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Barabino & Partners
Consulenza di direzione
in Comunicazione d'Impresa

PRESS RELEASE

DE' LONGHI S.p.A.: The Board of Directors today has approved the consolidated financial statements for the three months ended March 31 2003:

Consolidated net sales :€ 250.8m (+2.1% compared to March 31 2003 at constant exchange rates, -2.1% at current exchange rates)

EBITDA: €27.4 m (EBITDA margin 10.9%)

Net financial position: € 300.7m (compared to € 419.0m as of March 31 2003)

Strong growth for the Italian market and very positive indications from sales trend in the month of April.

The Board of Directors of De' Longhi S.p.A. - leader in Heating, Air Conditioning and Treatment, Cooking and Food Preparation and Cleaning and Ironing segments with brands such as De'Longhi, Kenwood, Ariete and Simac – today has approved the consolidated financial statements for the three months ended March 31 2003.

The first quarter – which is historically the least important in terms of contribution to revenues and profitability (due to an unfavourable sales mix and an higher incidence of fixed costs) – reported net sales of € 250.8m (+2.1% compared to March 31 2002 at constant exchange rates and -2.1% at current exchange rates).

EBITDA was € 27.4m (-6.7%), with EBITDA margin at 10.9% (compared to 11.5% as of March 31 2002). EBITDA reduction can be regarded as normal in a quarter like this which has an higher incidence of fixed costs on sales compared to the other quarters; on the other hand gross margin showed a 0.5% improvement thanks to an increased reliance on our Chinese industrial site (in terms of both production and procurement activities).

As far as business segments are concerned, Heating (+8.9%, by virtue of the strong performance of water-filled radiators) and Air Conditioning and Treatment (+1.1%, and +3.8 at constant exchange rates) showed the best results. Sales in the Cooking and Food Preparation segment increased as well (+3.7%), but they also were the most penalised by exchange rate fluctuations (-2.7% at current exchange rates).

In terms of geographic breakdown, Italy posted a 21% increase, thanks to the success of new products (electric moka Alicia and compact dehumidifier).

Sales trend in North America was negative (-16.9% at constant exchange rates and -31.4% at current exchange rates) even if only partially comparable with the same quarter last year, bearing in mind that the first quarter 2002 had benefited from initial supplies to new customers, that were then building up their inventory.



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Net working capital decreased to € 310.7m (compared to € 374.0m as of March 31 2002) and as % of sales it declined to 24.5% (compared to 30.9% in the same period of 2002).

Net financial position declined as well from € 419.1m as of March 31 2002 to € 300.7m as of March 31 2003. The improvement of € 118.3m is attributable for € 69.1m to the securitisation proceeds.

The Group is currently assessing the economic and financial opportunity to take advantage of Concordato Tombale, a tax amnesty program, in accordance with *Decreto Legge 27/12/02 n.289* and subsequent changes. An extraordinary cost of about € 7-8m would arise if the Group had to undergo this action.

“The Group is performing well even in an environment which is still challenging in terms of consumer confidence and exchange rates fluctuations” – commented the Group’s CEO Stefano Beraldo – “and the indications from sales trend in the month of April are quite reassuring”.

“The market continued to appreciate our new products” – said the Group’s Chairman Giuseppe De’Longhi – “The success of electric moka Alicia and the other products launched at the end of 2002, together with the new distribution agreements leave us confident to be able to reach our targets for the current year”.

Attached: Reclassified Consolidated Balance Sheets and Profit and Loss Statements

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Treviso, May 14 2003

De'Longhi S.p.A. consolidated financial statement as at 31 March 2003

Income statement

	I Quarter 2003	% of sales	I Quarter 2002	% of sales	2002	% of sales
	Euro mil.	%	Euro mil.	%	Euro mil.	%
Net revenues	250,8	100,0%	256,2	100,0%	1.273,7	100,0%
<i>Change IQ 2003-IQ 2002</i>	<i>(5,5)</i>	<i>(2,1%)</i>				
Cost of materials	(115,6)	(46,1%)	(125,7)	(49,1%)	(620,7)	(48,7%)
Services and other operating expenses	(64,9)	(25,9%)	(59,8)	(23,3%)	(297,5)	(23,4%)
Value added	70,4	28,1%	70,7	27,6%	355,5	27,9%
Labour costs	(41,3)	(16,5%)	(40,2)	(15,7%)	(162,3)	(12,7%)
Provisions	(1,6)	(0,7%)	(1,2)	(0,5%)	(12,8)	(1,0%)
EBITDA	27,4	10,9%	29,4	11,5%	180,4	14,2%
<i>Change IQ 2003-IQ 2002</i>	<i>(2,0)</i>	<i>(6,7%)</i>				
Depreciation and amortisation	(17,0)	(6,8%)	(16,6)	(6,5%)	(70,4)	(5,5%)
EBIT	10,4	4,1%	12,7	5,0%	109,9	8,6%
<i>Change IQ 2003-IQ 2002</i>	<i>(2,3)</i>	<i>(18,4%)</i>				
Net financial expenses	(8,2)	(3,3%)	(9,1)	(3,6%)	(36,3)	(2,8%)
Extraordinary income (expenses)	(0,6)	(0,2%)	(0,9)	(0,3%)	(5,4)	(0,4%)
Earnings before taxes and minorities	1,6	0,6%	2,7	1,1%	68,3	5,4%
<i>Change IQ 2003-IQ 2002</i>	<i>(1,1)</i>	<i>(42,1%)</i>				

De'Longhi S.p.A. consolidated financial statement as at 31 March 2002

Balance sheet

	31.03.2003	31.03.2002	31.12.2002
	Euro mil.	Euro mil.	Euro mil.
Trade receivables	264,7	355,9	309,0
Net inventory	283,8	262,9	233,8
Trade payables	(268,4)	(251,3)	(290,9)
Other current assets (liabilities)	30,7	6,6	17,2
Net working capital	310,7	374,0	269,1
Fixed assets:			
Intangible assets	428,2	428,5	434,6
Tangible assets	216,3	190,5	221,0
Financial assets	7,8	8,5	8,0
Non current liabilities	(108,0)	(54,4)	(108,8)
Total capital employed	855,0	947,1	824,0
Net equity	(554,3)	(528,1)	(554,9)
Net financial position	(300,7)	(419,0)	(269,1)