



PRESS RELEASE

Treviso, 12 September 2005

**DE'LONGHI SpA: the Board of Directors has approved the first half results as of June 30<sup>th</sup> 2005**

- Consolidated net sales decreased by 12.7% (from € 614.2 million to € 536.2 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. The reduction of fixed costs could not offset the sales decrease and this resulted in a lower profitability for the Group in the first half of the year.
- The gross margin, at 40% of sales from 40.7% in the first half 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 € 36.0 million (€ 64.4 million in the first half of 2004) and EBIT was € 4.5 million (€ 31.5 million in the first half of 2004).
- The financial statements as of 30<sup>th</sup> June 2005 were prepared on the basis of Italian GAAP, since the Group made use of the possibility to draw up the financial statements on the basis of the IAS starting with the quarterly report as of 30<sup>th</sup> September 2005. A reconciliation of the financial statements as of 30<sup>th</sup> June 2005 between Italian GAAP and IAS is available in the First Half Report.
- Sales performance in the months of July and August showed an opposite trend compared to the first half of the year.

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### **Main Results of the First Half**

The Board of Directors has today approved the first half results as of 30<sup>th</sup> June 2005; the six-month period was marked by a sales reduction, mainly caused by a lower contribution of air conditioning and treatment products.

Consolidated net sales were overall € 536.2 million, a decrease of 12.7% compared to the first half of 2004 (-12.1% at constant exchange rates).

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 40.7% to 40.0%.

The reduction of fixed costs could not offset the declining sales, as a consequence EBITDA was € 36.0 million and EBIT € 4.5 million.

After financial charges which were substantially in line with the first half of 2004, the loss before tax was € 15.8 million.

The pro forma financial statements as of 30<sup>th</sup> June 2005 prepared in accordance with IAS show a result before tax substantially at break even (the IAS reconciliation is available in the First Half Report)

In terms of geographical breakdown, the sales decline in the Italian market arose exclusively from lower revenues of air conditioning products, which more than offset the positive performance of the cooking and food preparation segment.

With regard to product families, in the first half of the year the sales trend was positive for coffee makers, stand mixers and large thermo-cooling machines. In addition to cleaning and ironing, sales performance was weak for electric ovens and fryers, as well as portable and fixed air conditioners.

\* 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 increase of the working capital, mainly arising from higher inventory of air conditioning products, resulted into the growth of the net financial position to € 462.0 million from € 401.2 million in the first half of 2004 (figure gross of securitization).

“The first half of the year was penalised by the weak season of the air conditioning and market conditions which continue to be challenging in some reference areas” – said the CEO Fabio De’ Longhi – “Nevertheless we have started to see some important signals of recovery in some markets, such as the one of small domestic appliances in Italy and the success of coffee makers continued. Even in a scenario marked by weak consumption trend, the Group increased its market share in its main product categories”.

As of today’s date, De’ Longhi Board of Directors has also examined a proposal of contribution in kind in favour of a 100% controlled company of the assets relating to the production of wall – mounted air conditioners.

The Board of Directors has decided to approve this contribution in kind, to be implemented by the end of September; information relating to the implementation of the resolution shall be published in accordance with the terms and the procedure set forth by the law.

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#### **Outlook and expected business progress**

During the months of July and August the sales performance showed an opposite trend compared to the first half of the year; this trend is expected to continue in the final part of the year; as a consequence, in spite the weakness of the first six months, the Group expects to close the current FY with a partial recovery compared to the first half results.

Within the end of the FY 2005, the industrial relocation process, including the relative non recurring costs which contributed to penalise the profitability of the current and the past fiscal last years, will be concluded.

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Attached: Reclassified Consolidated Profit and Loss Accounts and Balance Sheets



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## De'Longhi S.p.A. consolidated financial statement as at June, 30<sup>th</sup> 2005

### Income statement as at June, 30<sup>th</sup> 2005 year-to-date:

	2005	% of sales	2004	% of sales
	Half year		Half year	
	Euro mil.	%	Euro mil.	%
Net revenues	536,2	100,0%	614,2	100,0%
<i>Change HY 2005 - HY 2004</i>	<i>(78,0)</i>	<i>(12,7%)</i>		
Cost of materials	(321,7)	(60,0%)	(364,2)	(59,3%)
<b>Gross margin</b>	<b>214,5</b>	<b>40,0%</b>	<b>250,0</b>	<b>40,7%</b>
Services and other operating expenses	(126,1)	(23,5%)	(130,3)	(21,2%)
<b>Value added</b>	<b>88,4</b>	<b>16,5%</b>	<b>119,7</b>	<b>19,5%</b>
Labour costs	(47,1)	(8,8%)	(45,4)	(7,4%)
Provisions	(5,4)	(1,0%)	(9,9)	(1,6%)
<b>EBITDA</b>	<b>36,0</b>	<b>6,7%</b>	<b>64,4</b>	<b>10,5%</b>
<i>Change HY 2005 - HY 2004</i>	<i>(28,5)</i>	<i>(44,2%)</i>		
Depreciation and amortisation	(31,5)	(5,9%)	(33,0)	(5,4%)
<b>EBIT</b>	<b>4,5</b>	<b>0,8%</b>	<b>31,5</b>	<b>5,1%</b>
<i>Change HY 2005 - HY 2004</i>	<i>(27,0)</i>	<i>(85,8%)</i>		
Net financial expenses	(15,0)	(2,8%)	(14,1)	(2,3%)
Gains (losses) on exchange rates	(1,0)	(0,2%)	(3,1)	(0,5%)
Extraordinary income (expenses)	(4,0)	(0,7%)	(0,7)	(0,1%)
<b>Earnings before taxes and minorities</b>	<b>(15,5)</b>	<b>(2,9%)</b>	<b>13,6</b>	<b>2,2%</b>
Minorities	0,3	0,1%	0,4	0,1%
<b>Earnings before taxes</b>	<b>(15,8)</b>	<b>(2,9%)</b>	<b>13,2</b>	<b>2,2%</b>

### Balance sheet as at June, 30<sup>th</sup> 2005:

	30.06.2005	31.12.2004	30.06.2004
	Euro mil.	Euro mil.	Euro mil.
Trade receivables	277,3	275,9	285,1
Net inventory	394,7	290,9	357,5
Trade payables	(294,4)	(267,2)	(338,2)
Other current assets (liabilities)	24,0	32,9	14,0
<b>Net working capital</b>	<b>401,6</b>	<b>332,5</b>	<b>318,5</b>
Fixed assets:			
Intangible assets	396,2	407,0	418,1
Tangible assets	230,4	226,7	227,5
Financial assets	10,3	7,5	8,0
Non current liabilities	(94,3)	(97,5)	(97,2)
<b>Total capital employed</b>	<b>944,2</b>	<b>876,2</b>	<b>874,9</b>
<b>Net equity</b>	<b>(545,2)</b>	<b>(563,0)</b>	<b>(569,4)</b>
<b>Net financial position</b>	<b>(399,1)</b>	<b>(313,3)</b>	<b>(305,5)</b>