Quarterly report
as of March 31st 2004

De'Longhi SpA – Registered HQ: Via L. Seitz 47 – 31100 Treviso – Italy
Share Capital: EUR 448,500,000.00
Tax Code and Company Register no.: 11570840154
Registered in Treviso REA under no. 224758 – VAT no. 03162730265

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

2. Key business and financial indicators

Consolidated income-statement highlights

(€ millions)	1st quarter 2004	1st quarter 2003	Outright change	% change at actual x-rates	% change at constant x-rates	FY2003
Net sales revenue	270.7	250.8	19.9	7.9%	10.4%	1,278.0
EBITDA	**28.8**	**27.4**	**1.4**	**5.1%**		**151.0**
% on net sales	*10.6%*	*10.9%*				*11.8%*
EBIT	**11.7**	**10.4**	**1.3**	**12.5%**		**84.7**
% on net sales	*4.3%*	*4.1%*				*6.6%*
Pre-tax income	**1.2**	**1.3**	**(0.1)**			**39.1**

Consolidated balance-sheet highlights

(€ millions)	31/03/2004	31/03/2003	Chg.	% Chg.	31/12/2003
Net working capital	330.2	310.7	19.5	6.3%	249.2
Net capital employed	889.0	855.0	33.9	4.0%	809.3
Net financial position	(322.0)	(300.7)	(21.3)	7.1%	(247.2)
NWC as % of net sales (12 months)	**25.4%**	**24.5%**	**0.9%**		**19.5%**

3. Directors' report

3.1 Policy for preparation of quarterly report

The quarterly report for the quarter ending on March 31st 2004 has been prepared according to Article 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 reclassified financial statements, prepared using the same accounting and consolidation policies used to prepare FY2003 consolidated year-end financial statements, and directors' comments.

Accounting schedules are presented on a pre-tax basis, as per the faculty contemplated by Article 81, paragraph 7 of the aforementioned CONSOB regulation for the preparation of first-half interim reports, which is also applicable to preparation of quarterly reports.

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

Foreign subsidiaries' financial statements have been converted into euro as per the criteria used for preparation of annual consolidated financial statements and of the interim report.

The exchange rates applied for conversion of non-Eurozone currencies are as follows:

		31/03/2004		31/03/2003	
Currency		**Final x-rate (*)**	**Average x-rate (*)**	**Final x-rate (*)**	**Average x-rate (*)**
US dollar	USD	1.2224	1.2507	1.0895	1.0734
Pound sterling	GBP	0.6659	0.6801	0.6896	0.6698
Australian dollar	AUD	1.6052	1.6335	1.8076	1.8093
Canadian dollar	CAD	1.5979	1.6493	1.6037	1.6202
Hong Kong dollar	HKD	9.5228	9.7271	8.4975	8.3714
Japanese yen	JPY	126.9700	134.0117	129.1800	127.6250
Malaysian ringitt	MYR	4.6445	4.7518	4.1396	4.0783
New Zealand dollar	NZD	1.8365	1.8526	1.9721	1.9534
Polish zloty	PLN	4.7336	4.7780	4.4200	4.1908
South African rand	ZAR	7.7788	8.4890	8.6356	8.9552
Singapore dollar	SGD	2.0459	2.1192	1.9211	1.8730
Chinese renminbi (yuan)	CNY	10.1214	10.3552	9.0211	8.8876

(*) Source: UIC (Ufficio Italiano Cambi – Italian Foreign Exchange Office)

3.2 Operating performance

In the first quarter of 2004 (1Q04), De'Longhi achieved net sales growth of +7.9% (+10.4% at constant exchange rates), notwithstanding the persistently adverse exchange-rate trend.
This result was achieved thanks to strong sales growth in the air conditioning segment, the effects of our policy of continuous product innovation, reorganisation of distribution in some strategic markets, and significant development of sales in European markets.
At the level of gross margin, the sales reduction caused by strengthening of the euro was more than offset by ever-increasing use of Far Eastern production. Thanks to this, gross margin increased by 1.1 percent points, rising from 54.5% (in the first quarter of 2003 – 1Q03) to 55.6% (1Q04).
Service costs increased due to:

- Transport costs – a consequence of higher sales volume and of the higher volume procured from the Far East
- Advertising and promotion expenses incurred for products launches and development and for participation in the sector's three main trade fairs
- Higher organisational costs connected with launch of the new distribution entities directly controlled by the group.

EBITDA in 1Q04 grew by € 1.4 million (mn) vs. 1Q03, rising from € 27.4 mn to € 28.8 mn.
In percent terms EBITDA margin was at levels close to those of 1Q03 and the decrease of 0.3 percent points corresponds to the increase at the "Provisions" level.

EBIT consequently also rose, growing from € 10.4 mn to € 11.7 mn (€ +1.3 mn), with a margin on sales 0.2 percent points higher than in 1Q03.

The net financial debt went from € -300.7 mn as at March 31st 2003 to € 322.0 mn as at March 31st 2004.
This change can be broken down into cash absorption of € 14.9 mn and lower use of securitisation (€ 6.4 mn). In addition, we underline the fact that the last 12 months' flow includes an investment of some € 15 mn in the new commercial subsidiaries.

3.3 Consolidated income statement

(€ '000)	*1Q 2004*	*% on sales*	*1Q 2003*	*% on sales*	*FY2003*	*% on sales*
Net sales	**270,662**	**100.0%**	**250,777**	**100.0%**	**1,277,958**	**100.0%**
YoY change	*19,885*	*7.9%*				
Cost of materials & goods	(120,094)	(44.4%)	(114,082)	(45.5%)	(624,658)	(48.9%)
Gross margin	**150,568**	**55.6%**	**136,695**	**54.5%**	**653,300**	**51.1%**
Service costs	(73,817)	(27.3%)	(63,002)	(25.1%)	(318,031)	(24.9%)
Sundry operating expenses	(2,545)	(0.9%)	(2,437)	(1.0%)	(10,047)	(0.8%)
Value added	**74,206**	**27.4%**	**71,256**	**28.4%**	**325,222**	**25.4%**
Labour costs	(41,947)	(15.5%)	(41,335)	(16.5%)	(162,382)	(12.7%)
Provisions	(3,479)	(1.3%)	(2,535)	(1.0%)	(11,849)	(0.9%)
EBITDA	**28,780**	**10.6%**	**27,386**	**10.9%**	**150,991**	**11.8%**
YoY change	*1,394*	*5.1%*				
Depreciation & amortisation	(17,084)	(6.3%)	(16,991)	(6.8%)	(66,339)	(5.2%)
EBIT	**11,696**	**4.3%**	**10,395**	**4.1%**	**84,652**	**6.6%**
YoY change	*1,301*	*12.5%*				
Net financial expenses	(9,944)	(3.7%)	(8,239)	(3.3%)	(33,873)	(2.7%)
Net extraordinary expenses	(221)	(0.1%)	(581)	(0.2%)	(11,625)	(0.9%)
Pre-tax income before minorities	**1,531**	**0.6%**	**1,575**	**0.6%**	**39,154**	**3.1%**
Minorities	(291)	(0.1%)	(284)	(0.1%)	(104)	(0.0%)
Group pre-tax income	**1,240**	**0.5%**	**1,291**	**0.5%**	**39,050**	**3.1%**

3.4 Business segments

The following table shows the sales trend by business segment.

(€ millions)	1Q 2004	1Q 2003	Change	% Chg. at current x-rates	% Chg. at constant x-rates	FY2003
Business segment						
Cooking & food preparation	120.4	123.0	(2.6)	(2.1%)	0.7%	556.6
Air conditioning & treatment	75.6	51.6	24.1	46.6%	50.0%	283.4
Home cleaning & ironing	33.3	34.5	(1.2)	(3.3%)	(2.5%)	141.2
Heating	28.9	32.4	(3.4)	(10.6%)	(9.7%)	245.4
Other	12.4	9.3	3.1	32.7%	37.1%	51.3
Total	**270.7**	**250.8**	**19.9**	**7.9%**	**10.4%**	**1.278.0**

Cooking & food preparation
At constant change rates, the segment featured substantial stability vs. 1Q03.
Performance continued to feel the effects of shrinkage in sales in the fryer and electric oven family.
Growth continued for the coffee-machine family, thanks to the launch of new super-automatic models, for the food-processor family – thanks to the success of the new Chef Titanium model – and also for the cooker and hob family.

Air conditioning & treatment
This segment grew by +50% at constant exchange rates (+46.6% at current exchange rates). The increase was mainly due to the excellent start to the season for wall-mounted and portable air conditioners, which is also the prelude to a good second-quarter trend.
Wall-mounted conditioners were one of the first product categories to be delocalised to China. This group strategy is now giving good results in terms of both sales and profitability in a very competitive market scenario.
Sales of large air conditioning systems also featured a positive trend.

Home cleaning & ironing
The growth of the ironing family – as a result of the success of new models launched in the market in recent years, including continuous-refill ironing systems – made it possible to counterbalance lower sales of cleaning products.

Heating
The segment showed a decrease of 9.7% at constant rates (-10.6% at current exchange rates).
The water-radiator family featured significant growth.

3.5 Geographical markets

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

(€ millions)	**1Q 2004**	**1Q 2003**	**Change**	**% Chg. at actual x-rates**	**% Chg. at current x-rates**	**FY2003**
Geographical area						
Italy	82.0	70.5	11.5	16.3%	16.3%	372.1
UK	37.8	37.0	0.8	2.0%	3.4%	180.1
Rest of Europe	85.3	73.4	11.9	16.2%	17.2%	380.3
USA, Canada, Mexico	18.5	23.4	(4.9)	(21.0%)	(9.7%)	127.6
Japan	6.5	8.3	(1.8)	(22.1%)	(17.4%)	48.5
Rest of the world	40.7	38.2	2.5	6.6%	11.6%	169.4
Total	**270.7**	**250.8**	**19.9**	**7.9%**	**10.4%**	**1,278.0**

We mainly highlight the excellent results achieved in Italy – thanks to strong growth in the air-conditioning segment, headed by wall-mounted conditioners – and in the rest of Europe, where we note good results in France, Germany, and Greece.

In the UK market growth was driven primarily by the cookers and wall-mounted heating families.

In North America the reduction was also due to the group's more prudent strategy connected with the local currency's ongoing weakness.

In Japan there was a 22.1% decrease at constant exchange rates in a quarter that in any case is not very meaningful.

Growth in the rest of the world, at constant exchange rates, was 11.6% (+6.6% at current exchange rates) also due to the effects of the new subsidiaries in Australia and New Zealand.

3.6 Profitability trend

Gross margin grew both in outright value (from € 136.7 mn to € 150.6 mn) and as a percentage on net sales (from 54.5% to 55.6%), also thanks to greater utilisation of the Chinese manufacturing platform and notwithstanding the adverse exchange-rate trend.

EBITDA amounted to € 28.8 mn (€ 27.4 mn in 1Q03) with an increase of € 1.4 mn. As a percentage on sales, it decreased by 0.3 percent points.

Depreciation and amortisation in 1Q04 – totalling € 17.1 mn – included € 8.8 mn of amortisation of intangible assets.

EBIT totalled € 11.7 mn, growing vs. 1Q03 (€ 10.4 mn).

The pre-tax result before minorities – which showed a profit of € 1.5 mn (€ 1.6 mn as up to March 31st 2003) – was affected by a € 1.7-mn increase in financial expenses caused by the combination of:

- Lower interest expenses (down from € 4.4 mn to € 3 mn), thanks to the reduction in interest rates
- Exchange-rate losses of € -3.3 mn (vs. a gain of € 0.1 mn in 1Q03), mainly due to the difference in billing exchange rates for purchases and average budgeted hedging rates
- A € 0.3-mn increase in other financial expenses.

3.7 Analysis of capital and financial situation

Reclassified consolidated balance sheet
(€ '000)

	31/03/2004	*31/03/2003*	*31/12/2003*
Fixed assets:			
Intangible assets	425,197	428,183	430,309
Net tangible assets	222,063	216,272	215,275
Financial assets	8,032	7,828	8,136
Total fixed assets	**655,292**	**652,283**	**653,720**
Trade receivables	292,216	281,484	300,924
Inventories	338,576	283,784	260,437
Trade payables	(317,135)	(268,398)	(308,566)
Other current assets (liabilities)	16,537	13,866	(3,552)
Net working capital	**330,194**	**310,736**	**249,243**
Employee severance indemnity provision	(24,907)	(23,280)	(24,583)
Deferred tax provision	(29,291)	(51,652)	(29,291)
Provisions for risks & charges	(42,338)	(33,067)	(39,777)
Total non-current liabilities and provisions	**(96,536)**	**(107,999)**	**(93,651)**
Net capital employed	**888,950**	**855,020**	**809,312**
Cash & cash equivalents	(74,359)	(107,002)	(102,816)
Other financial fixed assets	(3,047)	(4,965)	(2,958)
Other current financial assets	(26,184)	(32,364)	(36,204)
Short-term financial debt	190,121	321,253	139,508
Medium-/long-term financial debt	235,507	123,825	249,676
Net financial position	**322,038**	**300,747**	**247,206**
Total net shareholders' equity	**566,912**	**554,273**	**562,106**
Total liabilities and shareholders' equity	**888,950**	**855,020**	**809,312**

Cash flow was as summarised below:

(€ millions)	31/03/04 (12 mths)	31/12/03 (12 mths)	31/03/04 (3 mths)	31/03/03 (3 mths)
Cash flow from operating activities	94.2	90.4	22.0	18.1
Changes in net working capital (*)	12.0	33.7	(34.4)	(12.7)
Cash flow from investment activities (**)	(76.6)	(63.6)	(18.7)	(5.7)
Operating cash flow	**29.6**	**60.5**	**(31.2)**	**(0.4)**
Working capital for new trading subsidiaries	(35.1)	(31.4)	(3.7)	-
Dividend distribution	(9.0)	(9.0)	-	-
Change in translation difference plus others	(0.4)	(6.1)	3.6	(2.2)
Securitisation	(6.4)	7.9	(43.5)	(29.1)
Change in net financial position	**(21.3)**	**21.9**	**(74.8)**	**(31.6)**

(*) Does not include NWC relating to the new subsidiaries.
(**) For 31/03/2004 (12 months) and 31/12/2003 the figure includes the investment of some € 15 mn for start-up of the new sales branches.

The group's net debt went from € 300.7 mn as at March 31st 2003 to € 322.0 mn as at March 31st 2004 (€ +21.3 mn). Excluding the effect of securitisation, the net financial position would have been € 387.7 mn (€ 372.8 mn as at March 31st 2003).

The condensed cash flow statement presented above shows that core-business cash generation in the 12-month period amounted to € 29.6 mn. This amount includes the investment for start-up of new subsidiaries replacing previous independent distributors (amounting to some € 15 mn).
Contributors to net cash absorption of € 21.3 mn were, besides lower use of securitisation (€ 6.4 mn), net working capital for the new sales subsidiaries mentioned above – mainly inventory and receivables (€ 35.1 mn) and dividend distribution (€ 9.1 mn).

Working capital as a percent of net sales revenue (12-month rolling basis) was 25.4% vs. 24.5% in the same period 2003.
Based on like-for-like figures (excluding securitisation effects), net working capital as a percentage of net sales revenue was 30.5% (30.2% as at March 31st 2003).

3.8 Change in consolidation area

There was no change in consolidation area versus December 31st 2003.

3.9 Significant events after quarter-end

No significant events took place after March 31st 2004.

3.10 Outlook and expected business progress

We believe that the results of the first quarter of 2004 – satisfactory and reversing the trend of the last two quarters, which featured a downturn in profitability - bode well for the remaining part of the current year.

Treviso, May 14th 2004

On behalf of the Board of Directors

Giuseppe De'Longhi
President