



PRESS RELEASE

Treviso, November 13, 2007

**DE' LONGHI SpA: the Board of Directors approves the third quarter 2007 consolidated results, as at September 30, 2007: in the first nine months of the year revenues progress by 10.8% and Ebitda (before non recurring items) by 40.6% (or +2.2 percentage points of margin).**

**Third quarter July 1<sup>st</sup> - September 30, 2007**

- consolidated revenues of the third quarter 2007 growing by 11.2% year on year (from € 342.6 M to € 381 M);
- EBITDA reaches € 47.5 M before non recurring items (i.e. 12.5% of revenues vs. 10.4% of third quarter 2006) and € 45.5 M after non recurring items (11.9% of revenues vs. 10.5% in Q3 2006);
- EBIT amounts to € 35.5 M (9.3% of revenues, increasing by 34.5% on Q3 2006).

**Nine months January 1<sup>st</sup> - September 30, 2007**

- consolidated revenues increasing by 10.8% to € 1017.6 million (they were € 918.8 M in the same period of 2006);
- gross profit amounts to € 395.6 M and grows both in absolute value (+14.9%) and as a percentage of net revenues (from 37.5% to 38.9%);
- EBITDA shows a progression of 40.6% before non recurring items, (thus reaching € 105 M, or 10.3% of revenues, that is +2.2 percentage points of margin) and of 25.7% after non recurring items (€ 97.3 M or 9.6% of revenues, that is +1.2 percentage points of margin);
- EBIT amounts to € 68.2 M (6.7% of revenues), thus improving by 40.1% (€ 48.7 M in the first nine months of 2006, or 5.3% of revenues);
- the net profit is € 20.3 M (it's € 34 M before tax) which compares with the net profit of € 7.2 M in 2006 (but excluding in 2006 the € 25.1 M extraordinary gain deriving from the sale of Elba);
- the net financial position is negative for € 419.7 million, down by € 23 M since the same date of 2006 (€ 396.6 M), as a consequence of the working capital absorption related to the strong growth, the



consolidation of RC group (with total impact of € 42 million), other minor acquisitions of participations totalling € 11.2 M, partly compensated by higher sales of receivables without recourse of € 30 M. The net financial position as at December 31, 2006 amounted to € -314.6 million.

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### The third quarter results.

The Board of Directors of De' Longhi S.p.A. approved the results of the third quarter 2007 today.

The results highlight a strong progression of revenues and, above all, of profitability, despite an economic scenario addressing strong pressure from raw materials' prices.

Consolidated revenues amount to € 1017.6 million in the first nine months (+10.8% vs. the € 918.8 M of 2006) and benefit from a very positive third quarter (€ 381 M), which shows a growth of 11.2% against the same quarter of 2006. Such performance absorbs the negative impact of the Euro appreciation versus all the main currencies of export (such impact being quantified in 1.9% of lower growth) and the temporary loss of production capacity due to the fire that destroyed the 35,000 square meters plant in Treviso last April.

Together with the growth of revenues, the gross profit improved as well, increasing from 37.5% to 38.9% of revenues (from € 344.4 M to € 395.6 M), thanks to the product mix and to the benefits of the US Dollar depreciation on the cost of goods. In the quarter, the improvement of the gross profit was 1.9 percentage points of revenues (that is from € 124.4 to € 145.5 million).

This higher profitability acts as an operating leverage to obtain an EBITDA, before non recurring items, that improves by 2.2 percentage points of revenues (from 8.1% to 10.3%), increasing from € 74.7 M to € 105 M (+40.6% year-on-year). Similar performance was shown in the quarter, with an EBITDA, before non recurring items, improving from € 35.6 M to € 47.5 M (from 10.4% to 12.5% of revenues).

The non recurring charges, amounting to € 7.7 M, are due, for € 5.5 M, to the fire of last April. Net of these charges, the consolidated EBITDA stands at € 97.3 million (or 9.6% of revenues, vs. 8.4% in 2006), thus growing by 25.7% from € 77.4 M of 2006.



The changes in the consolidation perimeter between 2006 and 2007 do not substantially impact on profitability dynamics: on a pro-forma basis (i.e. at a comparable consolidation perimeter, by excluding Elba in 2006 and excluding the participations acquisitions in 2007 - RC, Top Clima and Kenwood Swiss) the improvement of EBITDA before non recurring items - as a percentage of revenues - is 2.3 percentage points.

EBIT amounts to € 68.2 M (+40.1%, i.e. the 6.7% of revenues) vs. € 48.7 M in 2006 (or 5.3% of revenues).

Despite the increase in interest rates, the financial charges (€ 32.9 million) are decreasing in respect to those of 2006 (€ 34.9 M), thanks to the reduction of the average debt stock in the reference period, to exchange rates gains and to efficiencies in cost of funding.

The net profit (after taxes for € 13.7 M) amounts to € 20.3 million - of which € 19.9 M are pertaining to the Group - which compares with € 7.2 M in 2006 (if we exclude the € 25.1 M gain from the sale of Elba).

The contribution of the two divisions Household and Professional to the a.m. results is positive: the first one shows a more moderate growth (+2.5% to 737.7 M, but it's +5.1% at constant consolidation perimeter, without Elba in 2006 and Kenwood Swiss in 2007) but provides a stronger support to the profitability improvement, with an EBITDA of € 70 M, which increases from 7.2 to 9.5% of the division's revenues (before non recurring items).

The Professional division increases the revenues by 38.4% (+17.3% on a proforma basis) from € 217.4 to € 300.9 million and obtains an improvement in EBITDA from € 23.1 M to € 35.1 M before non recurring items (from 10.6% to 11.7% of revenues).

The markets diversification provided a significant contribute to the revenues and margins improvement, in a time when the inflationary pressure due to the prices of raw materials and the crisis attaining some financial sectors may impact on the consumption dynamics in some of the main markets. The Group's sales were satisfactory in the whole Europe (Germany above all), in Russia and other Eastern Europe countries, in Canada and in Australia and New Zealand. Sales in the USA and Japan are still suffering (though in Japan sales expressed in local currency are growing).

As regards product families, good performances are coming from coffee machines and food processors, air conditioning and the whole professional division. On the other hand, it was not a positive winter season for electric heating (winter 2006/07), while there are no indications for the winter 2007/08 yet.



The net financial position is decreasing by € 23 million in the 12 months rolling (Sept. 2006 - Sept. 2007), from € -396.6 M to -419.7 M. The main impacts were coming from the acquisitions of RC Group (€ 42 M) and other minor participations (€ 11.2 M) and from the absorption of working capital related to the revenues strong growth, partly compensated by € 30 M higher sales of receivables on a non recourse basis.

In the first 9 months of 2007, the net financial position evidences a decrease of € 105.1 million, partly due to the normal financial cycle of the business (the peak in cash absorption is in the third quarter) and partly due to the increase in working capital in connection with the strong growth trend (also influenced by lower sales of receivables non a non recourse basis for € 14.5 M) and to participations acquisitions for € 11.2 M (including the debt).

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#### **Main events of the third quarter.**

On July 23 the Group acquired , through the controlled company Kenwood Swiss AG, the business of the De' Longhi and Kenwood products distribution on the swiss market; the financial impact was € 4.6 million. In addition, in July 2007, the Group acquired the 25% of the spanish company Top Clima, the distributor of Climaveneta products in Spain, with a total financial impact of € 6.6 M.

Both transactions will allow the Group to achieve a better coverage of the two mentioned markets and therefore a more competitive position.

#### **Events after of the quarter end.**

There are no significant events occurred after the third quarter end.

#### **Forseeable business developments.**

On the basis of the results of the first three quarters of 2007, the C.E.O Mr. Fabio de' Longhi confirms the growth targets which were originally defined, and - as far as operating margins are concerned - increases them.

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#### **Declaration of the manager responsible for the company's accounts.**

The manager responsible for the preparation of the company's accounts, Stefano Biella, hereby declares, as per article 154 bis, paragraph 2, of the "Testo Unico della Finanza", that all information related to the



company's accounts contained in this press release are fairly representing the accounts and the books of the company.



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Consolidated results of De' Longhi Group as at September 30, 2007

Consolidated Income Statement

Euro Million	30/09/2007 9 months)	% of revenue s	30/09/2006 (9 months)	% of revenue s	third quarter 2007	% of revenue s	third quarter 2006	% sui ricavi
<b>Net revenues</b>	<b>1.017,6</b>	<b>100,0%</b>	<b>918,8</b>	<b>100,0%</b>	<b>381,0</b>	<b>100,0%</b>	<b>342,6</b>	<b>100,0%</b>
<i>Ch'ange</i>	98,8	10,8%			38,4	11,2%		
Materials consumed and other production costs (services and production payroll costs)	(622,0)	(61,1%)	(574,4)	(62,5%)	(235,6)	(61,8%)	(218,2)	(63,7%)
<b>Gross profit</b>	<b>395,6</b>	<b>38,9%</b>	<b>344,4</b>	<b>37,5%</b>	<b>145,5</b>	<b>38,2%</b>	<b>124,4</b>	<b>36,3%</b>
Cost of services and other expenses	(204,4)	(20,1%)	(192,7)	(21,0%)	(69,5)	(18,2%)	(65,1)	(19,0%)
Payroll (non-industrial)	(76,7)	(7,5%)	(68,6)	(7,5%)	(25,0)	(6,6%)	(20,7)	(6,0%)
Provisions	(9,5)	(0,9%)	(8,5)	(0,9%)	(3,5)	(0,9%)	(3,0)	(0,9%)
<b>EBITDA before non recurring items</b>	<b>105,0</b>	<b>10,3%</b>	<b>74,7</b>	<b>8,1%</b>	<b>47,5</b>	<b>12,5%</b>	<b>35,6</b>	<b>10,4%</b>
<i>Ch'ange</i>	30,3	40,6%			11,8	33,2%		
Other income (expenses)	(7,7)	(0,8%)	2,8	0,3%	(2,0)	(0,5%)	0,4	0,1%
<b>EBITDA</b>	<b>97,3</b>	<b>9,6%</b>	<b>77,4</b>	<b>8,4%</b>	<b>45,5</b>	<b>11,9%</b>	<b>36,0</b>	<b>10,5%</b>
<i>change</i>	19,9	25,7%			9,5	26,4%		
Amortization and depreciation	(29,1)	(2,9%)	(28,7)	(3,1%)	(10,0)	(2,6%)	(9,6)	(2,8%)
<b>EBIT</b>	<b>68,2</b>	<b>6,7%</b>	<b>48,7</b>	<b>5,3%</b>	<b>35,5</b>	<b>9,3%</b>	<b>26,4</b>	<b>7,7%</b>
<i>change</i>	19,5	40,1%			9,1	34,5%		
Financial income (expenses)	(32,9)	(3,2%)	(34,9)	(3,8%)	(11,1)	(2,9%)	(12,3)	(3,6%)
Charges for the new transaction of receivables sales on a non recourse basis	(1,3)	(0,1%)	-	0,0%	-	0,0%	-	0,0%
Extraordinary gains/ losses from participations	-	0,0%	24,9	2,7%	-	0,0%	-	0,0%
<b>Profit before taxes</b>	<b>34,0</b>	<b>3,3%</b>	<b>38,8</b>	<b>4,2%</b>	<b>24,4</b>	<b>6,4%</b>	<b>14,1</b>	<b>4,1%</b>
Taxes	(13,7)	(1,3%)	(6,5)	(0,7%)	(7,8)	(2,0%)	(6,4)	(1,9%)
<b>Profit (loss) for the period</b>	<b>20,3</b>	<b>2,0%</b>	<b>32,3</b>	<b>3,5%</b>	<b>16,7</b>	<b>4,4%</b>	<b>7,7</b>	<b>2,2%</b>
Profit (loss) pertaining to minority interests	0,4	0,0%	0,6	0,1%	0,2	0,1%	0,4	0,1%
<b>Profit (loss) pertaining to the Group</b>	<b>19,9</b>	<b>2,0%</b>	<b>31,7</b>	<b>3,4%</b>	<b>16,4</b>	<b>4,3%</b>	<b>7,3</b>	<b>2,1%</b>
<b>Profit (loss) pertaining to the Group before extraordinary charges from participations</b>	<b>19,9</b>	<b>2,0%</b>	<b>6,6</b>	<b>0,7%</b>	<b>16,4</b>	<b>4,3%</b>	<b>7,3</b>	<b>2,1%</b>



## Consolidated Balance Sheet

Euro million	30/09/2007	31/12/2006	Change 30/09/07 – 31/12/06	30/09/2006	Change 30/09/07 – 30/09/06
<b>Fixed assets</b>	<b>712,2</b>	<b>718,9</b>	<b>(6,7)</b>	<b>692,7</b>	<b>19,6</b>
Net inventory	403,1	323,7	79,4	373,6	29,5
Trade receivables	349,5	348,0	1,5	334,0	15,5
Trade payables	(319,4)	(327,1)	7,7	(265,7)	(53,7)
other current receivables/(payables)	(15,6)	(37,7)	22,1	(36,0)	20,4
<b>Net working capital</b>	<b>417,6</b>	<b>307,0</b>	<b>110,6</b>	<b>405,9</b>	<b>11,7</b>
Non current liabilities	(87,1)	(90,7)	3,7	(90,7)	3,7
<b>Total capital employed</b>	<b>1.042,8</b>	<b>935,2</b>	<b>107,6</b>	<b>1.007,9</b>	<b>34,9</b>
<b>Net debt</b>	<b>419,7</b>	<b>314,6</b>	<b>105,1</b>	<b>396,6</b>	<b>23,0</b>
<b>Total shareholders' equity</b>	<b>623,1</b>	<b>620,6</b>	<b>2,5</b>	<b>611,2</b>	<b>11,9</b>
<b>Total net debt and shareholders' equity</b>	<b>1.042,8</b>	<b>935,2</b>	<b>107,6</b>	<b>1.007,9</b>	<b>34,9</b>

## Consolidated Cash Flow Statement

Euro Million	30/09/2007	30/09/2006	31/12/2006
Cash Flow from operations	61,5	19,2	49,8
Cash Flow from changes in the working capital	(100,3)	(64,9)	45,5
Cash Flow from investments	(35,4)	(21,6)	(38,0)
<b>Net Operating Cash Flow</b>	<b>(74,2)</b>	<b>(67,4)</b>	<b>57,3</b>
Cash flow generated by deconsolidating Marka Finance S.A. and factoring receivables without recourse	-	112,1	112,9
Cash Flow from changes in the consolidation perimeter	(11,2)	76,6	34,6
Cash flow absorbed by changes in net equity	(19,6)	(6,6)	(8,0)
<b>Cash flow for the period</b>	<b>(105,1)</b>	<b>114,8</b>	<b>196,8</b>
Opening net financial position	(314,6)	(511,4)	(511,4)
<b>Closing net financial position</b>	<b>(419,7)</b>	<b>(396,6)</b>	<b>(314,6)</b>





## Revenues by geographical area

Euro million	30/09/07 (nine months)	30/09/06 (nine months)	Change %	Third quarter 2007	Third quarter 2006	Change %
Italy	234,0	221,0	5,9%	70,5	74,7	(5,6%)
UK	102,6	100,5	2,2%	35,4	36,9	(4,1%)
Rest of Europe	426,9	344,2	24,0%	163,5	134,3	21,8%
USA, Canada and Mexico	94,9	95,2	(0,4%)	51,7	52,7	(1,8%)
Rest of the world	159,2	158,0	0,8%	60,0	44,1	36,1%
<b>Total</b>	<b>1.017,6</b>	<b>918,8</b>	<b>10,8%</b>	<b>381,0</b>	<b>342,6</b>	<b>11,2%</b>

## Business segments

### Household

Euro million	30/09/2007 (nine months)	30/09/2006 (nine months)	Third quarter 2007	Third quarter 2006
Net Revenues	737,7	719,5	288,4	280,7
<i>change %</i>	2,5%		2,7%	
EBITDA before not recurring items	70,0	51,5	37,4	28,7
<i>margin % on revenues</i>	9,5%	7,2%	13,0%	10,2%

### Professional

Euro million	30/09/2007 (nine months)	30/09/2006 (nine months)	Third quarter 2007	Third quarter 2006
Net Revenues	300,9	217,4	97,4	72,4
<i>change %</i>	38,4%		34,6%	
EBITDA before not recurring items	35,1	23,1	10,4	7,0
<i>margin % on revenues</i>	11,7%	10,6%	10,6%	9,6%