



PRESS RELEASE

DE' LONGHI S.p.A: The Board of Directors of De' Longhi S.p.A met today in order to fix the date of Shareholders' Meeting on 28th April 2004 on First Call and 29th April 2004 on Second Call. The Board of Directors will meet on 26th March 2004 to approve the Draft of Financial Statements for FY 2003 and today has examined the preliminary indications regarding results for FY 2003:

- Maintenance of sales at the same level of 2002 in spite of unfavourable exchange rate fluctuations. Satisfactory growth in Italy and Rest of Europe
- Continuation of the expansion of production and procurement activities in China has enabled the Group to reduce the impact of the euro strengthening on gross margin
- Further reduction of Net Working Capital (down from 21.1% at the end of 2002 to 19.5% as of end of 2003) and Net Financial Debt (down from € 269 millions in 2002 to € 247 millions as of end of 2003)

Preliminary consolidated results for FY 2003 show sales in line with 2002 at current exchange rates (€ 1,278 millions, +0.3%) and up by more than 4% at constant exchange rates. The euro continuous strengthening during 2003 was detrimental to sales and profitability trend in the UK, North America and Japan, which together account for about one third of the Group's consolidated sales; this trend was particularly strong in the last quarter of the year, which is the most important in terms of contribution to sales and profitability for these markets.

The unfavourable effect of exchange rate fluctuations on gross margin, which decreased from 51.7% in 2002 to 51.1% was largely mitigated by the process of delocalisation of production and procurement activities to China.

In an environment characterised by unfavourable exchange rates, weak consumptions and price pressures in some reference product categories, the De' Longhi Group kept momentum on innovation and launch of new products. The introduction of *Caldopanny* wall mounted towel heater, *Pastamore* pasta cooker and the range extension for *Alicia* electric moka, which allowed the Group to create new market segments, were all supported by new advertising campaigns, mainly in the Italian market; advertising expenses therefore increased to 6.1% of consolidated sales from 5.4% in 2002. The rise in advertising expenses allowed the Group to gain market shares and report a satisfactory sales growth rate in Italy. FY 2003 saw also an increase of transport and freight costs as a consequence of the changes currently taking place in the global transports framework.

As a combined effect of all the events described above, the De' Longhi Group in 2003 reported an EBITDA of € 151 millions (versus € 180 millions in 2002) and a net income of € 22 millions, including extraordinary expenses of more than € 11 millions, of which €9 millions refer to the tax amnesty program.

In spite of a greater cash absorption related to the setting up of new commercial subsidiaries in Spain, Australia and New Zealand, funds flow and a more efficient management of net working



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capital (down from 21.1% in 2002 to 19.5% in 2003) contributed to generate about €22 millions of free cash flow in 2003. As a consequence net financial position decreased to €247 millions from €269 millions in 2002.

The Board of Directors of the De' Longhi Group intends to propose to the Shareholders' Meeting the payment of the same dividend per share as the one paid in 2003 (€0.06 per share).

The setting up of a second industrial centre in China, specialised in metal working and heating appliances, following the acquisition of one of the major manufacturers of oil-filled radiators, will play an important role in speeding up the delocalisation process to China in 2004 and will support the production of oil-filled radiators and other heating appliances to be sold in North America and the UK.

The De' Longhi Group informs the The Board of Directors of De' Longhi Spa will meet on 26th March 2004 to discuss the Draft of Financial Statements for FY 2003, which will be submitted to the Shareholders' Meeting to be held on 28th April 2004 on First Call and 29th April 2004 on Second Call.

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