Quarterly report as of 30 March 2003

De'Longhi S.p.A. – Registered office: Via L. Seitz, 47 – 31100 Treviso - Italy
Share capital: Euro 448,500,000.00
Tax code and Company register No.: 11570840154
Treviso index No. 224758 – VAT No. 03162730265

Contents

1. Directors and other officers

Board of Directors

President	GIUSEPPE DE' LONGHI *
Vice-President	FABIO DE' LONGHI
Managing Director	STEFANO BERALDO **
Director	GIORGIO BRUNETTI
Director	CARLO GARAVAGLIA
Director	SILVIO SARTORI
Director	GIORGIO SANDRI

Board of Statutory Auditors

President	GIANLUCA PONZELLINI
Auditors	MASSIMO LANFRANCHI
	GIANCARLO MALERBA
Alternate Auditors	EMILIO ETTORE GNECH
	FRANCESCO NOBILI

Independent Auditors

PricewaterhouseCoopers S.p.A.

Internal control and corporate governance committee

GIORGIO BRUNETTI
CARLO GARAVAGLIA

Remuneration committee

STEFANO BERALDO
GIORGIO BRUNETTI
CARLO GARAVAGLIA

* Full powers of ordinary and extraordinary administration, to be exercised signing severally, without exception or exclusion, apart from those powers that cannot be delegated, in accordance with article 2381 of the Italian Civil Code and Corporate by-laws.

** Full powers of ordinary and extraordinary administration, to be exercised signing severally, without exception or exclusion, apart from those powers that cannot be delegated, in accordance with article 2381 of the Italian Civil Code and Corporate by-laws, as follows: (i) subscribe, acquire or dispose of equity holdings, including minority holdings; or constitute property rights on such holdings, (ii) acquire or surrender company or business section leases: acquire, surrender or license company trademarks (iii) acquire or dispose of real estate.

2. Financial highlights

Consolidated economic data

(millions of euros)	1st Quarter 2003	1st Quarter 2002	Change	% Change at current exchange rates	% Change at constant exchange rates	31/12/2002
Total revenues	250.8	256.2	(5.5)	(2.1%)	2.1%	1,273.7
EBITDA	**27.4**	**29.4**	**(2.0)**	**(6.7%)**		**180.4**
% on revenues	*10.9%*	*11.5%*				*14.2%*
EBIT	**10.4**	**12.7**	**(2.3)**	**(18.4%)**		**109.9**
% on revenues	*4.1%*	*5.0%*				*8.6%*
Profit (loss) before taxes and income attributable to minorities	**1.6**	**2.7**	**(1.1)**	**(42.1%)**		**68.3**

Consolidated financial data

(millions of euros)	31/03/2003	31/03/2002	Change	% Change	31/03/2002
Net working capital	310.7	374.0	(63.3)	(16.9%)	269.1
Net capital employed	855.0	947.1	(92.1)	(9.7%)	824.0
Net financial position	(300.7)	(419.0)	118.3	28.2%	(269.1)
NWC/net revenues (12 months)	**24.5%**	**30.9%**			**21.1%**

3. Directors' report

3.1 Criteria adopted for the quarterly report

The quarterly report as of 31 March 2003 has been prepared according to the provisions in article 82 of regulations approved by CONSOB 11971 of 14 May 1999, enforcing Decree 58/1998 on the subject of issuers. This report includes the reclassified consolidated financial statements, drawn up using the same accounting policies and consolidation principles adopted in the 2002 consolidated financial statements and in the notes of the directors.

The accounts are presented gross of taxes in accordance with article 81 par.7 of the above CONSOB regulation for drawing up the half-yearly report, and is also applicable to the quarterly report.

The financial statements of foreign consolidated companies have been translated into euros according to the criteria used to prepare the financial statements for the year and the half-yearly report.

Exchange rates used to translate currencies outside the euro zone are as follows:

Currency		**Average exchange rate (*)**	**Final exchange rate (*)**
Australian dollar	AUD	1.8093	1.8076
Canadian dollar	CAD	1.6202	1.6037
British pound	GBP	0.6698	0.6896
Hong Kong dollar	HKD	8.3714	8.4975
Japanese yen	JPY	127.6250	129.1800
Malaysian ringgit	MYR	4.0783	4.1396
New Zealand dollar	NZD	1.9534	1.9721
Polish zloty	PLZ	4.1908	4.4200
South African rand	ZAR	8.9552	8.6356
Singapore dollar	SGD	1.8730	1.9211
American dollar	USD	1.0734	1.0895

(*) source: UIC (Italian Exchange Office)

3.2 Main results

In the first three months of 2003 the Group realised an organic growth in net sales of 2.1%; the strong appreciation of the euro negatively influenced the trend in net sales which, at current exchange rates, was equal to 250.8 million euros, a decline of 2.1% compared to the same period in 2002.

EBITDA amounted to 27.4 million euros (29.4 million euros as at March 31, 2002) with a slightly lower incidence on net sales compared with the first quarter of 2002 (from 11.5% for the first quarter of 2002 to 10.9% for the first quarter of 2003).

Operating profit amounted to 10.4 million euros (12.7 million euros for the same period in 2002) with an incidence on net sales which went from 5.0% for the first quarter of 2002, to 4.1% in 2003.

Profit before tax amounted to 1.6 million euros.

The net financial position decreased from 419 million euros as of 31 March 2002, to 300.7 million euros as of 31 March, 2003, which is an improvement of 118.3 million euros. This change is attributable for 72.1 million euros to the securitisation transaction (for a lower amount with respect to 31 December 2002 due to the seasonal nature of sales) and for 46.2 million euros to the cash flow generated in the period.

3.3 Consolidated income statements

(thousands of euros)	*31/03/2003*	*% on sales*	*31/03/2002*	*% on sales*	*31/12/2002*	*% on sales*
Sales	246,649	98.4%	252,836	98.7%	1,250,958	98.2%
Other income	4,128	1.6%	3,401	1.3%	22,705	1.8%
Total revenues	**250,777**	**100.0%**	**256,237**	**100.0%**	**1,273,663**	**100.0%**
Change	*(5,460)*	*(2.1%)*				
Materials, consumables and goods	(115,575)	(46.1%)	(125,688)	(49.1%)	(620,653)	(48.7%)
Services	(62,490)	(24.9%)	(57,811)	(22.6%)	(286,027)	(22.5%)
Other operating expenses	(2,362)	(0.9%)	(2,004)	(0.8%)	(11,488)	(0.9%)
Value added	**70,350**	**28.1%**	**70,734**	**27.6%**	**355,495**	**27.9%**
Payroll and related costs	(41,323)	(16.5%)	(40,195)	(15.7%)	(162,292)	(12.7%)
Provisions	(1,641)	(0.7%)	(1,173)	(0.5%)	(12,830)	(1.0%)
EBITDA	**27,386**	**10.9%**	**29,366**	**11.5%**	**180,373**	**14.2%**
Change	*(1,980)*	*(6.7%)*				
Depreciation and amortisation	(16,991)	(6.8%)	(16,630)	(6.5%)	(70,441)	(5.5%)
EBIT	**10,395**	**4.1%**	**12,736**	**5.0%**	**109,932**	**8.6%**
Change	*(2,341)*	*(18.4%)*				
Net financial income (expenses)	(8,239)	(3.3%)	(9,123)	(3.6%)	(36,282)	(2.8%)
Extraordinary items	(581)	(0.2%)	(895)	(0.3%)	(5,394)	(0.4%)
Income before taxes and minority interests	**1,575**	**0.6%**	**2,718**	**1.1%**	**68,256**	**5.4%**
Change	*(1,143)*	*(42.1%)*				

The growth in revenues at constant exchange rates (up 2.1% compared to the same period in 2002) was due to an increase in sales volumes and was unfavourably affected by the foreseen negative trend in exchange rates.
Comparison with the first quarter of 2002 is difficult since in that period last year there was a substantial increase in sales in the segment for house cleaning and ironing (up 38.4%) and in the United States (up 73.3%). This was due to the many first-time deliveries carried out to new customers that had characterised the first quarter of 2002.
The trend at current exchange rates shows a drop of 2.1%.

In general, as far as economic data are concerned, it is evident that profitability in the first quarter is not comparable with that of the total year, given that the first three months account for about 20% of total annual sales and around 16% of total annual EBITDA.

3.4 Business segments

The trend in net revenues analysed by business segment is shown in the following table:

(millions of euros)	1st Quarter 2003	1st Quarter 2002	Change	% Change at current exchange rates	% Change at constant exchange rates	31/12/2002
Business segment						
Cooking and food preparation	123.0	126.5	(3.4)	(2.7%)	3.7%	557.4
Air conditioning and air treatment	51.6	51.0	0.6	1.1%	3.8%	278.6
Home cleaning and ironing	34.5	39.7	(5.2)	(13.1%)	(11.1%)	152.2
Heating	32.4	29.7	2.6	8.9%	9.7%	239.6
Other (*)	9.3	9.3	0.0	(0.4%)	1.9%	45.9
Total	**250.8**	**256.2**	**(5.5)**	**(2.1%)**	**2.1%**	**1,273.7**

(*) "Other" includes revenues from sales of accessories, spare parts, raw materials semifinished products and scrap, as well as revenues from the supply of services, out-of-period income, recovery of transport charges and other revenues.

Cooking and food preparation

At constant exchange rates, the segment showed a growth of 3.7% compared to the same period in 2002 and at current exchange rates it reported a decrease of 2.7%.

Even though at constant exchange rates the performance was positive, the trend was influenced by a fall in sales of deep fryers in the United States and Great Britain as a result of additional competitive pressure on the market. To hamper this trend, the transfer of part of production to China is already in progress. Thanks to cost savings, this will permit lower selling prices thus supporting both sales and profitability.

Growth in this segment was particularly significant in the Italian market and is mostly due to the success of products launched at the end of 2002. In this regard, we would like to point out the excellent trend in the electric moka coffee machine "Alicia" under the De'Longhi trademark and the "Saladino" vegetable cutter under the Ariete trademark.

The electric moka coffee machine "Alicia" is also currently being launched on certain other international markets.

Air conditioning and air treatment

This segment also grew by nearly 4% at constant exchange rates (up 1.1% at current exchange rates). This growth was mainly sustained by large thermo-cooling machines, mostly in Italy and Spain.

The orders backlog and the expansion of the distribution network, particularly in Great Britain, are encouraging elements for performance in the summer season.

Home cleaning and ironing
The expected sales decrease in this segment with respect to the same period last year, is mainly attributable to a reduction in sales to OEM customers which were particularly important in the United States in the first quarter of 2002.

Heating
The growth of 9.7% at constant exchange rates (up 8.9% at current exchange rates) is for the most part due to a steep rise in sales of water-filled radiators, mainly in France and Great Britain.
New distribution agreements in place and the low levels of stock at retail level represent promising factors for the rest of the year.

3.5 Markets

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

(millions of euros)	1st Quarter 2003	1st Quarter 2002	Change.	% Change at current exchange rates	% Change at constant exchange rates	31/12/2002
Geographical area						
Italy	70.5	58.2	12.2	21.0%	21.0%	350.9
United Kingdom	37.0	39.8	(2.8)	(7.0%)	0.3%	188.3
Rest of Europe	73.4	75.1	(1.7)	(2.3%)	(2.0%)	343.4
USA, Canada, Mexico	23.4	34.0	(10.7)	(31.4%)	(16.9%)	165.0
Japan	8.3	10.1	(1.7)	(17.4%)	(10.1%)	69.0
Rest of the World	38.2	39.0	(0.7)	(1.9%)	3.0%	157.1
Total	**250.8**	**256.2**	**(5.5)**	**(2.1%)**	**2.1%**	**1,273.7**

The excellent results achieved in Italy are particularly noteworthy, due to a strong growth in new products, such as the electric moka coffee machine "Alicia", the compact dehumidifier and the good performance of large thermo-cooling machines.

As far as the market in Great Britain is concerned, sales at constant exchange rates were in line (+ 0.3%) with the same period in 2002 (a 7.0% drop at effective exchange rates). They were influenced by the already mentioned difficulties in the deep fryers market offset by growth in the other principal categories.
In the second half of the year, the Group expects an important contribution to sales to come from two new distribution agreements.

In other European countries, France showed a good performance in virtue of the significant growth in the fixed heating segment and good results in the cooking and air conditioning segments, and in Spain, due to large thermo-cooling machines and to the goods results of the new Ariete branch. The Greek market, which is important to the Group, had a negative performance, due to different timing for orders by our distributor.
Furthermore the marketing of products under the De'Longhi brand was started up in Spain through a newly-established branch, with the purpose of leveraging on the relevant growth opportunities in this market.

Sales performance in North America (down 16.9% at constant exchange rates and down 31.4% at current exchange rates) is not particularly comparable to the same period in the previous year. 2002 in fact, benefited from the large amount of first-time deliveries carried out to important new customers which then consequently made up the respective stocks.
Expectations are in any case good, not only because of easier comparison with later quarterly periods but, mostly due to the new distribution contracts in the heating and air treatment segments.

As far as the Japanese market is concerned, the first quarter is of little significance.

In the Rest of the World, growth at constant exchange rates was equal to 3% (down 1.9% at current exchange rates).

3.6 Profitability trend

In the first three months of 2002 EBITDA amounted to 27.4 million euros (29,4 million euros in the same period of 2002). In percentage terms the incidence on revenues went from 11.5% in 2002 to 10.9% in 2003.

If on the one hand the higher incidence on fixed costs with respect to the other quarterly periods penalizes the EBITDA of the first quarter more than proportionally than the decrease in net sales, the increase in the gross margin should be emphasized (this improved from 27.6% to 28.1%), principally thanks to the product mix and the additional reliance on China with regard to procurement and production activity.
Advertising expenses continued to be substantial and increased compared to the same period in 2002, particularly in the Italian market in support of new products.

Net interest expense decreased by 0.9 million euros compared to the same period in 2002, due to a decrease in the average net financial position and the cost of debt.

On 28 April the bond of 150 million euros was reimbursed. The bond in the first quarter paid an interest rate of 7%, due to interest rate hedging policies in place. The following quarterly periods will therefore benefit from a reduction in the financing cost since the substitute sources of financing, represented by long-term loans, bear interest rates in line with the market and in particular with a spread which is well below the 100 basis points on Euribor.

3.7 Analysis of the assets, liabilities and financial position

Reclassified consolidated balance sheet
(thousands of euros)

	31/03/2003	*31/03/2002*	*31/12/2002*
Goodwill and Consolidation differences	215,715	320,107	218,945
Other intangible fixed assets	212,468	108,392	215,671
Tangible fixed assets, net	216,272	190,462	220,974
Financial fixed assets	7,828	8,548	8,021
Total fixed assets	**652,283**	**627,509**	**663,611**
Trade receivables	264,687	355,908	309,005
Net inventory	283,784	262,888	233,751
Trade payables	(268,398)	(251,344)	(290,853)
Other current assets (liabilities)	30,663	6,594	17,232
Net working capital	**310,736**	**374,046**	**269,135**
Staff leaving indemnities	(23,280)	(21,154)	(22,867)
Reserves for risks and charges	(84,719)	(33,285)	(85,883)
Total long-term liabilities and reserves	**(107,999)**	**(54,439)**	**(108,750)**
Net capital employed	**855,020**	**947,116**	**823,996**
Liquid funds	(107,002)	(89,510)	(155,299)
Other financial assets	(4,965)	(6,563)	(4,960)
Other current financial assets	(32,364)	(17,665)	(41,017)
Short-term financial debt	321,253	177,518	326,921
Long-term financial debt	123,825	355,227	143,477
Net financial position	**300,747**	**419,007**	**269,122**
Total shareholders' equity	**554,273**	**528,109**	**554,874**
Total minority interests and shareholders' equity	**855,020**	**947,116**	**823,996**

The reduction in net working capital was also confirmed in the first quarter. The incidence on net revenues (12 month rolling) went from 30.9% at 31 March 2002 to 24.5% at 31 March 2003. Out of the 6.4 percentage point improvement, around 5.7 percentage points was due to the securitisation transaction, and 0.7 percentage points to organic reduction..

The net financial position went from 419 million euros at March 2002 to 300.7 million euros at 31 March 2003, a 118.3 million improvement reflecting the cash proceeds of 72.1 million euros from the securitisation transaction and the cash flow of 46.2 million euros for the period.

The increase in net debt compared to 31 December 2002 is principally the result of less recourse to the securitisation transaction due to the seasonal nature of sales (for 29.1 million euros) and to the different dynamics of the working capital which is influenced in the first quarter by a high level of heating and air conditioning products inventories which will be sold later.

The statement of cash flows is summarised below:

(millions of euros)	*31/03/2003*	*31/03/2002*	*31/12/2002*
Financial flows provided by (used in) operating activities (*)	18.1	19.1	108.4
Financial flows provided by (used in) NWC	(12.7)	14.5	22.5
Financial flows provided by (used in) investment activities	(5.7)	(5.9)	(43.9)
Net operating flow	**(0.4)**	**27.7**	**87.0**
Cash flows provided by changes in shareholders' equity	(2.2)	0.4	(10.2)
Securitisation	(29.1)	0	101.2
Financial flow for the period	**(31.6)**	**28.1**	**177.9**
Net financial position, beginning of period	(269.1)	(447.1)	(447.1)
Net financial position, end of period	**(300.7)**	**(419.0)**	**(269.1)**

(*) includes results before taxes and the share in profits of minorities (net as of 31/12/2002), depreciation, amortisation and net provisions.

The decrease in financial flows provided by changes in the net working capital is principally attributable to a reduced collection of receivables relating to sales in the month of December 2002, lower compared to the same period in 2001.

3.8 Change in the consolidation area

The consolidation area is basically unchanged with respect to 31 March 2002 and 31 December 2002.

3.9 Significant events after the end of the period

The Group parent company and certain companies in the Group are considering the advisability of adhering to various forms of tax amnesties in compliance with Decree 289 of 27 December 2002 and subsequent amendments. Acceptance of the above amnesties would give rise to extraordinary charges of around 7/8 million euros.

3.10 Forecasts/foreseeable developments in operations

Results for the first three months are basically in line with expectations and taking into account all that was discussed above, presuppositions exist to achieve the foreseen objectives for 2003.

Treviso,14 May 2003

Board of Directors
Managing Director
Stefano Beraldo