenues	234,9	100,0%	270,7	100,0%	1.287,0	100,0%
Changes IQ 2005 – IQ 2004	(35,8)	(13,2%)				
Cost of materials	(140,7)	(59,9%)	(158,5)	(58,6%)	(778,8)	(60,5%)
Gross margin	94,3	40,1%	112,1	41,4%	508,2	39,5%
Services and other operating expenses	(52,5)	(22,4%)	(58,2)	(21,5%)	(270,1)	(21,0%)
Value added	41,7	17,8%	54,0	19,9%	238,1	18,5%
Labour costs	(22,7)	(9,7%)	(21,7)	(8,0%)	(88,1)	(6,8%)
Provisions	(3,0)	(1,3%)	(3,5)	(1,3%)	(12,8)	(1,0%)
EBITDA	16,0	6,8%	28,8	10,6%	137,2	10,7%
Changes IQ 2005 – IQ 2004	(12,8)	(44,3%)				
Depreciation and amortisation	(15,7)	(6,7%)	(17,1)	(6,3%)	(63,2)	(4,9%)
EBIT	0,3	0,1%	11,7	4,3%	74,0	5,7%
Changes IQ 2005 – IQ 2004	(11,4)	(97,1%)				
Net financial expenses	(6,6)	(2,8%)	(6,7)	(2,5%)	(32,6)	(2,5%)
Gains (losses) on exchange rates	(3,3)	(1,4%)	(3,3)	(1,2%)	(10,0)	(0,8%)
Extraordinary income (expenses)	(0,4)	(0,2%)	(0,2)	(0,1%)	(11,7)	(0,9%)
Earnings before taxes and minorities	(9,9)	(4,2%)	1,5	0,6%	19,7	1,5%
Minorities	0	0,0%	(0,3)	(0,1%)	0,2	0,0%
Net income before minorities	(9,9)	(4,2%)	1,2	0,5%	19,5	1,5%



Balance sheet as at March, 31st 2005

	31/03/2005	31/03/2004	31/12/2004
	Euro mil.	Euro mil.	Euro mil.
Trade receivables	252,8	292,2	275,9
Net inventory	354,1	338,6	290,9
Trade payables	(253,9)	(317,1)	(267,2)
Other current assets (liabilities)	34,4	16,5	32,9
Net working capital	387,4	330,2	332,5
Fixed assets:			
Intangible assets	402,1	425,2	407,0
Tangible assets	227,4	222,1	226,7
Financial assets	10,8	8,0	7,5
<i>Non current liabilities</i>	(96,1)	(96,5)	(97,5)
Total capital employed	931,6	889,0	876,2
Net equity	(555,2)	(566,9)	(563,0)
Net financial position	(376,3)	(322,0)	(313,3)



Business segments

DE'LONGHI GROUP	IQ 2005	IQ 2004	Change IQ 2005-IQ 2004	% Change at actual x- rates	% Change at constant x-rates
(Euro millions)					
Cooking and food preparation	115,4	120,9	(5,5)	(4,5%)	(3,4%)
Air conditioning and treatment	59,0	75,1	(16,1)	(21,5%)	(20,8%)
Heating	26,4	28,9	(2,5)	(8,6%)	(8,6%)
Home cleaning and ironing	23,6	33,3	(9,7)	(29,1%)	(28,8%)
Other	10,4	12,4	(2,0)	(16,1%)	(15,2%)
Total	234,9	270,7	(35,8)	(13,2%)	(12,4%)

Geographical areas

DE'LONGHI GROUP	IQ 2005	IQ 2004	Change IQ 2005-IQ 2004	% Change at actual x- rates	% Change at constant x-rates
(Euro millions)					
Italy	64,3	82,0	(17,7)	(21,6%)	(21,4%)
UK	35,9	37,8	(1,9)	(5,0%)	(3,3%)
Other European countries	81,2	85,3	(4,1)	(4,8%)	(4,8%)
USA, Canada and Mexico	13,6	18,5	(4,8)	(26,2%)	(23,3%)
Japan	5,2	6,5	(1,2)	(18,9%)	(16,9%)
Rest of the world	34,7	40,7	(6,0)	(14,9%)	(13,2%)
Total	234,9	270,7	(35,8)	(13,2%)	(12,4%)