PRESS RELEASE

Treviso, 14th November 2005

DE'LONGHI SpA: the Board of Directors has approved the results of the nine months as of 30th September 2005: third quarter showed a sales growth

- The third quarter recorded a reversal of the sales trend (up by 2.9% to € 303.8 million). In the nine month period consolidated sales were € 840.0 million (€907.1 milioni in the same period of 2004).
- EBITDA in the third quarter was € 31.7 million (€ 35.1 million in the same period of 2004); in the nine month period it totalled € 64.3 million (€ 98.9 million in the first nine months of 2004).
- Net financial position as of 30th September 2005 was € 563.6 million (€ 521.7 million as of September 2004)

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**Main Results of the Period**

The Board of Directors of De 'Longhi S.p.A. has today approved the results as of 30th September 2005.

"The sales growth in the third quarter represents an important reversal of the trend" – said the CEO Fabio De' Longhi – " and leads us to be optimistic for the remainder of the year. Our strong product positioning and the continuous development of some important product families, such as coffee machines, in the last quarter should allow us to increase sales also in those markets marked by weak consumption such as Italy".

The third quarter showed significant recovery signs with sales up by 2.9% to € 303.8 million compared to the same period of 2004. Consequently in the first nine months of 2005 net sales totalled € 840 million (-7.4% compared to the same period of 2004).

The Gross Margin* was € 334.7 million in the nine month period of 2005, (€ 367.6 in the same period of 2004) and was hit by the lower contribution of air conditioning products, a category which has a higher profitablity than the average of the Group.

The achievement of an EBITDA margin higher than 10% in the third quarter was encouraging and as a consequence EBITDA in the nine month period reached 7.7% from 6.1% in the first half (IAS data).
Overall, in the first nine months profitability was hit by a higher incidence of fixed costs (mainly non industrial cost of labour and service costs), which grew to 31.2% of sales from 28.6% in the nine months of 2004.

After financial charges and losses on exchange rate hedging which decreased compared to the first nine months of 2004, net income was € 2.9 million (€ 21.5 in the same period of 2004).

In terms of geographical breakdown, in the Italian market the strong performance of kitchen appliances was more than offset by lower revenues of air conditioning products. Sales trend was very positive in important markets such as France, Spain and Russia, all Countries where the Group increased its marketing efforts.

With regard to product families, in the first nine months of 2005, within the household division the coffee makers, stand mixers and oil-filled radiators reported a remarkable sales growth rate; in the professional division large thermo-cooling machines showed increasing sales.

The increase of the working capital, mainly arising from higher inventory of air conditioning products and the build up of stock related to the industrial relocation process, resulted into the growth of the net financial position to € 536.6 million from € 521.7 million as of September 2004.

** Profitability index calculated by excluding those industrial costs classified within the service costs and the cost of labour. Gross Margin is defined as Sales – Consumption – Industrial Cost of Labour – Temporary Work – Outsourcing Costs– Motive Power – Maintenance Costs – Transports on Procured Goods*

**Events after period-end**

The Board of Directors has accepted the resignation of Mr Stefano Beraldo as a Director and has appointed Mr Silvio Sartori as a new member of the Board.

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**Outlook and expected business progress**

The positive sales momentum went on in the month of October; given the current trend the Group believes that the sales recovery can continue in the last quarter of the year, allowing the Group to generate a satisfactory profit for the full year.

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Attached: Reclassified Consolidated Profit and Loss Accounts and Balance Sheets

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**Notes**

The financial statements relating to the nine month period and the third quarter of 2005 have been prepared in accordance with IFRS; the financial data for the corresponding period of 2004 have been reclassified consistently with the new accounting principles. Following this introduction, the Group took the opportunity to change its reporting system in order to provide a better picture of its operating performance. The new reporting system includes two divisions:"*Household*" and "*Professional*" and replaces the previous one based on the following business segments: air conditioning and treatment, heating, cooking and food preparation, cleaning and ironing products, other.

The "*Professional*" division includes large thermo-cooling machines (Climaveneta), water-filled radiators (DL Radiators) and the portion of fixed air conditioners sold through professional channels (Climaveneta Home system). All these categories are marketed through the professional channel.

The "*Household*" division includes all the other product categories which are not comprised in the *Professional* division; these categories are distributed through the *retail* channel.


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## De'Longhi S.p.A. consolidated financial statement as at September, 30th 2005

## Income statement as at September, 30th 2005 year-to-date:

| (Euro million) | III Quarter 2005 | % on sales | III Quarter 2004 | % on sales | *30/09/2005* | % on sales | *30/09/2004* | % on sales |
|---|---|---|---|---|---|---|---|---|
| **Net revenues** | **303,8** | **100,0%** | **295,4** | **100,0%** | **840,0** | **100,0%** | **907,1** | **100,0%** |
| Changes IIIQ 2005 – IIIQ 2004 | *8,4* | *2,9%* | | | *(67,1)* | ***(7,4%)*** | | |
| Cost of materials | (183,3) | (60,3%) | (175,5) | (59,4%) | (505,3) | (60,2%) | (539,5) | (59,5%) |
| **Gross margin** | **120,5** | **39,7%** | **120,0** | **40,6%** | **334,7** | **39,8%** | **367,6** | **40,5%** |
| Services and other operating expenses | (57,5) | (18,9%) | (60,2) | (20,4%) | (186,5) | (22,2%) | (189,4) | (20,9%) |
| **Value added** | **63,0** | **20,7%** | **59,6** | **20,2%** | **148,2** | **17,6%** | **178,1** | **19,6%** |
| Labour costs | (28,4) | (9,3%) | (24,8) | (8,4%) | (75,7) | (9,0%) | (69,8) | (7,7%) |
| Provisions | (2,9) | (0,9%) | 0,2 | 0,1% | (8,3) | (1,0%) | (9,5) | (1,0%) |
| **EBITDA** | **31,7** | **10,4%** | **35,1** | **11,9%** | **64,3** | **7,7%** | **98,9** | **10,9%** |
| Changes IIIQ 2005 – IIIQ 2004 | *(3,4)* | *(9,6%)* | | | *(34,6)* | ***(35,0%)*** | | |
| Depreciation and amortisation | (8,4) | (2,8%) | (9.5) | (3,2%) | (28,0) | (3,3%) | (30,2) | (3,3%) |
| **EBIT** | **23,3** | **7,7%** | **25,6** | **8,7%** | **36,3** | **4,3%** | **68,7** | **7,6%** |
| Changes IIIQ 2005 – IIIQ 2004 | *(2,2)* | *(9,0%)* | | | *(32,5)* | ***(47,2%)*** | | |
| Net financial expenses | (12,8) | (4,2%) | (11,3) | (3,8%) | (25,4) | (3,0%) | (28,8) | (3,2%) |
| **Earnings before taxes** | **10,6** | **3,5%** | **14,3** | **4,8%** | **10,9** | **1,3%** | **39,9** | **4,4%** |
| Taxes | (7,8) | (2,6%) | (3,6) | (1,2%) | (7,7) | (0,9%) | (17,3) | (1,9%) |
| **Net income** | **2,7** | **0,9%** | **10,7** | **3,6%** | **3,2** | **0,4%** | **22,6** | **2,5%** |
| Minorities | - | - | 0,7 | 0,3% | 0,3 | 0,0% | 1,1 | 0,1% |
| **Group net income** | **2,7** | **0,9%** | **10,0** | **3,4%** | **2,9** | **0,3%** | **21,5** | **2,4%** |

## Balance sheet as at September, 30th 2005

| (Euro million) | *30/09/2005* | *31/12/2004* | *30/09/2004* |
|---|---|---|---|
| **Total fixed assets** | 674,4 | 666,9 | 665,6 |
| -Net inventory | 406,3 | 295,3 | 368,5 |
| -Trade receivables | 403,9 | 415,5 | 404,2 |
| -Trade payables | (251,6) | (265,7) | (254,3) |
| -Other current assets (liabilities) | 16,1 | 29,0 | (4,5) |
| **Net working capital** | 574,8 | 474,0 | 513,9 |
| **Total non current liabilities and funds** | (120,4) | (119,0) | (100,2) |
| **Total capital employed** | 1.128,7 | 1.021,9 | 1.079,3 |
| **Net financial position** | 563,6 | 458,0 | 521,7 |
| **Net equity** | 565,1 | 563,8 | 557,6 |