De' Longhi Group

Quarterly report 31 March 2002

Main financial and balance-sheet indicators

Financial data

(Million Euros)	1st quarter 2002	1st quarter 2001	Changes	Changes %	31/12/2001
Total revenues	256.2	243.8	12.4	5.1%	1,197.9
EBITDA	**29.4**	**27.3**	**2.1**	**7.7%**	**164.2**
% of revenues	*11.5%*	*11.2%*			*13.7%*
EBIT	**12.7**	**9.9**	**2.8**	**28.5%**	**94.4**
% of revenues	*5.0%*	*4.1%*			*7.9%*
Before-tax result and result pertaining to third parties	**2.7**	**(0.2)**	**2.9**	**-**	**49.6**

Balance-sheet data

(Million Euros)	31/03/02	31/12/01	Changes	Changes %	31/03/01
Net operating capital	374.0	388.5	(14.5)	(3.7%)	329.3
Net capital invested	947.1	972.2	(25.1)	(2.6%)	939.2
Net financial standing	(419.0)	(447.1)	28.1	6.3%	(692.6)
Net equity	528.1	525.1	3.0	0.6%	246.7

NOC/net revenues ratio	**30.9%**	**32.4%**			**29.7%**
Gearing (Net Financial Standing/Net Equity)	**0.79**	**0.85**			**2.81**

Criteria adopted in drawing up the quarterly report

The quarterly report for the period ended 31 March 2002 has been prepared in accordance with the guidelines of art. 82 of Consob (Italian Securities and Exchange Commission) directive n. 11971, approved on 14 May 1999 for the purposes of implementing the Legislative Decree of 24 February 1998, which regarded issuers. This report includes the reclassified consolidated financial statements, prepared using the same accounting and consolidation principles adopted in drawing up the consolidated financial statements for the year 2001, and the directors' comments.

The financial data are presented gross of taxes, as is allowed under art. 3, section 5 of Consob regulations for the preparation of semi-annual reports, approved with Consob resolution no. 8195 of 30 June 1994 and subsequent modifications, which also applies to the preparation of quarterly reports; in addition, the quarterly income statement is shown gross of the result pertaining to third parties. Finally, to make these results fully comparable, the extraordinary expenses as at 31/03/2001 do not include the income relative to the writing-off of the loss incurred by Kenwood Group in the period before acquisition, amounting to Euros 3.6 million.

Significant events occurred during the 1st quarter

During the early months of 2002 a share was acquired of the capital of Top Clima SL, an operator of consolidated experience in the air-conditioning industry and currently distributor of the products of the subsidiary Climaveneta S.p.A. on the Spanish market. This purchase was made for Euro 0.5 million and envisages an option for increasing the stake up to a maximum 50% by 30/6/2006.

Change in the area of consolidation

The area of consolidation did not change versus 31 December 2001.

Company Performance

De' Longhi Group growth also continued in the first quarter of 2002. Net income, with uniform perimeter, increased during the first quarter of 2002, compared to the same period of 2001, by Euro 12.4 million (5.1%) touching Euro 256.2 million.

The 5.1% increase in net income is mainly due to the effect of an increase in volumes (about 4.1%) and to a slight combined effect of price and exchange increase (about 1%).

Overall growth is satisfactory and consistent with expectations, taking into account especially that the same period last year had showed an improvement in sales of over 19% compared to 2000 based on a consistent area of consolidation; the first quarter of 2001 benefited from the following extraordinary events:

- An acceleration of sales during the first quarter, especially as regards Kenwood on the verge of being sold and whose corporate year closed at 31 March;
- An exceptional result for the last few months of the winter season 2000/2001 which generated an increase in sales of portable heating equivalent to 120% compared to the same period of 2000, above all because of the cold weather in January 2001.

The tables below illustrate the trends in net revenues, broken down by lines of business and markets:

Lines of business

(Million Euros)	**31/03/2002**	**31/03/2001**	**Diff.**	**Diff. %**
Line of business				
Cooking and food preparation	126.5	115.9	10.6	9.1%
Home cleaning and ironing	39.7	28.7	11.0	38.4%
Heating	29.7	34.1	-4.4	-12.8%
Air conditioning and climate control	51.0	55.1	-4.1	-7.4%
Others (*)	9.3	10.0	-0.7	-7.0%
Total net income	**256.2**	**243.8**	**12.4**	**5.1%**

(*) The item "Others" includes revenues from the sale of accessories, spare parts, raw materials, semi-finished goods and scraps, as well as revenues from services, contingent assets and capital gains, reimbursement of transport expenses and other sundry income.

Markets

(Million Euros)	31/03/2002	31/03/2001	Diff.	Diff. %
Line of business				
Cooking and food preparation	126.5	115.9	10.6	9.1%
Home cleaning and ironing	39.7	28.7	11.0	38.4%
Heating	29.7	34.1	-4.4	-12.8%
Air conditioning and climate control	51.0	55.1	-4.1	-7.4%
Others (*)	9.3	10.0	-0.7	-7.0%
Total net income	**256.2**	**243.8**	**12.4**	**5.1%**

Breakdown of sales by line of business

It must be emphasised that the sales of lines not affected by weather conditions (products for cooking and preparing food and products for home cleaning and ironing), which in the first quarter of 2001 accounted for little less than one quarter of total yearly sales, have undergone an average 15% growth.
For the heating and conditioning segments, the first quarter represents under one fifth of the yearly total. The tail end of the 2001/2002 winter season, of little significance for the year in progress, was less favourable than the same period of the previous year, despite an excellent result for the entire season. With regard to conditioning, following the bad results of the 2001 season, a more prudent attitude of the "*trade*" has been recorded in terms of order schedules for the pre-seasonal assortment which penalised the first quarter.

The breakdown of sales by line of business is shown below:

Cooking and food preparation

The business line recorded a 9.1% growth compared to the same period last year. There was a significant increase in coffee machines, fryers and electric ovens thanks to the launching of new products and to the success of the De' Longhi brand on major international markets; there was also a substantial growth in the sale of Kenwood brand products.

As planned, sales in this segment have been affected by the strategic decision to remove from the microwave market the "*low end*" range, which generated low profits.

Home cleaning and ironing

Sales show a growth of 38.4% compared to the same period of 2001; this growth, the most significant in the various business segments, is above all due to the strong contribution given by the sale of Ariete steam products on foreign markets and to the success encountered by De' Longhi brand products (ironing and home cleaning) thanks among other things to the range having been revamped.

Heating

Sales have decreased by 12.8% in comparison with the same period of 2001.
As previously stated, the reduction refers to sales in the end-of-season period, affected by the bad weather conditions in Europe and to the extraordinary results achieved in the first quarter of 2001 compared to the same period of 2000 (+120%).
As regards fixed radiators, a growth has been recorded for the first quarter of 2002 in line with expectations which confirms what should be a successful relaunch of this product line.

For this business line, the first quarter represents the least important period of the entire year; in 2001, first quarter sales were equivalent to around 14% of the yearly total.

Air conditioning and climate control

Sales dropped by 7.4% compared to March 2001; this negative result was mainly caused by the effects of a very dry winter season in Italy which slackened demand for de-humidifiers and brought about a temporary reduction in orders for large air-conditioners between the end of last year and the first two months of 2002. Orders for large conditioners increased in March and April.

Orders for portable and fixed conditioners are proceeding as planned.

As regards the sales of de-humidifiers, we are banking on the positive contribution of the launching of the new compact model expected for the second part of 2002.

Breakdown of sales by markets

As regards the survey by markets, there has been a drop in Italy (-19.5%) due mainly to the low sales of dehumidifiers, to the drop in sales of large conditioners for the previously-mentioned reasons and to the decision to privilege the strong demand from abroad. This latter decision especially became necessary to strengthen the larger market shares and acquire greater importance with strategic customers. This fact has penalised Italian market sales.

During the month of April however there was an over 12% recovery in Italian sales compared to the same period of 2001.

The reasons for substantially stable sales in the UK are to be found in our having left the sector of the "*low end*" range of microwave ovens and in the drop in sales of oil radiators following the mild winter season; this effect has been offset by the positive trend of fryers and Kenwood brand products.

During the early months of 2002, an agreement was reached with the second most important British customer which will translate into the greater presence of De' Longhi brand products on the UK market.

In the rest of Europe, in North America and in Japan, the pre-existing growth trend strengthened.

Sales in the rest of the world were affected by the negative impact produced by a drop in demand in some countries, such as Brazil and Argentina.

Profitability

EBITDA totals Euro 29.4 million, higher than the same period of 2001 when this was Euro 2.1 million equal to 7.7%; incidence on net revenues goes from 11.2% to 11.5%.

As regards its main constituents the following should be noted:
- the lower contribution, compared to the same period of 2001, of the sales of heating and conditioning lines distinguished by higher margins than the average group profitability,
- the positive impact of reduction in raw material purchasing costs which is nonetheless only partially reflected in the period,
- synergies with Kenwood not present in first quarter of 2001.

EBIT is reported as 12.7 million Euros - 2.8 million Euros higher than in 2001 - equal to 28.5%, with a ratio to sales that rose from 4.1% to 5.0%.

Overall, as far as the financial data are concerned, it should be stressed that the profitability in the first quarter is not comparable to the outcome of the whole year, given that the 1st quarter accounts for approximately 20% of total annual sales.

As regards financial expenses, the increase of Euro 1.3 million compared to the same period of 2001 is mainly due to higher interests on substitution tax debts and to the different impact of exchange management; net financial expenses amount to Euro 6.5 million and are fairly consistent with 2001.

Before-tax results and the result pertaining to third parties give a profit of Euro 2.7 million in the first quarter of 2002 against a loss of Euro 0.2 million for the same period of 2001 for lower extraordinary expenses which in 2001 related above all to the completion of the Kenwood Group revamping.

Kenwood

As regards Kenwood, integration, after a year of acquisition, is totally satisfactory; Kenwood has been relaunched both in terms of products and commercial presence in the UK and the Rest of the World.
The introduction of the brand is under way in Italy as well, through the setting up of a network of agents dedicated entirely to the sale of Kenwood brand products.

Finally, the transfer has been successfully completed of the industrial and purchasing activities of Kenwood to our mixed Italo-Anglo-Chinese teams thanks to which new synergies are coming to the fore, especially as regards the most significant product, the "Chef", not included in the original plan.

Kenwood sales, which increased by 13.2% in 2001, show a further increase during the first quarter of 2002, compared to the same period of 2001.

Analysis of balance-sheet and financial data

Net operating capital amounts to Euro 374 million with a drop of Euro 14.5 million compared to 31/12/01. The incidence on net income decreases form 32.4% by the end of 2001 to 30.9% by 31 March 2002; the first quarter results confirm, therefore, limiting current assets as already stated at the end of year 2001.

In particular, within the component relating to operating capital movements, the variation in trade receivables is explained chiefly by the intake from sales covering the end-of-year period, normally higher than the average, while the rise in inventories can mainly be referred to the dynamics of the production flow of oil heating radiators and conditioning products to be sold in coming months.

The net financial standing for heating went from Euro 447.1 million at the end of 2001 to Euro 419.0 million at 31 March 2002 with an improvement of Euro 28.1 million due above all to the cash flow generated by operations which amounts to Euro 27.7 million in the first quarter, positively affected by the strong receipts from the sale of the heating line in the 2001 season.

The financial report can be summarised as follows:

(Million Euros)	**31 March 2002**	**31 December 2001**
Cash flow provided by (used in) operating activities (*)	19.1	103.6
Cash flows provided by (used in) movements of net working capital	14.5	(5.9)
Cash flow provided by (used in) investing activities	(5.9)	(46.1)
Operating cash flow	**27.7**	**51.6**
Cash flow provided by changes in shareholder's equity	0.4	256.3
Net change in the area of consolidation	0	(139.0)
Period cash flow	**28.1**	**168.9**
Net financial position at the beginning of the financial period	(447.1)	(616.0)
Financial net position at the period end	**(419.0)**	**(447.1)**

(*) including before-tax result (net as at 31/12/01), amortisation and depreciation and net accruals.

Events subsequent to the closure of the first quarter

No noteworthy events occurred after the closure of the 1st quarter 2002.

Foreseeable prospects/progress in operations

The results for the first quarter are on the whole consistent with the budget and, taking into account what has already been said, we have every reason to believe the goals set for the 2002 year will be achieved.

he sales trend for April 2002, compared to the same period of 2001, showed a double-figure growth.

Treviso, 13 May 2002

On behalf of the Board of Directors
The Managing Director
Stefano Beraldo

Annexed documents

Consolidated financial statements

Reclassified income statement

Reclassified balance sheet

De' Longhi Group - IQ Financial Statements 2002

Annex n. 1

Income statement

(Euro thousands)

	31/03/2002	*% of sales*	*31/03/01*	*% of sales*	*31/12/01*	*% of sales*
Revenues	252.836	98,7%	241.282	98,9%	1.177.943	98,3%
Other revenues	3.401	1,3%	2.565	1,1%	19.989	1,7%
Total revenues	**256.237**	**100,0%**	**243.847**	**100,0%**	**1.197.932**	**100,0%**
Materials	(125.688)	-49,1%	(123.881)	-50,8%	(596.429)	-49,8%
Services	(57.811)	-22,6%	(53.116)	-21,8%	(260.175)	-21,7%
Sundry operating expenses	(2.004)	-0,8%	(1.510)	-0,6%	(9.088)	-0,8%
Value added	**70.734**	**27,6%**	**65.340**	**26,8%**	**332.240**	**27,7%**
Labour costs	(40.195)	-15,7%	(38.173)	-15,7%	(157.225)	-13,1%
Provisions and writedowns	(1.173)	-0,5%	103	0,0%	(10.859)	-0,9%
EBITDA	**29.366**	**11,5%**	**27.270**	**11,2%**	**164.156**	**13,7%**
Depreciation and amortization	(16.630)	-6,5%	(17.361)	-7,1%	(69.785)	-5,8%
EBIT	**12.736**	**5,0%**	**9.909**	**4,1%**	**94.371**	**7,9%**
Net financial expenses	(9.123)	-3,6%	(7.863)	-3,2%	(39.024)	-3,3%
Extraordinary income (loss) (*)	(895)	-0,3%	(2.227)	-0,9%	(5.738)	-0,5%
Earnings before taxes and minority interests	**2.718**	**1,1%**	**(181)**	**-0,1%**	**49.609**	**4,1%**

(*) The amount regarding 31.03.2001 does not include the income due to the write off of the loss generated by Kenwood Group in the period previous to the acquisition (from 01.01.2001 to 28.02.2001) for Euro 3.568.720 in order to obtain comparable amounts.

Annex n. 2

Balance sheet

(Euro thousands)

	31/03/02	*31/12/01*	*31/03/01*
Goodwill	320.107	324.561	331.792
Other intangible assets	108.392	110.615	103.849
Tangible assets	190.462	193.691	196.895
Financial assets	8.548	9.568	8.335
Total fixed assets	**627.509**	**638.435**	**640.871**
Trade receivables ad other current assets	427.194	488.942	432.842
Trade payables and other current liabilities	(316.036)	(335.261)	(361.450)
Net inventory	262.888	234.846	257.907
Net working capital	**374.046**	**388.527**	**329.299**
Total funds and long-term liabilities	**(54.439)**	**(54.806)**	**(30.934)**
Total capital employed	**947.116**	**972.156**	**939.236**
Net financial current indebtness	70.343	92.373	356.775
Net financial long-term indebtness	348.664	354.691	335.790
Net financial position	**419.007**	**447.064**	**692.565**
Total net equity (*)	**528.109**	**525.092**	**246.671**
Total financial and non-financial sources	**947.116**	**972.156**	**939.236**

(*) Including minority.