Quarterly report as of September 30, 2003

De'Longhi S.p.A. – Registered office: Via L. Seitz 47, 31100 Treviso, Italy
Share capital: EUR 448,500,000.00
Tax identification and Business Register no: 11570840154
Treviso Chamber of Commerce R.E.A. no. 224758 - VAT no. 03162730265

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1. Company officers

Board of Directors

Chairman	GIUSEPPE DE'LONGHI *
Deputy Chairman	FABIO DE'LONGHI
CEO	STEFANO BERALDO **
Director	GIORGIO BRUNETTI
Director	CARLO GARAVAGLIA
Director	SILVIO SARTORI
Director	GIORGIO SANDRI

Board of Statutory Auditors

Chairman	GIANLUCA PONZELLINI
Standing members	MASSIMO LANFRANCHI
	GIANCARLO MALERBA
Alternate auditors	EMILIO ETTORE GNECH
	FRANCESCO NOBILI

External auditors

PricewaterhouseCoopers S.p.A.

Internal Auditing and Corporate Governance Committee

GIORGIO BRUNETTI
CARLO GARAVAGLIA

Compensation Committee

STEFANO BERALDO
GIORGIO BRUNETTI
CARLO GARAVAGLIA

* All powers of ordinary and extraordinary administration, with individual signing authority, excepting only those duties that cannot be delegated pursuant to Art. 2381 of the Italian civil code and the company's by-laws.

** All powers of ordinary and extraordinary administration, with individual signing authority, excepting only the following duties in addition to those that cannot be delegated pursuant to Art. 2381 of the Italian civil code and the company's by-laws: (i) the subscription, purchase and disposal of equity investments, including minority interests, and the establishment of corporeal rights on same; (ii) the purchase, disposal and leasing of businesses or business divisions and the purchase, disposal or licensing of trademarks; (iii) the purchase and disposal of real estate.

2. Economic and financial highlights

Consolidated income statement figures

(millions of Euro)	30/09/03 (9 months)	30/09/02 (9 months)	Change	% change at current exchange rates	% change at constant exchange rates	31/12/02
Total revenues	870.0	869.3	0.7	0.1%	4.6%	1,273.7
EBITDA	**104.2**	**111.1**	**(6.8)**	**(6.2%)**		**180.4**
% of revenues	*12.0%*	*12.8%*				*14.2%*
EBIT	52.4	59.5	(7.1)	(12.0%)		109.9
Profit before taxes and non-recurring expenses	**30.2**	**33.4**	**(3.2)**	**(9.5%)**		**73.4**
% of revenues	*3.5%*	*3.8%*				
Pre-tax profit (loss)	**19.0**	**31.8**	**(12.8)**	**(40.3%)**		**68.0**

(millions of Euro)	3rd quarter 2003	3rd quarter 2002	Change	% change at current exchange rates	% change at constant exchange rates
Total revenues	299.3	310.6	(11.2)	(3.6%)	0.8%
EBITDA	**41.7**	**48.2**	**(6.5)**	**(13.6%)**	
% of revenues	*13.9%*	*15.5%*			
EBIT	23.5	30.4	(6.9)	(22.8%)	
Profit before taxes and non-recurring expenses	**14.4**	**20.6**	**(6.2)**	**(30.2%)**	
% of revenues	*4.8%*	*6.6%*			
Pre-tax profit (loss)	**11.0**	**19.9**	**(8.9)**	**(44.6%)**	

Consolidated financial figures

(millions of Euro)	30/09/03	30/09/02	Change	% change %	31/12/02
Net working capital	352.1	386.8	(34.6)	(9.0%)	269.1
Net capital employed	901.4	947.1	(45.7)	(4.8%)	824.0
Net debt	(339.7)	(397.6)	58.0	(14.6%)	(269.1)
Net working capital/net revenues (12 months)	**27.6%**	**30.6%**	**(2.9%)**	**(9.6%)**	**21.1%**

3. Directors' report on operations

3.1 Policies used in preparing the quarterly report

The quarterly report as of September 30, 2003 has been drawn up in accordance with Art. 82 of CONSOB Regulation 11971 of May 14, 1999, which implements Legislative Decree no. 58/1998 concerning the issuers of public stock. It includes the reclassified consolidated financial statements, prepared using the same valuation and consolidation policies employed in the 2002 consolidated financial statements, and the directors' report on operations.

The financial statements are presented gross of taxes as permitted by Art. 81, par. 7 of the aforementioned CONSOB regulation for the preparation of half-year reports, which also apply to quarterly reports.

In addition, some of the figures reported in the consolidated accounts as of December 31, 2002 and September 30, 2002 have been restated for the sake of comparison with end-September 2003.

The financial statements of foreign subsidiaries have been translated into Euro on the same basis as in the year-end financial statements and the half-year report.

The exchange rates used to convert non-Euro currencies are as follows:

		30/09/03		30/09/02	
Currency		**Period-end exchange rate (*)**	**Average exchange rate (*)**	**Period-end exchange rate (*)**	**Average exchange rate (*)**
Australian dollar	AUD	1.7101	1.7642	1.8101	1.7182
Canadian dollar	CAD	1.5717	1.5874	1.5566	1.4539
British pound	GBP	0.6986	0.6901	0.6295	0.6262
Hong Kong dollar	HKD	9.0254	8.6662	7.6905	7.2260
Japanese yen	JPY	128.8000	131.4643	119.6700	116.5951
Malaysian ringgit	MYR	4.4271	4.2228	3.7463	3.5201
New Zealand dollar	NZD	1.9538	1.9578	2.0936	2.0422
Polish zloty	PLN	4.6227	4.3231	4.0926	3.8063
South African rand	RND	8.1393	8.7047	10.4077	9.9930
Singapore dollar	SGD	2.0125	1.9429	1.7542	1.6645
US dollar	USD	1.1652	1.1114	0.9860	0.9265

(*) source: UIC (Italian Exchange Office)

3.2 Group performance

This has been a difficult year for the small domestic appliance market, due to increased competition from Chinese manufacturers—who have benefited from costs in US dollars and sales in Euro—and to a downturn in consumption. The De'Longhi Group, however, has the tools it needs to deal with this situation thanks to its continuous launch of new products and the savings it may achieve by developing a manufacturing platform in China.

Over the last few weeks the Italian and international markets have seen important new launches such as the *Pastamore* pasta cooker, two automatic coffee makers by *Ariete* and *De'Longhi*, a new version (with automatic timer) of the electric moka *Alicia* and the *Caldopanny* wall-mounted towel warmer, all supported by television advertising campaigns.

As for industrial costs, the savings generated by greater use of our manufacturing platform in China will most likely allow the Group to get back to more customary profitability leves and offset part of the harm caused by exchange rate trends. The delocalization of production activities will continue with a four-pronged approach: expansion of production capacity at the Tricom plant; the purchase of additional manufacturing companies (one such acquisition is already underway, as described later); joint ventures (an agreement will soon be formalized with a manufacturer of ironing systems); and various outsourcing arrangements.

3.3 Key results

The group achieved exchange-adjusted revenue growth of 4.6%. Heavy price pressure in some of its markets, the unfavourable trend for key exchange rates and the delays in procuring certain products limited the growth of sales, which amounted to Euro 870.0 million at current exchange rates and showed little change on the first nine months of 2002.

The gross margin improved from 51.0% for the first nine months of 2002 to 51.7% for the same period in 2003, thanks to the greater use of the Chinese manufacturing platform and a more favourable sales mix.

EBITDA, at Euro 104.2 million (Euro 111.1 million as of September 30, 2002), went from 12.8% of sales for the first nine months of 2002 to 12.0% in 2003. The decrease is due primarily to higher advertising expenses and the rise in transport costs.

EBIT came to Euro 52.4 million (Euro 59.5 million for the same period last year), falling as a percentage of revenues from 6.8% to 6.0%.

The profit before taxes and extraordinary expenses was Euro 30.2 million (Euro 33.4 million for the same period in 2002).

Net working capital decreased from 30.6% of sales for the first nine months of 2002 to 27.6% this year.

Net debt improved by Euro 58 million, from Euro 397.6 million as of September 30, 2002 to Euro 339.7 million at the close of the period.

3.4 Consolidated income statement

Consolidated income statement for the period 01/01-30/09

(in thousands of Euro)	*30/09/03*	*% of sales*	*30/09/02*	*% of sales*	*31/12/02*	*% of sales*
Net revenues	**870,024**	**100.0%**	**869,287**	**100.0%**	**1,273,663**	**100.0%**
Change	*737*	*0.1%*				
Materials, consumables & goods	(420,490)	(48.3%)	(426,329)	(49.0%)	(620,653)	(48.7%)
Cost of services & other charges	(210,128)	(24.2%)	(194,213)	(22.3%)	(286,027)	(22.5%)
Other operating expenses	(6,627)	(0.8%)	(7,824)	(0.9%)	(11,488)	(0.9%)
Value added	**232,779**	**26.8%**	**240,921**	**27.7%**	**355,495**	**27.9%**
Payroll and related costs	(119,651)	(13.8%)	(121,186)	(13.9%)	(162,292)	(12.7%)
Provisions	(8,885)	(1.0%)	(8,656)	(1.0%)	(12,830)	(1.0%)
EBITDA	**104,243**	**12.0%**	**111,079**	**12.8%**	**180,373**	**14.2%**
Change	*(6,836)*	*(6.2%)*				
Amortization and depreciation	(51,851)	(6.0%)	(51,555)	(5.9%)	(70,441)	(5.5%)
EBIT	**52,392**	**6.0%**	**59,524**	**6.8%**	**109,932**	**8.6%**
Change	*(7,132)*	*(12.0%)*				
Financial income (expenses)	(21,551)	(2.5%)	(25,525)	(2.9%)	(36,282)	(2.8%)
Extraordinary income (expenses)	(11,208)	(1.3%)	(1,554)	(0.2%)	(5,394)	(0.4%)
Profit before taxes	**19,633**	**2.3%**	**32,445**	**3.7%**	**68,256**	**5.4%**
Income pertaining to minority interests	(628)	(0.1%)	(605)	(0.1%)	(268)	(0.0%)
Group's share of pre-tax profit	**19,005**	**2.2%**	**31,840**	**3.7%**	**67,988**	**5.3%**

Consolidated income statement for the third quarter

(in thousands of Euro)	*3rd quarter 2003*	*% of sales*	*3rd quarter 2002*	*% of sales*
Net revenues	**299,336**	**100.0%**	**310,583**	**100.0%**
Change	*(11,247)*	*(3.6%)*		
Materials, consumables & goods	(152,377)	(50.9%)	(156,335)	(50.3%)
Cost of services & other charges	(65,535)	(21.9%)	(62,949)	(20.3%)
Other operating expenses	(1,527)	(0.5%)	(2,603)	(0.8%)
Value added	**79,897**	**26.7%**	**88,696**	**28.6%**
Payroll and related costs	(34,300)	(11.5%)	(38,290)	(12.3%)
Provisions	(3,938)	(1.3%)	(2,211)	(0.7%)
EBITDA	**41,659**	**13.9%**	**48,195**	**15.5%**
Change	*(6,536)*	*(13.6%)*		
Amortization and depreciation	(18,209)	(6.1%)	(17,815)	(5.7%)
EBIT	**23,450**	**7.8%**	**30,380**	**9.8%**
Change	*(6,930)*	*(22.8%)*		
Financial income (expenses)	(8,878)	(3.0%)	(9,590)	(3.1%)
Extraordinary income (expenses)	(3,340)	(1.1%)	(678)	(0.2%)
Profit before taxes	**11,232**	**3.8%**	**20,112**	**6.5%**

Income pertaining to minority interests	(208)	(0.1%)	(222)	(0.1%)
Group's share of pre-tax profit	**11,024**	**3.7%**	**19,890**	**6.4%**

Revenue growth was held back by the late delivery of some Chinese-made products to the European and American markets, which penalized the group's sales in August and September. We hope to make up for some of the lost sales during the final quarter of 2003.

3.5 Business lines

Trends in net revenues by business line are shown in the tables below:

(millions of Euro)	**30/09/03 (9 months)**	**30/09/02 (9 months)**	**change**	**% change at current exchange rates**	**% change at constant exchange rates**	**31/12/02**
Business line						
Cooking and food preparation	362.7	374.5	(11.7)	(3.1%)	3.4%	557.4
Air conditioning and air treatment	236.9	218.0	18.9	8.7%	10.8%	278.6
Heating	139.6	134.9	4.7	3.5%	9.4%	239.6
Cleaning and ironing systems	96.6	113.1	(16.5)	(14.6%)	(13.3%)	152.2
Other (*)	34.2	28.8	5.4	18.6%	20.9%	45.9
Total	**870.0**	**869.3**	**0.7**	**0.1%**	**4.6%**	**1,273.7**

(millions of Euro)	**3rd quarter 2003**	**3rd quarter 2002**	**change**	**% change at current exchange rates**	**% change at constant exchange rates**
Business line					
Cooking and food preparation	125.7	129.6	(3.9)	(3.0%)	2.3%
Air conditioning and air treatment	53.3	53.5	(0.2)	(0.4%)	(0.2%)
Heating	82.8	84.8	(1.9)	(2.3%)	5.3%
Cleaning and ironing systems	29.6	34.3	(4.7)	(13.8%)	(13.2%)
Other (*)	7.9	8.4	(0.5)	(5.7%)	(3.3%)
Total	**299.3**	**310.6**	**(11.2)**	**(3.6%)**	**0.8%**

(*) "Other" includes revenues from the sale of accessories, parts, raw materials, semi-finished products and scrap, as well as service revenues, casual gains and other income.

Comments by business line are provided below.

Cooking and food preparation
This segment showed growth of 3.4% (declining by 3.1% at current exchange rates). New products (the electric moka *"Alicia"*, the vegetable slicer *"Saladino"* and the "*Smoothie")* did very well, especially in the domestic market. Coffee maker sales continued to climb in both Europe and the United States.

Deep fryers suffered a decline with respect to the same period in 2002, due mainly to exchange rate trends, falling prices and a slump in the fryer market.

Air conditioning and air treatment
This was the fastest-growing segment of the period: +10.8% on an exchange-adjusted basis and +8.7% at current exchange rates. The success is explained chiefly by the boom in portable air conditioners, both in Italy and abroad.

Heating
Sales of heating products were up 9.4% at constant exchange rates (+3.5% at current exchange rates), due mainly to the performance of water-filled radiators. As for portable heaters, late deliveries by a Chinese supplier and by Tricom caused a delay in sales to American and European customers. Some of these should be made up during the final quarter.

Cleaning and ironing systems
The decrease in revenues—by 14.6% at current exchange rates with respect to the first nine months of 2002—was an anticipated result of the reduction in sales of floor cleaning products to an OEM customer in the United States.

Ironing products continued to do well, with a growth of 13.6% compared with the first nine months of 2002, thanks to the launch of new ironing systems.

3.6 Markets

The group's sales trend is broken down below by geographical area:

(millions of Euro)	30/09/03 (9 months)	30/09/02 (9 months)	change	% change at current exchange rates	% change at constant exchange rates	31/12/02
Area						
Italy	265.7	237.5	28.2	11.9%	11.9%	350.9
United Kingdom	114.2	123.4	(9.3)	(7.5%)	1.4%	188.3
Rest of Europe	254.4	231.9	22.4	9.7%	10.3%	343.4
USA, Canada, Mexico	94.6	123.6	(29.1)	(23.5%)	(9.5%)	165.0
Japan	25.2	37.0	(11.9)	(32.0%)	(23.9%)	69.0
Rest of the world	116.1	115.8	0.3	0.3%	5.8%	157.1
Total	**870.0**	**869.3**	**0.7**	**0.1%**	**4.6%**	**1,273.7**

(millions of Euro)	3rd quarter 2003	3rd quarter 2002	change	% change at current exchange rates	% change at constant exchange rates
Area					
Italy	74.7	71.5	3.2	4.5%	4.5%
United Kingdom	43.3	47.9	(4.5)	(9.5%)	(0.8%)
Rest of Europe	87.8	78.6	9.2	11.7%	12.2%
USA, Canada, Mexico	40.0	49.5	(9.4)	(19.1%)	(7.4%)
Japan	11.2	18.4	(7.2)	(39.3%)	(31.9%)
Rest of the world	42.3	44.7	(2.4)	(5.4%)	(0.6%)
Total	**299.3**	**310.6**	**(11.2)**	**(3.6%)**	**(0.8%)**

Growth was good in the Italian market (+11.9%) thanks to the success of new products and the excellent performance of the entire air conditioning segment.

Sales in the UK were up by 1.4% on an exchange-adjusted basis (-7.5% at current exchange rates), due primarily to water-filled radiators and Kenwood products. Deep fryer sales were hurt by the negative market trend.

During the first nine months of 2003 growth in the rest of Europe was strong: +10.3% at constant exchange rates (+9.7% at current rates) thanks mostly to France, Spain and Greece.

Results in North America (-9.5% on an exchange-adjusted basis and -23.5% at current exchange rates) were hurt by lower sales of floor cleaning products to an OEM customer and by the difficulties in the fryer market.

Sales in Japan (-23.9% at constant exchange rates and -32.0% at current exchange rates) remained weak.

3.7 Profitability

The gross margin improved from 51.0% of sales as of September 30, 2002 to 51.7% of sales for the first nine months of 2003. This is because the positive effect of the sales mix and the benefits of making greater use of the manufacturing platform in China more than offset the downward pressure on prices and the unfavourable exchange rate trends.

Despite the improvement in the gross profit, EBITDA (Euro 104.2 million) fell from 12.8% to 12.0% of sales; the decrease in the EBITDA margin for the first nine months of 2003 was caused mainly by the higher advertising expenses (5.0% of revenues for the period, compared with 4.2% for the year to September 30, 2002) and by the increase in transport costs.

Advertising was particularly extensive in the UK and Italy, where television campaigns for Kenwood and De'Longhi products generated an increase in market shares in spite of weakness of consumption.

Also, the decline in EBITDA was partially offset by exchange gains (accounted for financial income) of Euro 5.6 million, produced mainly by hedging transactions.

Amortization and depreciation, at Euro 51.9 million, include Euro 26.4 million in the amortization of intangible assets.

EBIT for the first nine months was Euro 52.4 million. As a percentage of sales it decreased from 6.8% to 6.0%.

Financial expenses were reduced by Euro 4.0 million compared with the first nine months of 2002, thanks mainly to a decrease in interest expense. Exchange gains were slightly lower than last year's, but still made a substantial contribution.

On April 28, the group redeemed the € 150 million bond, which over the first four months of the year produced financial expenses at a rate of 7% due to interest rate hedging arrangements. Therefore, the first nine months of 2003 drew a partial benefit from the reduced cost of borrowing, since the long-term loans taken out to replace the bond bear interest at rates in line with the market and with a spread of less than 100 bp on the EURIBOR.

The profit before taxes and extraordinary expenses thus came to Euro 30.2 million (Euro 33.4 million as of September 30, 2002).

Of the extraordinary items, the most significant expense was Euro 7.5 million for the tax amnesty settlement in accordance with Legislative Decree 289 of December 27, 2002 (as amended).

3.8 Key balance sheet figures

Reclassified consolidated balance sheet
(in thousands of Euro)

	30/09/03	*30/06/03*	*31/12/02*	*30/09/02*
Intangible assets	434,982	435,462	434,616	416,144
Tangible assets	216,893	217,217	220,975	188,293
Financial assets	8,121	8,339	8,021	9,913
Total fixed assets	**659,996**	**661,018**	**663,612**	**614,350**
Trade receivables	295,957	315,654	327,057	371,633
Net inventory	304,687	312,466	233,750	292,659
Trade payables	(264,284)	(313,182)	(290,853)	(278,706)
Other current assets (liabilities)	15,782	(11,363)	(819)	1,185
Net working capital	**352,142**	**303,575**	**269,135**	**386,771**
Employee severance indemnity	(23,970)	(23,428)	(22,867)	(22,105)
Reserve for deferred taxes	(51,652)	(51,652)	(51,652)	-
Reserves for risks and charges	(35,162)	(32,822)	(34,231)	(31,931)
Total non-current liabilities and reserves	**(110,784)**	**(107,902)**	**(108,750)**	**(54,036)**
Net capital employed	**901,354**	**856,691**	**823,997**	**947,085**
Cash and banks	(98,808)	(69,485)	(155,299)	(86,884)
Other financial assets (fixed)	(100)	(100)	(4,960)	(5,953)
Other current financial assets	(25,454)	(29,793)	(41,017)	(24,186)
Current financial payables	207,995	134,504	326,922	359,863
Non-current financial payables	256,034	270,782	143,477	154,782
Net debt	**339,667**	**305,908**	**269,123**	**397,622**
Total shareholders' equity	**561,687**	**550,783**	**554,874**	**549,463**
Total net debt and shareholders' equity	**901,354**	**856,691**	**823,997**	**947,085**

Net working capital (on a rolling basis over 12 months) amounted to 27.6% of sales, versus 30.6% for the first nine months of 2002. On a comparable basis (excluding the effects of the securitization), net working capital came to 33.9% of sales, down from 35.1% for the same period last year.

Net debt fell from Euro 397.6 million as of September 30, 2002 to Euro 339.7 million at the close of the period, improving by Euro 58 million. Excluding the effect of the securitization, net debt would be Euro 419.2 million (Euro 454.8 million as of September 30, 2002).

During the first nine months of the year, cash was absorbed when the group took over the commercial activities of some former distributors in New Zealand, Australia and Spain.

The ratio of net debt to shareholders' equity (gearing) dropped from 0.72 at the close of September 2002 to 0.61 a year later (0.49 as of December 31, 2002).

The cash flow statement can be summarized as follows:

(millions of Euro)	***30/09/03*** ***(9 months)***	***31/12/02*** ***(12 months)***	***30/09/02*** ***(9 months)***
Cash flows provided by (used in) operating activities (*)	75.7	108.4	85.2
Cash flows provided by (used in) changes in working capital and investment activities	(112.4)	(21.4)	(85.5)
Net operating cash flow	**(36.8)**	**87.0**	**(0.3)**
Cash flows provided by changes in shareholders' equity items	(12.2)	(10.2)	(7.5)
Cash flow for the period pre-securitization	**(49.0)**	**76.8**	**(7.7)**
Securitization	(21.6)	101.2	57.2
Net financial position, beginning of period	(269.1)	(447.1)	(447.1)
Net financial position, end of period	**(339.7)**	**(269.1)**	**(397.6)**

(*) including the pre-tax profit (net profit for 31/12/02), depreciation & amortization and net provisions.

3.9 Change in scope of consolidation

The scope of consolidation includes the financial statements of the Parent Company, De'Longhi S.p.A., and of the companies of which, as of September 30, 2003, it directly or indirectly owned the majority of share capital or shares with voting rights.

With respect to June 30, 2003, the scope of consolidation changed due to the inclusion of Inntek SAS, acquired in July, which will distribute Climaveneta products in France and whose contribution to group sales as of September 30, 2003 was immaterial.

3.10 Subsequent events

In October 2003 De'Longhi signed a preliminary agreement to acquire a business from a Chinese manufacturer of oil-filled radiators. The purchase should give the group access to additional production capacity (about one million units per year) at highly competitive costs.

3.11 Outlook for the rest of 2003

For the fourth quarter of 2003 trends, persistent slow consumption and unfavourable exchange rates lead us to be cautious, but we do expect sales trend to improve in comparison with the third quarter of 2003.

Treviso, 13 November 2003

for the Board of Directors

Stefano Beraldo
CEO