Quarterly report as at September 30th 2004

De'Longhi S.p.A. Registered Office: Via L. Seitz 47 – 31100 Treviso – Italy
Share Capital: EUR 448,500,000.00
Tax Code and Company Register No.: 11570840154
Treviso R.E.A. Registration no - V.A.T. No. 03162730265

Table of Contents

1. Corporate bodies and officers

Board of Directors

President	GIUSEPPE DE'LONGHI *
Vice President	FABIO DE'LONGHI *
Managing Director	STEFANO BERALDO *
Director	ALBERTO CLÒ **
Director	RENATO CORRADA **
Director	CARLO GARAVAGLIA **
Director	GIORGIO SANDRI
Director	SILVIO SARTORI
Director	GIOVANNI TAMBURI **

Board of Statutory Auditors

President	GIANLUCA PONZELLINI
Standing Auditors	MASSIMO LANFRANCHI
	GIULIANO SACCARDI
Substitute Auditors	ROBERTO CORTELLAZZO-WIEL
	ALBERTO LANFRANCHI

Independent Auditors

PRICEWATERHOUSECOOPERS SPA

Internal Control & Corporate Governance Committee

RENATO CORRADA **
CARLO GARAVAGLIA **
GIOVANNI TAMBURI **

Remuneration Committee

ALBERTO CLÒ **
CARLO GARAVAGLIA **
GIOVANNI TAMBURI **

The present corporate officers and bodies were appointed at the shareholders' meeting held on April 28th 2004.
*At its meeting on April 28th 2004, the Board of Directors renewed the delegation of executive powers, supplementing them with the limits envisaged by law, as well as the guidelines and criteria for identifying significant transactions – and in particular those with related parties – and our Code of Ethics.
** Independent directors.

2. Key business and financial indicators

Consolidated income statement highlights

(€ millions)	30/09/04 (Nine months)	30/09/03 (Nine months)	YoY change	% Change at actual foreign exchange rates	% Change at constant foreign exchange rates	31/12/2003
Total revenues	910.2	870.0	40.2	4.6%	5.7%	1,278.0
EBITDA	**101.6**	**104.2**	**(2.6)**	**(2,5%)**		**151.0**
% of revenues	*11.2%*	*12.0%*				*11.8%*
EBIT	**52.9**	**52.4**	**0.5**	**0,9%**		**84.7**
Pre-tax income (loss)	**20.2**	**19.0**	**1.2**	**6.2%**		**39.1**

(€ millions)	3Q 2004	3Q 2003	YoY change	% Change at actual foreign exchange rates	% Change at constant foreign exchange rates
Total revenues	296.0	299.3	(3.3)	(1.1%)	0.0%
EBITDA	**37.2**	**41.7**	**(4.5)**	**(10.7%)**	
% of revenues	*12.6%*	*13.9%*			
EBIT	**21.4**	**23.5**	**(2.0)**	**(8.7%)**	
Pre-tax income (loss)	**7.0**	**11.0**	**(4.0)**	**(36.7%)**	

Consolidated balance-sheet highlights

(€ millions)	30/09/04	30/09/03	YoY change	% Change	31/12/02
Net working capital	417.9	352.1	65.8	18.7%	249.2
Net capital employed	972.1	901.4	70.7	7.8%	809.3
Net financial position	(396.3)	(339.7)	(56.7)	16.7%	(247.2)
NWC as % of net revenues (12 months)	**31.7%**	**27.6%**	**4.1%**	**14.7%**	**19.5%**

3. Directors' report

3.1 Criteria for preparation of quarterly report

The quarterly report as at September 30th 2004 was prepared in accordance with the requirements of Art. 82 of the regulation approved by CONSOB (Italian listed company & stock market surveillance commission) resolution 11971 of May 14th 1999, in application of Italian Legislative Decree no. 58/1998 concerning issuers. The report includes the reclassified consolidated financial statements, prepared using the same accounting and consolidation criteria used to prepare the 2003 consolidated year-end financial statements, and directors' comments.

The financial statements are presented gross of taxation on the basis of the facility provided by Art. 81, par. 7, of the above-mentioned CONSOB regulation for preparation of interim reports, which is also applicable to the preparation of quarterly reports.

In addition, there has been some reclassification of figures shown in consolidated schedules as at December 31st 2003 to align them with the classification adopted as at September 30th 2004.

Foreign subsidiaries' financial statements have been converted into Euros as per the criteria used for preparation of the annual consolidated financial statements and quarterly reports.

The exchange rates applied for the translation of non-Euro zone currencies are as follows:

		30/09/04		30/09/03	
Currency		**Final exchange rate (*)**	**Average exchange rate (*)**	**Final exchange rate (*)**	**Average exchange rate (*)**
Australian Dollar	AUD	1.7212	1.6816	1.7101	1.7642
Canadian Dollar	CAD	1.5740	1.6286	1.5717	1.5874
Pound Sterling	GBP	0.6868	0.6731	0.6986	0.6901
Hong Kong Dollar	HKD	9.6745	9.5496	9.0254	8.6662
Japanese Yen	JPY	137.1700	133.5091	128.8000	131.4643
Malaysian Ringitt	MYR	4.7152	4.6569	4.4271	4.2228
New Zealand Dollar	NZD	1.8414	1.8796	1.9538	1.9578
Polish Zloty	PLN	4.3797	4.6307	4.6227	4.3231
Chinese Renmimbi (Yuan)	RMB	10.2746	10.1484	9.6478	9.2024
Singapore Dollar	SGD	2.0937	2.0856	2.0125	1.9429
US Dollar	USD	1.2409	1.2257	1.1652	1.1114
South African Rand	ZAR	7.9792	8.0745	8.1393	8.7047

(*) Source: UIC (Italian Foreign Exchange Office)

3.2 Main results

The De'Longhi group has achieved a 4.6% growth in revenues for the first nine months of 2004 (+5.7% at constant exchange rates). This result was obtained in a context characterised by pressure on sales prices of dimensions never before experienced and strong competition in the main markets, caused also by the dollar weakness, which allowed the importation of products into Europe at low cost. However, the group achieved good results in those product categories (such as large thermo cooling machines, water-filled radiators, cookers and hobs) where the competitive environment is prevalently European and the impact of price pressures was moderate. The results were also satisfying in other categories, such as, for example, wall-mounted conditioners and coffee machines, notwithstanding competition from Chinese manufacturers, thanks to the specific characteristics of the range and benefits of delocalised production.

The slow-down in revenues in the third quarter (3Q04) was principally determined by the reduced contribution from the air conditioning and treatment segment, after strong growth in the half-year, and continuation of the negative result of the cleaning and ironing segment substantially caused by lower average sales prices. Sales of cooking and food preparation products were up thanks mainly to coffee machines, while the strong price pressures in the oil-filled radiators category penalised both the radiator segment sales and group profitability.

The gross profit improved from € 449.5 mn in the first nine months of 2003 to € 476.8 mn for the first nine months of 2004. In percentage terms the effect on net revenues improved from 51.7% to 52.4%.
The adjusted gross margin including transformation costs accounted for in the labour cost (operating labour cost) and the cost of services (principally outsourced processing and temporary labour), showed an improvement in terms of the incidence on net revenues, increasing from 40.9% to 42.5% (+1.6%).

EBITDA for the first nine months of 2004 was € 101.6 mn (€ 104.2 mn in the first nine months of 2003) with an incidence on revenues that decreased from 12% to 11.2%, due mainly to the increase in costs for services, which raised their effect on revenues from 24.2% to 25.7%, in particular as a result of increased transport costs.

In 3Q04 EBITDA decreased by 10.7% to € 37.2 mn with a margin falling from 13.9% (3Q03) to 12.6% (3Q04).

The operating profit rose from € 52.4 mn in the first nine months of 2003 to € 52.9 mn for the first nine months of 2004.

To fully explain the profitability trend it is underlined that in a context of decreasing prices, with an effect estimated at around 5-6%, the Group achieved growth volumes of around 10-11%. This inevitably led to costs linked to management of the increased transactions (in particular transport and warehousing). All this explains why the overall improvement in purchase costs, estimated at around 6-7%, was not maintainable at the net marginality level.

Financial management benefited from the lower cost of borrowing (by around € 2.4 mn) thanks to the reduction in interest rates; foreign exchange losses in the first nine months of 2004 were € 6.2 mn. This result compares with a foreign exchange profit of € 5.6 mn in the same period of 2003.

Extraordinary expenses improved due to reduced non-recurrent charges that, in the first nine months of 2003, mainly related to the tax amnesty.

The pre-tax profit grew from € 19.0 mn to € 20.2 mn.

The net financial debt increased from € 247.2 mn at December 31st 2003 to Euro 396.3 mn at September 30th 2004. This increase was caused, apart from a reduction of € 34.4 mn in recourse to securitisation, above all by an increase in the net working capital. In particular we point out the increase in inventories resulting from, apart from the different seasonality, the prudent group strategy of creating additional inventories following the process of delocalisation of production, to avoid shortages in stocks of products. We also point out the increased air conditioner inventories caused by unsold items and sales returns consequent to the unfavourable climatic trend in the summer, with lower than average temperatures. On a positive note, the conditioners should be sold in the next financial year at higher prices than the average for 2004, based on the expectation of increased prices after two years of continuous falls and due also to the effect of an increase in the costs for the principal components.

3.2 Consolidated income statement

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

(€ '000)	30/09/04	% on sales	30/09/03	% on sales	31/12/2003	% on sales
Net revenues	**910,180**	**100.0%**	**870,024**	**100.0%**	**1,277,958**	**100.0%**
YoY change	*40,156*	*4.6%*				
Cost of materials & goods	(433,414)	(47.6%)	(420,490)	(48.3%)	(624,658)	(48.9%)
Gross margin (*)	**476,766**	**52.4%**	**449,534**	**51.7%**	**653,300**	**51.1%**
Cost of services	(234,118)	(25.7%)	(210,128)	(24.2%)	(318,031)	(24.9%)
Sundry operating expenses	(7,661)	(0.8%)	(6.627)	(0.8%)	(10,047)	(0.8%)
Value added	**234,987**	**25.8%**	**232,779**	**26.8%**	**325,222**	**25.4%**
Labour costs	(123,595)	(13.6%)	(119,651)	(13.8%)	(162,382)	(12.7%)
Provisions	(9,753)	(1.1%)	(8,885)	(1.0%	(11,849)	(0.9%)
EBITDA	**101,639**	**11.2%**	**104,243**	**12.0%**	**150,991**	**11.8%**
YoY change	*(2,604)*	*(2.5%)*				
Depreciation & amortisation	(48,766)	(5.4%)	(51,851)	(6.0%)	(66,339)	(5.2%)
EBIT	**52,873**	**5.8%**	**52,392**	**(6.0%)**	**84,652**	**6.6%**
YoY change	*481*	*0.9%*				
Net financial expenses (costs)	(28,238)	(3.1%)	(21,551)	(2.5%)	(33,873)	(2.7%)
Extraordinary expenses	(3,323)	(0.4%)	(11,208)	(1.3%)	(11,625)	(0.9%)
Pre-tax profit	**21,312**	**2.3%**	**19,633**	**2.3%**	**39,154**	**3.1%**
Minorities' share of profit	(1,125)	(0.1%)	(628)	(0.1%)	(104)	(0.0%)
Group pre-tax income	**20,187**	**2.2%**	**19,005**	**2.2%**	**39,050**	**3.1%**

(*) The gross margin does not include costs relating to product transformation of € 90.4 mn (€ 93.5 mn in 2003) classified under the cost of services and labour cost. The operating margin inclusive of the said costs would be € 386.4 mn (€ 356.0 mn at 30/09/03) with an effect on revenues equal to 42.5% in 2004 (40.9% in 2003).

Consolidated income statement for 3Q04

(€ '000)	3Q 2004	% on sales	3Q 2003	% on sales
Net revenues	**296,010**	**100.0%**	**299,336**	**100.0%**
YoY change	*(3,326)*	*(1.1%)*		
Cost of materials & goods	(145,053)	(49.0%)	(152,377)	(50.9%)
Gross operating margin (*)	**150,957**	**51.0%**	**146,959**	**49.1%**
Cost of services	(74,137)	(25.0%)	(65,535)	(21.9%)
Sundry operating expenses	(2,046)	(0.7%)	(1,527)	(0.5%)
Value added	**74,774**	**25.3%**	**79,897**	**26.7%**
Labour costs	(37,720)	(12.7%)	(34,300)	(11.5%)
Provisions	141	0.0%	(3,938)	(1.3%)
EBITDA	**37,195**	**12.6%**	**41,659**	**13.9%**
YoY change	*(4,464)*	*(10.7%)*		
Depreciation & amortisation	(15,792)	(5.3%)	(18,209)	(6.1%)
EBIT	**21,403**	**7.2%**	**23,450**	**7.8%**
YoY change	*(2,047)*	*(8.7%)*		
Net financial income (expenses)	(11,056)	(3.7%)	(8,878)	(3.0%)
Extraordinary expenses	(2,624)	(0.9%)	(3,340)	(1.1%)
Pre-tax profit	**7,723**	**2.6%**	**11,232**	**3.8%**
Minorities' share of profit	(747)	(0.3%)	(208)	(0.1%)
Group pre-tax income	**6,976**	**2.4%**	**11,024**	**3.7%**

(*) The gross operating margin does not include costs relating to product transformation of € 27.0 mn (€ 28.6 mn in 2003) classified under the cost of services and labour cost. The operating margin inclusive of the said costs would be € 123.9 mn (€ 118.4 mn in 3Q03) with an effect on revenues equal to 41.9% in 2004 (39.5% in 2003).

3.3 Business segments

The following table shows the sales trend by business segment.

(€ millions)	30/09/04 (Nine months)	30/09/03 (Nine months)	Change	% Change at actual foreign exchange rates	% Change at constant foreign exchange rates	31/12/2003
Business segment						
Cooking & food preparation	376.6	362.7	13.9	3.8%	4.9%	556.6
Air conditioning & treatment	265.9	236.9	29.0	12.2%	13.4%	283.4
Heating	141.9	139.6	2,2	1.6%	3.0%	245.4
Home cleaning & ironing	87.6	96.6	(9.0)	(9.3%)	(8.9%)	141.2
Other (*)	38.2	34.2	4.0	11.8%	13.0%	51.3
Total	**910.2**	**870.0**	**40.2**	**4.6%**	**5.7%**	**1,278.0**

(€ millions)	3Q 2004	3Q 2003	Change	% Change at actual foreign exchange rates	% Change at constant foreign exchange rates
Business segment					
Cooking & food preparation	133.7	125.7	8.1	6.4%	7.3%
Air conditioning & treatment	45.2	53.3	(8.1)	(15.2%)	(15.5%)
Heating	82.4	82.8	(0.5)	(0.6%)	2.0%
Home cleaning & ironing	24.0	29.6	(5.5)	(18.7%)	(18.5%)
Other (*)	10.7	7.9	2.8	34.8%	37.0%
Total	**296.0**	**299,3**	**(3.3)**	**(1.1%)**	**0.0%**

(*) The "Other" segment includes revenues from the sale of accessories, spare parts, raw materials, semi-finished products and scrap, as well as revenues from the provision of services, exceptional income, and other sundry revenues.

Cooking & food preparation
The increase in revenues in the nine months was mainly due to the excellent trend in the coffee maker categories, thanks also to the important contribution from automatic models, hobs and food processors. Sales of fryers fell, due to a generalised reduction in the principal markets, as well as sales of electric ovens.

Air conditioning & treatment
The increase in revenues for the first nine months of the year is ascribable above all to the excellent season for wall-mounted conditioners. The contribution of portable conditioners was also positive, even though the climatic trend of the summer season penalised sell-out and resulted in higher quantities of sales returns than in past years. The large thermo cooling machines showed a satisfying growth rate in the nine months, while there was a reduction in sales of air-treatment products.

Heating
The development in sales achieved by the water-filled radiator family allowed the heating segment to report a growth in net revenues of 1.6% in the period. The oil-filled radiators category showed moderate growth in terms of units sold but, due to greater competitive pressure, average sales prices decreased significantly with

respect to the same period of 2003 determining a reduction in revenues from this product category.

Home cleaning & ironing

The reduction in revenues from the home cleaning & ironing segment in the nine months was the result of substantially stable sales of ironing systems and a contraction for home cleaning products caused by a reduction in average sales prices.

3.4 The markets

The trend in net revenues by geographical area is summarised in the following table:

(€ millions)	30/09/04 (Nine months)	30/09/03 (Nine months)	Change	% Change at actual foreign exchange rates	% Change change at constant foreign exchange rates	31/12/2003
Geographical area						
Italy	265.7	265.7	0.0	0.0%	0.0%	372.1
United Kingdom	125.3	114.2	11.1	9.7%	7.2%	180.1
Rest of Europe	291.8	254.4	37.4	14.7%	15.3%	380.3
USA, Canada, Mexico	72.1	94.6	(22.5)	(23.8%)	(17.0%)	127.6
Japan	21.5	25.2	372.1	(14.6%)	(12.4%)	48.5
Rest of the world	133.9	116.1	17.8	15.3%	18.5%	169.4
Total	**910.2**	**870.0**	**40.2**	**4.6%**	**5.7%**	**1,278.0**

(€ millions)	3Q 2004	3Q 2003	Change	% Change at actual foreign exchange rates	% Change change at constant foreign exchange rates
Geographical area					
Italy	66.5	74.7	(8.2)	(11.0%)	(11.0%)
United Kingdom	49.4	43.3	6.0	13.9%	10.2%
Rest of Europe	89.5	87.8	1.7	2.0%	2.3%
USA, Canada, Mexico	31.4	40.0	(8.6)	(21.5%)	(15.1%)
Japan	9.9	11.2	(1.3)	(11.8%)	(10.1%)
Rest of the world	49.3	42.3	7.1	16.7%	21.1%
Total	**296.0**	**299.3**	**(3.3)**	**(1.1%)**	**0.0%**

The Italian market produced stable net revenues vs. the first nine months of 2003; the contribution from portable conditioners was lower compared to that period due to the somewhat poor summer season.

In the UK water-filled radiators and hobs were the categories showing the best progress, providing increased net revenues of almost 10% for the nine months.

The principal reference markets grew in the rest of Europe (+14.7%), particularly in Germany, France and Greece: these countries provided increased revenues of over 10%. To be noted in particular is the success of automatic coffee machines in the German market.

The market conditions in North America continue to be difficult, even considering that the group strategy is inevitably prudent due to the weakness of the local currency and the production still being carried out in Italy, with uncompetitive production costs.

The development of revenues in the rest of the world benefited from a greater marketing presence in Australia and New Zealand, following the formation of subsidiaries in 2003.

3.5 Profitability trend

The gross margin improved by € 27.2 mn vs. the same period of 2003 with an effect on revenues up from 51.7% in the first nine months of 2003 to 52.4% for the same period of 2004.
The gross margin, net of the transformation costs classified under costs for services and labour cost, rose from 40.9% to 42.5%.
The improvement resulted on the one hand from a significant reduction in costs due to the increase in production and supplies from China, and, on the other, from the reduction in sales prices in some product categories because of strong competitive pressure.

The increase in price of the main raw materials did not have a significant effect on the operating margin in the first nine months of 2004, thanks to the favourable timing of purchases (conducted principally during the first half-year and thus prior to the price rises) and diversification of the supplier base.

The costs of services were up by € 24 mn, with an effect growing from 24.2% to 25.7%, due above all to higher costs of transport and storage (the effect on revenues was up from 6.0% to 7.9%). This increase can be explained by the greater volume of products sourced from China, with an average rise in commercial freight rates and an increase in the volume of sales.

It is also noted that in a sector characterised by increasingly greater competition, resulting also from secondary brands entering the market, the group's reduction of its sales prices had the sole objective of protecting its market share. If the Group had not been in a position to utilise the production and supply platform in China during the early months of 2004, its profitability would have been compromised.

The labour cost, which rose by € 3.9 mn (with an effect on revenues that reduced from 13.8% to 13.6%), has not yet fully benefited from the effects of the delocalisation process. However we note that there has been a reduction in the number of parent company employees following delocalisation of production and a rise in the payrolls of the other group industrial and commercial companies that are not involved in that process to sustain the increased business.

As an effect of the above-mentioned factors, EBITDA was € 101.6 mn (104.2 million in the same period of 2003) with an effect of 11.2% compared with 12.0% in the first nine months of 2003.

EBIT, which was € 52.9 mn, improved by € 0.5 mn.

Financial charges benefited from lower interest costs (by around € 2.5 mn) thanks to the reduction in interest rates. Exchange rate losses incurred during the first nine months of 2004 totalled € 6.2 mn, compared with a gain of € 5.6 mn in the first nine months of 2003.
We point out that these losses, which are not of a speculative nature, result from the hedging policies applied and were determined by the difference between the budgeted exchange rates used in the preparation of the budget in 2003 and current exchange rates.

Exceptional items resulted in charges of € 3.3 mn, down with respect to the same period of 2003 (€ 11.2 mn; 2003 charges included those related to the tax amnesty of € 7.5 mn).

Net pre-tax profit improved from € 19 mn to € 20.2 mn.

3.6 Analysis of equity and financial situation.

Reclassified consolidated balance sheet

(€ '000)

	30/09/04	*30/06/04*	*31/12/2003*	*30/09/03*
Intangible fixed assets	413,024	418,099	430,310	434,982
Net tangible fixed assets	226,538	227,512	215,275	216,893
Financial fixed assets	7,870	8,043	8,134	8,121
Total fixed assets	**647,432**	**653,654**	**653,719**	**659,996**
Trade receivables	284,082	285,112	298,297	295,957
Inventories	364,368	357,523	260,437	304,687
Trade payables	(255,574)	(338,174)	(308,566)	(264,284)
Other current assets (liabilities)	25,042	14,002	(926)	15,782
Net working capital	**417,918**	**318,463**	**249,242**	**352,142**
Employee severance indemnity provision	(25,722)	(25,234)	(24,583)	(23,970)
Deferred tax provision	(29,291)	(29,291)	(29,291)	(51,652)
Provisions for liabilities & charges	(38,235)	(42,695)	(39,777)	(35,162)
Total long-term liabilities and provisions	**(93,248)**	**(97,220)**	**(93,651)**	**(110,784)**
Net capital employed	**972,102**	**874,897**	**809,310**	**901,354**
Cash & cash equivalents	(96,133)	(79,425)	(102,816)	(98,808)
Other financial fixed assets	(2,912)	(3,070)	(2,958)	(100)
Other current financial assets	(28,003)	(39,184)	(36,204)	(25,454)
Short-term financial debt	309,437	195,857	139,508	207,995
Medium/long-term financial debt	213,958	228,102	249,676	256,034
Net financial position	**396,347**	**305,460**	**247,206**	**339,667**
Total net shareholders' equity	**575,755**	**569,437**	**562,104**	**561,687**
Total liabilities and shareholders' equity	**972,102**	**874.897**	**809,310**	**901,354**

The cash flow is summarised below:

(€ millions)	***30/09/04 (Nine months)***	***31/12/2003 (Twelve months)***	***30/09/03 (Nine months)***
Fin. flows. generated/absorbed from/by current operations (*)	65.1	90.4	75.7
Fin. flows. generated/absorbed from/by NWC movements and investment	(173.3)	(61.3)	(112.4)
Net flow from operations	**(108.2)**	**29.1**	**(36.8)**
Fin. flows generated from movements in net equity	(6.5)	(15.1)	(12.2)
Financial flow for the period before securitisation	**(114.7)**	**14.0**	**(49.0)**
Securitisation	(34.4)	7.9	(21.6)
Financial flow for the period after securitisation	**(149.1)**	**21.9**	**(70.6)**
Net financial position at the beginning of the period	(247.2)	(269.1)	(269.1)
Closing net financial position	**(396.3)**	**(247.2)**	**(339.7)**

(*) includes the pre-tax profit (net at 31/12/03), amortisation, depreciation and net provisions.

The net financial debt increased from € 247.2 mn at December 31st 2003 to € 396.3 mn at September 30th 2004. This increase was caused, apart from a reduction of Euro 34.4 million in recourse to securitisation, above all by an increase in the net working capital. In particular we point out the increase in inventories resulting from, apart from the different seasonality, the prudent group strategy of creating additional inventories following the process of delocalisation of production, to avoid shortages in stocks of products. We also point out the increased air conditioner inventories caused by unsold items and sales returns consequent to the unfavourable climatic trend in the summer, with lower than average temperatures. On a positive note, the conditioners should be sold in the next financial year at higher prices than the average for 2004, based on the expectation of increased prices after two years of continuous falls, due also to the effect of an increase in the costs for the principal components.

3.7 Change in the scope of the consolidation

The scope of the consolidation includes the financial statements of the parent company, De'Longhi S.p.A., and those of its subsidiary companies as at September 30th 2004 in which the parent company, directly or indirectly, holds the majority of share capital or of voting stock.

There has been no change in the scope of the consolidation since June 30th 2004.

3.8 Significant events after quarter-end

No significant events took place after September 30th 2004.

3.9 Outlook and expected business progress

We have little visibility into the fourth quarter as the quarter tends to be influenced by weather conditions. Amongst the positive aspects we note the good order book progress for automatic coffee machines and the continuation of the trends in the large thermo cooling machines, water-filled radiators and cooking sectors.
The unfavourable start to the winter season from a climatic point of view, with the end of October and early November characterised by very high temperatures throughout Europe and the United States, resulted in a slow-down in orders. The possibilities of a recovery with respect to the forecasts depend largely on the climatic trend over the next few weeks.

Treviso, November 11th 2004

On behalf of the Board of Directors
Managing Director
Stefano Beraldo