

De' Longhi Group



*Quarterly Report
As of 30 September 2002*

Financial Highlights

Consolidated economic data

| | 30/09/02 (9 months) | 30/09/01 (9 months) | Change | % Change | 31/12/01 |
|----------------------------|------------------------|------------------------|-------------|----------------|---------------|
| (in million of Euro) | | | | | |
| Total Revenues | 869.3 | 802.2 | 67.1 | 8.4 % | 1.197.9 |
| EBITDA | 111.1 | 94.9 | 16.1 | 17.0% | 164.1 |
| <i>% on revenues</i> | <i>12.8 %</i> | <i>11.8 %</i> | | | <i>13.7 %</i> |
| EBIT | 59.5 | 43.6 | 15.9 | 36.4% | 94.4 |
| <i>% on revenues</i> | <i>6.8 %</i> | <i>5.4 %</i> | | | <i>7.9 %</i> |
| Profit before taxes | 31.8 | 13.5 | 18.3 | 135.4 % | 49.4 |

| | 2002, III Quarter | 2001, III Quarter | Change | % Change |
|----------------------------|-------------------|-------------------|-------------|---------------|
| (in million of Euro) | | | | |
| Total Revenues from sales | 310.6 | 286.9 | 23.6 | 8.2% |
| EBITDA | 48.2 | 41.7 | 6.5 | 15.6% |
| <i>% on revenues</i> | <i>15.5%</i> | <i>14.5%</i> | | |
| EBIT | 30.4 | 23.3 | 7.1 | 30.4% |
| <i>% on revenues</i> | <i>9.8%</i> | <i>8.1%</i> | | |
| Profit before taxes | 19.9 | 9.5 | 10.4 | 109.4% |

Consolidated financial data

| | 30/09/02 | 31/12/01 | Change | % Change | 30/09/01 |
|------------------------------------|---------------|--------------|--------|----------|---------------|
| (in million of Euro) | | | | | |
| Net working capital | 386.8 | 388.5 | (1.8) | (0.5%) | 460.8 |
| Net invested capital | 947.1 | 972.2 | (25.1) | (2.6%) | 1.054.8 |
| Net financial position | (397.6) | (447.1) | 49.4 | 11.1% | (542.1) |
| NWC/Net sales % (12 months) | 30.6 % | 32.4% | | | 40.1 % |

Main results

In the first nine months of the year 2002 the Group reported sales for Euro 869.3 million, with a growth of Euro 67.1 million - equal to 8.4% - compared to the same period of the previous year, despite the negative impact due to the Euro exchange trend, resulting in a 1.6 % decline. On a comparable exchange rate basis, the growth would be 10%.

EBITDA was Euro 111.1 million (Euro 94.9 million as of 30 September 2001) with an incidence on net sales up from 11.8% as of 30 September 2001 to 12.8% as of 30 September 2002, and with an absolute growth of 17.0%.

Thanks to the significant improvement of EBIT, increasing from Euro 43.6 million as of 30 June 2001 to Euro 59.5 million as of 30 June 2002, and with an EBIT margin growing from 5.4% to 6.8%, and thanks to the reduction of financial charges (including financial earnings coming from hedging policies which compensated the loss at EBITDA level due to the negative exchange trend), the profit before-tax amounts to Euro 31.8 million compared to a profit before-tax of Euro 13.5 million in the same period of the previous year.

The net financial position improved from Euro 447.1 million as of December 31, 2001 to Euro 397.6 million as of June 30, 2002 with a decrease of Euro 49.4 million. Comparing to 30 September 2001, the decrease in the net debt amounts to Euro 144.5 million, and comes from the securitisation agreement finalised in September 2002 for Euro 56.4 million and from the cash flow of the period for Euro 88.1 million.

Main events

The aggregation of the controlled companies Simac - Vetrella S.p.A. and Ariagel S.p.A. in De' Longhi S.p.A. was finalised during the first nine months of 2002, through the process of integration of company procedures ensuing the centralisation of the administration activities with the Parent Company.

This operation was made possible thanks to two distinct mergers (Ariagel S.p.A. in Simac-Vetrella S.p.A. and the in De' Longhi S.p.A.) which respectively became effective on the 1st and 2nd September 2002.

In September a securitisation agreement was finalised, which provided for a monthly *revolving* transfer of accounts receivable of De' Longhi S.p.A. and of its controlled company Ariete S.p.A. relating to sales made on the Italian market.

The disposal of receivables was carried out on a "*pro-soluto*" basis for the net amount of Euro 57.2 million within a five-year plan, in compliance with law 52/91 on factoring. This operation allows to reduce the cost of capital and to diversify the financial sources by combining operating flexibility and multiyear duration.

**Consolidated
accounts**

Consolidated Income Statement for the period 01/01-30/09

(Euro thousands)

| | 30/09/02 | % on sales | 30/09/01 | % on sales |
|--|----------------|---------------|----------------|---------------|
| Revenues from sales | 858,271 | 98.7% | 790,450 | 98.5% |
| Other income | 11,016 | 1.3% | 11,769 | 1.5% |
| Total revenues | 869,287 | 100.0% | 802,219 | 100.0% |
| <i>Change</i> | 67,068 | 8.4% | | |
| Material consumables and goods | (426,329) | (49.0%) | (397,605) | (49.6%) |
| Costs for services | (194,213) | (22.3%) | (182,078) | (22.7%) |
| Other operating expenses | (7,824) | (0.9%) | (7,708) | (1.0%) |
| Added value | 240,921 | 27.7% | 214,828 | 26.8% |
| Labour cost | (121,186) | (13.9%) | (115,758) | (14.4%) |
| Provisions | (8,656) | (1.0%) | (4,130) | (0.5%) |
| EBITDA | 111,079 | 12.8% | 94,940 | 11.8% |
| <i>Change</i> | 16,139 | 17.0% | | |
| Depreciation | (51,555) | (5.9%) | (51,298) | (6.4%) |
| Operating Result | 59,524 | 6.8% | 43,642 | 5.4% |
| <i>Change</i> | 15,882 | 36.4% | | |
| Financial Incomes (Expenses) | (25,525) | (2.9%) | (31,056) | (3.9%) |
| Extraordinary management | (1,554) | (0.2%) | 1,203 | 0.1% |
| Result before taxes | 32,445 | 3.7% | 13,789 | 1.7% |
| Result pertaining to third parties | 605 | 0.1% | 263 | 0.0% |
| Result before taxes – competence of the Group | 31,840 | 3.7% | 13,526 | 1.7% |
| <i>Change</i> | 18,314 | 135.4% | | |

Consolidated Income Statement for the III Quarter

(Euro thousands)

| | 2002 III Quarter | % on sales | 2001 III Quarter | % on sales |
|--|---------------------|---------------|---------------------|---------------|
| Revenues from sales | 307,697 | 99.1% | 283,438 | 98.8% |
| Other income | 2,886 | 0.9% | 3,509 | 1.2% |
| Total revenues | 310,583 | 100.0% | 286,947 | 100.0% |
| <i>Change</i> | 23,636 | 8.2% | | |
| Material consumables and goods | (156,335) | (50.3%) | (141,883) | (49.4%) |
| Costs for services | (62,949) | (20.3%) | (63,757) | (22.2%) |
| Other operating expenses | (2,603) | (0.8%) | (2,926) | (1.0%) |
| Added value | 88,696 | 28.6% | 78,381 | 27.3% |
| Labour cost | (38,290) | (12.3%) | (36,853) | (12.8%) |
| Provisions | (2,211) | (0.7%) | 179 | 0.1% |
| EBITDA | 48,195 | 15.5% | 41,707 | 14.5% |
| <i>Change</i> | 6,488 | 15.6% | | |
| Depreciation | (17,815) | (5.7%) | (18,401) | (6.4%) |
| Operating result | 30,380 | 9.8% | 23,306 | 8.1% |
| <i>Change</i> | 7,074 | 30.4% | | |
| Financial Incomes (Expenses) | (9,590) | (3.1%) | (12,498) | (4.4%) |
| Extraordinary management | (678) | (0.2%) | (1,390) | (0.5%) |
| Result before taxes | 20,112 | 6.5% | 9,418 | 3.3% |
| Result pertaining to third parties | 222 | 0.1% | (81) | 0.0% |
| Result before taxes – competence of the Group | 19,890 | 6.4% | 9,337 | 3.3% |
| <i>Change</i> | 10,391 | 109.4% | | |

Operating performance

The De' Longhi Group steadily grew also during the third quarter of 2002. In the first nine months of 2002 net revenues for the Group on a comparable consolidation basis increased of Euro 67.1 million (+8.4%), with respect to the same period of 2001, totalling Euro 869.3 million (the growth in the third quarter was equal to 8.2%).

The 8.4% increase of net revenues was influenced by a negative exchange effect equal to about -1.6%, and was mainly driven by an increase in the volumes of about 6%, and by a positive mix effect and a prices increase of about 4%.

The growth altogether is overall in line with the expectations thanks to the good results in the third quarter of the year relating to the "Cooking and Food Preparation" segment and to the recovery of sales in the "Heating" segment. With respect to the same period of 2001, these divisions benefited from the positive effect ensuing the sales of Kenwood and Ariete trademarked products.

It is worth noting that the turnover of the first nine months structurally represents about two thirds of the whole year turnover.

Business segment

The trend of net revenues analysed by business segments is represented in the following tables:

| Business Segment | | | | |
|------------------------------------|--------------|--------------|-------------|-------------|
| Cooking and Food Preparation | 374.5 | 326.5 | 48.0 | 14.7% |
| Home Cleaning and Ironing | 113.1 | 99.1 | 14.0 | 14.1% |
| Heating | 134.9 | 135.1 | (0.1) | (0.1%) |
| Air conditioning and air treatment | 218.0 | 206.9 | 11.1 | 5.4% |
| Other (*) | 28.8 | 34.7 | (5.9) | (16.9%) |
| Total net revenues | 869.3 | 802.2 | 67.1 | 8.4% |

| | 2002 | 2001 | | % |
|------------------------------------|--------------------|--------------------|---------------|---------------|
| (in million of Euro) | III Quarter | III Quarter | Change | Change |
| Business Segment | | | | |
| Cooking and Food preparation | 129.6 | 114.9 | 14.7 | 12.8% |
| Home cleaning and Ironing | 34.3 | 31.4 | 2.9 | 9.2% |
| Heating | 84.8 | 79.7 | 5.1 | 6.4% |
| Air conditioning and air treatment | 53.5 | 51.3 | 2.2 | 4.3% |
| Other (*) | 8.4 | 9.6 | (1.2) | (12.6%) |
| Total net revenues | 310.6 | 287.0 | 23.6 | 8.2% |

(*) The line "Other" includes revenues from the sale of accessories, spare parts, raw materials, semifinished products and scrap as well as earnings from the supply of services, contingent assets, recovery of transport costs and various other earnings.

Cooking and Food Preparation

In the first nine months of 2002 this business segment increased by 14.7% with respect to the same period last year, while the third quarter of the year recorded a growth of 12.8%. As far as the De' Longhi branded products are concerned, such a trend was supported by the continuous growth in the sales of coffee machines and electric ovens, followed by cookers. As for the Kenwood branded products, kitchen machines especially contributed to the growth.

The strategic decision to withdraw from the market of "low end" microwave ovens, characterised by low profits, did not affect the positive result of this business segment.

Moreover the last part of the current year will greatly benefit from the launch of the new 'moka' "Alicia" which was launched during the month of September.

Home Cleaning and Ironing

In the first nine months of 2002 this business segment increased by 14.1% with respect to the same period last year (the third quarter recorded a 9.2% increase). The growth of this business segment over this period is particularly remarkable, and is mainly due to the success of steam products for home cleaning and ironing, which are characterised by an increasingly larger and innovative product line.

The reduced growth in third quarter may be regarded as natural, if we take into account the considerable increase in the same period of 2001 (+20.3%).

Heating

Despite the slow start of the winter season and the unfavourable impact of exchanges with respect to the corresponding period in 2001, the revenues of the third quarter showed a growth of 6.4%, mainly thanks to the sale of fixed heating units and the launch of new models of portable heaters. Consequently at the end of the nine-month period it was possible to recover the reduction in sales that was already commented in the 2002 Half-year Report.

Air conditioning and air treatment

In the first nine months revenues increased by 5.4% (the third quarter recorded a 4.3% increase). This trend is the result of the good sales campaign for portable conditioners (already described for the first half of the year 2002), of the recovery in the sales of large thermo-cooling machines and of the launch of the new model of compact dehumidifier.

Markets

The tables below represent the revenue trend by geographical area:

| (Million of Euro) | 2002 | 2001 | Change | % Change |
|---------------------------|-------------------|-------------------|---------------|-----------------|
| | (9 months) | (9 months) | | |
| Geographical area | | | | |
| Italy | 237.5 | 223.7 | 13.7 | 6.1% |
| United Kingdom | 123.4 | 117.7 | 5.7 | 4.9% |
| Rest of Europe | 231.9 | 212.3 | 19.7 | 9.3% |
| USA, Canada, Mexico | 123.6 | 100.5 | 23.1 | 23.0% |
| Japan | 37.0 | 25.8 | 11.2 | 43.3% |
| Rest of the World | 115.8 | 122.2 | (6.4) | (5.2%) |
| Total net revenues | 869.3 | 802.2 | 67.1 | 8.4% |

| (Million of Euro) | 2002 | 2001 | Change | % Change |
|---------------------------|--------------------|--------------------|---------------|-----------------|
| | III Quarter | III Quarter | | |
| Geographical area | | | | |
| Italy | 71.5 | 64.1 | 7.4 | 11.5% |
| United Kingdom | 47.9 | 43.8 | 4.1 | 9.3% |
| Rest of Europe | 78.6 | 72.9 | 5.7 | 7.9% |
| USA, Canada, Mexico | 49.5 | 47.3 | 2.2 | 4.6% |
| Japan | 18.4 | 12.3 | 6.2 | 50.1% |
| Rest of the World | 44.7 | 46.6 | (1.9) | (4.1%) |
| Total net revenues | 310.6 | 287.0 | 23.6 | 8.2% |

In the first nine months of 2002 all the main markets show a positive trend with respect to 2001, particularly remarkable for the Italian and Japanese markets in the third quarter of 2002.

The good performance of the Italian market can be mainly attributed to a rise in the sales of cooking and food preparation products and by a good sales campaign for air conditioning and air treatment products.

The turnover recorded by the North American market in the first nine months shows a positive trend, despite the negative impact due to the slow start of the heating season caused by the unfavourable climatic conditions and by the Euro appreciation, although this quarter reflects a natural slowdown in the growth. On a comparable exchange rate basis, the growth of the third quarter would have been 13%.

Sales in the Rest of the World were negatively impacted by a declining demand in some countries, mainly Brazil and Argentina, and by the slow start of the heating season in the ex-U.S.S.R. countries.

***Profitability
trend***

In the first nine months of 2002 EBITDA amounted to Euro 111.1 million with a growth of 17% comparing to the same period of 2001. In terms of margin, EBITDA margin increased from last year's 11.8% to 12.8%.

In the third quarter of 2002 EBITDA amounted to Euro 48.2 million with a growth of Euro 6.5 million - equal to 15.6% - comparing to the same period of 2001.

As for the economic data, it is worth pointing out that the profitability in the first nine months of the year cannot be compared to that of the whole year due to the effects of:

- a less favourable sales mix with respect to that of the whole year, due to a lower contribution of the heating division,
- a greater incidence of fixed costs over the nine months due to the fact that sales in this part of the year represent almost two thirds of the total.

The main components of the EBITDA growth in this period are:

- The benefits arising from the many actions carried out to improve efficiency and a better use of the Chinese operating facilities (for both production and procurement).
- The positive contribution of the past restructuring that strongly reduced the incidence of labour costs on the turnover, decreasing from 14.4% to 13.9%.
- The positive effect given by a decrease in the purchase cost of raw materials.
- With respect to the same period of 2001, a minor contribution of sales in the heating segment characterised by higher margins compared to the Group's average.
- The negative impact due to the Euro appreciation determined a minor growth of EBITDA of 3.7 percentage points with respect to the same period in 2001. In other words EBITDA, excluding the negative exchange trend effect, would have grown from Euro 111.1 million to Euro 114.6 million, with an EBITDA margin of 13% from 12.8%.

The EBIT of the nine-month period of 2002 amounted to Euro 59.5 million, with an increase of 36.4% compared to the same period of 2001. In terms of EBIT margin, this was up from 5.4% of last year to 6.8%.

The growth in the third quarter of 2002, compared to the same period in 2001, is Euro 7.1 million (+ 30.4%).

In terms of financial charges, net interest expenses decreased by Euro 5.5 million, with respect to the same period of 2001. This is due not only to the foreseeable positive influence of the hedging policy, which allowed to offset the loss realised at EBITDA level, but also to the decrease of net debt.

In terms of extraordinary items, they mainly refer to charges for renovations and other non-recurrent costs, and is compared to the corresponding period of 2001, which comprised extraordinary positive items relating to the recording of the transfer of the Kenwood result pre-acquisition.

**Analysis of
the financial
position**

Reclassified Consolidated Balance Sheet

(Euro thousands)

| | 30/09/02 | 30/06/02 | 31/12/01 | 30/09/01 |
|---|-----------------|-----------------|-----------------|------------------|
| Start-up and Consolidation Differences | 310,877 | 315,481 | 324,561 | 326,018 |
| Other intangible assets | 105,267 | 107,816 | 110,615 | 116,833 |
| Net tangible assets | 188,293 | 187,088 | 193,691 | 189,980 |
| Long-term liabilities | 9,913 | 9,395 | 9,568 | 6,692 |
| Total invested activities | 614,350 | 619,780 | 638,435 | 639,523 |
| Trade receivables | 363,177 | 375,769 | 412,526 | 415,574 |
| Final inventories | 292,659 | 293,088 | 234,846 | 294,579 |
| Trade payables | (278,706) | (307,985) | (249,701) | (239,692) |
| Other current assets (liabilities) | 9,641 | 53 | (9,144) | (9,678) |
| Net working capital | 386,771 | 360,925 | 388,527 | 460,783 |
| Severance indemnity | (22,105) | (21,364) | (21,256) | (21,447) |
| Provisions for liabilities and charges | (31,931) | (31,105) | (33,550) | (24,069) |
| Total long-term liabilities and funds | (54,036) | (52,469) | (54,806) | (45,516) |
| Total capital employed | 947,085 | 928,236 | 972,156 | 1,054,790 |
| Liquid assets | (86,884) | (75,514) | (85,162) | (65,679) |
| Other long-term liabilities | (5,953) | (5,953) | (6,225) | (4,406) |
| Other financial activities of the working capital | (24,186) | (6,390) | (21,829) | (11,632) |
| Short-term financial payables | 359,863 | 311,960 | 199,364 | 345,922 |
| Medium and long-term financial payables | 154,782 | 174,758 | 360,916 | 277,944 |
| Net financial position | 397,622 | 398,861 | 447,064 | 542,149 |
| Corporate Capital | 448,500 | 448,500 | 448,500 | 448,500 |
| Other reserves | 68,450 | 68,473 | 49,980 | 49,896 |
| Result of the period before taxes (for 31/12/2001 net of taxes) | 31,840 | 11,951 | 26,321 | 13,527 |
| Total Net Equity of the Group | 548,790 | 528,924 | 524,801 | 511,923 |
| Net Equity of third parties | 673 | 451 | 291 | 718 |
| Total Net Equity | 549,463 | 529,375 | 525,092 | 512,641 |
| Total Shareholders' and Third Parties' Equity | 947,085 | 928,236 | 972,156 | 1,054,790 |

The net working capital amounts to Euro 386.8 million with a decrease of Euro 74.0 million compared to the same period of the previous year, partly due to the above mentioned operation of securitisation which resulted in a decrease of accounts receivable equal to Euro 57.2 million.

The incidence on net sales (12 month *rolling*) decreased from 40.1% as of 30 September 2001 to 30.6% as of 30 September 2002. The improvement of 9.5 percentage points relates for 4.5% to the aforementioned securitisation agreement, while the other 5% is given by the actions started in early 2001 to reduce working capital, mainly thanks to efficient planning and to the extended establishment of SAP (Systems Application Program) to the other subsidiaries abroad. Thus there is a further improvement in working capital in the trend already shown in the first half of the year 2002.

However it is to be highlighted the fact that the result as of 30 September is affected by sales seasonality that determines a temporary growth in the inventory (mainly relating to heating products that will be sold during the last quarter of the year) and receivables (concerning the air conditioning products that will be collected in the last quarter of the year).

The net financial position decreased from Euro 447.1 million as of December 2001 to Euro 397.6 million as of 30 September 2002, with an improvement of Euro 49.4 million. In the first nine months of 2002 the operating cash flow was positive for Euro 56.9 million, compared to the negative flow of Euro 44.4 million in the first nine months of 2001.

The decrease in the net debt with respect to 30 September 2001, equal to Euro 144.5 million, is due to the above stated operation of securitisation for Euro 56.4 million and to the cash flow of the period for Euro 88.1 million.

The cash flow statement can be summarised in the following way:

| (Million of Euro) | 30/09/02 (Nine months) | 31/12/01 | 30/09/01 (Nine months) |
|--|------------------------------|----------------|------------------------------|
| Financial flows generated (absorbed) by operating activities (*) | 85,2 | 103,6 | 68,4 |
| Financial flows generated (absorbed) by NWC movements | (0,5) | (5,9) | (79,1) |
| Financial flows generated (absorbed) by investment activities | (27,8) | (46,1) | (33,6) |
| Operating cash flow | 56,9 | 51,6 | (44,4) |
| Cash flow generated by net equity movements | (7,5) | 256,3 | 256,7 |
| Financial flow relating to the consolidation area Change | 0 | (139,0) | (138,4) |
| Financial flow of the period | 49,4 | 169,0 | 73,9 |
| Initial net financial position of the period | (447,1) | (616,0) | (616,0) |
| Final net financial position of the period | (397,6) | (447,1) | (542,1) |

(*) includes the result before taxes (net as of 31/12/01), net depreciation and provisions.

***Criteria
adopted for the
Quarterly
Report***

The present Quarterly Report has been drawn up in compliance with the provisions in art. 82 of the regulations approved by Consob n. 11971 of 14 May 1999, enforcing the Law Decree D.L. N. 58/1998. This report includes the reclassified consolidated financial statements drawn up by adopting the same evaluation and consolidation criteria used in the 2001 consolidated financial statements and the Report by the Board of Directors.

The accounts are presented before taxes in compliance with the provision in art. 81 par. 7 of the above stated Consob regulation for the drawing up of half-year reports, which results applicable also to quarterly reports.

The conversion into Euro of the financial statements of the foreign controlled companies has been carried out following the criteria adopted in drawing up the balance sheet and the half-year report.

The exchange rates applied for the conversion of non-Euro currencies were the following:

| Currency | | Average Exchange Rate (*) | Final Exchange Rate |
|--------------------|-----|---------------------------|---------------------|
| Canadian Dollar | CAD | 1.4539 | 1.5566 |
| Hong Kong Dollar | HKD | 7.2260 | 7.6905 |
| Singapore Dollar | SGD | 1.6645 | 1.7542 |
| US Dollar | USD | 0.9265 | 0.9860 |
| South African Rand | RND | 9.9930 | 10.4077 |
| Malay Ringgit | MYR | 3.5201 | 3.7463 |
| English Sterling | GBP | 0.6262 | 0.6295 |
| Japanese Yen | JPY | 116.5951 | 119.6700 |
| Polish Zloty | PLN | 3.8063 | 4.0926 |

(*) source: UIC (Italian Exchange Office)

Change in the consolidation area

The consolidation area has changed with respect to 30 June 2002 with the inclusion of Ariete Lusitania Lda and Ariete Hellas EPE, trading companies that respectively operate in Portugal and Greece, and of De' Longhi Capital Services S.p.A., a company created in order to provide the companies of the Group with a centralised financial service.

Important facts at the end of the period

No important facts have been recorded after closing the third quarter of 2002.

Forecast/Foreseeable evolution in the operations

The results of the first nine months are on the whole in line with the budget. Taking into account the above stated facts, it can be reasonably deemed that the results expected for the year 2002 will be reached.

Treviso, 13 November 2002

*On Behalf of the Board of Directors
The CEO
Stefano Beraldo*