



PRESS RELEASE

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DE'LONGHI SpA: 2004 financial statements approved by the Shareholder's Meeting; update on first quarter results 2005 and new Joint Venture in China for the production and marketing of air conditioners and dehumidifiers also in the broad Chinese market.

The first call of Shareholders' Meeting of De' Longhi has today approved the financial statements as of 31 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
- 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)
- Dividend of € 0.06 per share, in line with 2003 and which implies a pay-out ratio of 59.8% (40.2% in 2003). The share will trade ex dividend on 2nd May 2005 and will be payable starting from 5th May 2005

According to preliminary indications, the sales of the De' Longhi Group in the first quarter of 2005 declined by about 13%, mainly due to sales reduction of air conditioning products, which in the same period of 2004 had benefited from an anticipation of retailers' orders compared to the normal seasonal patterns (air conditioning sales in the first quarter of 2004 had reported a growth of 47%). As a consequence, in presence of



fixed costs which were overall in line with the first quarter of 2004, the profitability of the Group in the period January-March 2005 declined. Historically the first quarter of the year is the least relevant in terms of contribution to sales and profitability and scarcely indicative of the trend for the remainder of the year.

The De' Longhi Group completes its internationalisation process to China, through the start of its new industrial platform. As a matter of fact, today the Group has signed a joint venture with TCL, a Chinese company listed on the Hong Kong and Shanghai Stock Exchanges and a leader manufacturer of air conditioners, television-sets, mobile phones for the production of portable air conditioners and dehumidifiers. It is worth noting that this joint venture is particularly important from a commercial point of view, since it aims at reaching a relevant sales target in the promising Chinese market and in the main Far Eastern Countries.

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The First Call of Shareholders' Meeting of De 'Longhi has today approved the Financial Statements for the FY 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).

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 distribution of a dividend of € 0.06 has been approved; this dividend is in line with the dividend of 2003, but it implies a higher pay-out ratio (59.8% from 40.2% last year).

The share will trade ex dividend as of 2nd May, whereas the dividend will be paid on 5th May 2005.

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The De' Longhi Group announces that, according to preliminary data, in the first quarter of 2005 consolidated net sales decreased by 13%, mainly due to a reduction of sales for air conditioning and treatment products, which in the same period of 2004 had benefited from an anticipation of retailers' orders compared to the normal seasonal patterns. The current season seems to be more in line with standard patterns.

The first quarter of the year is the least important as far as the contribution to sales and profitability of the Group is concerned and it is scarcely indicative of the trend for the remainder of the year; consequently, the reduction of sales in the period January-March 2005, in presence of fixed costs which were substantially in line compared to the same period of 2004, resulted in a reduction of EBITDA, EBIT and profit before tax compared to the first quarter of 2004.

The full set of first quarter results 2005 will be released on 12th May 2005.

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On 28th April 2005, the De' Longhi Group has signed a Joint Venture agreement with TCL, a Chinese company listed on the Hong Kong and Shanghai Stock Exchanges and a leader manufacturer and distributor of air conditioners, television-sets and mobile phones. The Group's industrial presence in China and the grounds for the commercial development in one of the most important world markets are therefore both strengthened.

This agreement will allow the Group to manufacture air conditioners and dehumidifiers in its Chinese plants.

The new industrial activities will be located in Nangtu in the province of Zongshang/Guandong where the De' Longhi Group already owns a plant dedicated to heating appliances, and will be operational since November 2005, for a total covered surface of about 20,000 sqm. The Group estimates that at full capacity (2007), about one million of units per year will be manufactured in the plant; these volumes will be sold in China and in the Group's main markets.



TCL will take care of the distribution in China and in other Far Eastern Countries, where the De' Longhi Group will rely on TCL's widespread distribution network. The De' Longhi Group will be in charge of all the product development activities and will be the exclusive distributor in the Rest of the World. The planned investment is about \$ 5 millions.

The Chairman Giuseppe De' Longhi, after the signature of the agreement said "I consider this agreement very important since it will allow us to strengthen our commercial presence in China, and in the Far Eastern Countries, thanks to the distribution capabilities of our partner."

The CEO Stefano Beraldo concluded: "In a difficult market scenario, and considering the strength of the euro which penalizes our exports, I believe the opportunity to manufacture air conditioners and dehumidifiers in our plants will improve our position in the international markets and I view this agreement as the final step of our industrial re-organization."

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