

LATHAM & WATKINS LLP

Corso Giacomo Matteotti, 8  
20121 Milano  
Italy  
Tel: +39.02.3046.2000 Fax: +39.02.3046.2001  
www.lw.com

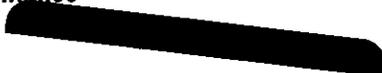
FIRM / AFFILIATE OFFICES  
Barcelona New Jersey  
Brussels New York  
Chicago Northern Virginia  
Frankfurt Orange County  
Hamburg Paris  
Hong Kong San Diego  
London San Francisco  
Los Angeles Shanghai  
Madrid Silicon Valley  
Milan Singapore  
Moscow Tokyo  
Munich Washington, D.C.

File No. 82-34652

March 18, 2008

Securities and Exchange Commission  
Office of International Corporate Finance  
100 F Street, N.E.  
Washington D.C. 20549  
USA

RECEIVED  
2008 MAR 19 A 10:25



08001367

SUPL

Ladies and Gentlemen,

**De' Longhi S.p.A. - Information Furnished Pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934 - File No. 82-34652**

On behalf of De' Longhi S.p.A. ("De' Longhi") and pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934, enclosed herewith please find:

- Press Release dated March 12, 2008, announcing the financial results for 2007;
- Press Release dated January 21, 2008, announcing the 2007 preliminary results;
- De Longhi Financial Calendar for the financial year 2007;
- De Longhi Corporate Presentation dated November 2007;
- Broker's Report by Euromobiliare SIM S.p.A. dated September 19, 2007;
- Broker's Report by Caboto dated September 17, 2007; and
- Broker's Report by Intermonete dated September 13, 2007.

PROCESSED  
B  
MAR 25 2008  
THOMSON  
FINANCIAL

Further, De' Longhi has filed the documentation listed below with CONSOB (*Commissione Nazionale per la Società e la Borsa*), the Italian authority responsible for regulating the Italian securities market and Borsa Italiana, the Italian stock exchange. No English translations, versions or summaries of such documents have been prepared by De' Longhi. As a result, only a brief description of such documentation is furnished.

- Filing with CONSOB on January 17, 2008 giving notice that De' Longhi will exercise its right under applicable law to not publish quarterly financial statements for the three months ended December 31, 2007, and communicating the financial calendar for 2008; and

dlw 3/21

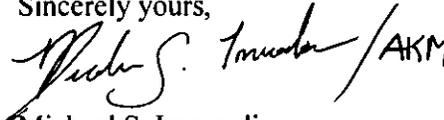
LATHAM & WATKINS LLP

- Notice dated March 15, 2008 for the ordinary shareholders' meeting to be held on April 22, 2008 on first call and April 23, 2008 on second call, in Treviso, Italy, including the agenda for such meeting.

Please feel free to call me at 011-44-20-7710-1076 if you have any questions.

Please acknowledge receipt of this letter by stamping the enclosed copy of this letter and returning it to our messenger who has been instructed to wait.

Sincerely yours,



Michael S. Immordino  
of LATHAM & WATKINS

Enclosures

cc: Antonio Checchini  
of De' Longhi S.p.A.



RECEIVED  
 2008 MAR 19 AM 10:57  
 2008

PRESS RELEASE

Treviso, March 12, 2008

**DE' LONGHI SpA: FY 2007 RESULTS**

The Board of Directors approved the financial statements for the FY ending December 31, 2007: revenues reached € 1,490.9 million (+9,4%) and Ebitda (before non recurring items) was € 156.3 million (+ 1,5 percentage points on revenues).

**Quarter October 1st - December 31st 2007**

- net revenues in the fourth quarter grow by 6.6% to € 473.3 million;
- Ebitda before non recurring items amounts to € 51.3 million, thus growing by 6.7% (or 10.8% of net revenues); after non recurring items of the quarter, Ebitda amounts to € 48,1 million (10.2% of revenues), almost stable vs. 2006 (it was € 48.2 million);
- EBIT amounts to € 35.5 million (7.5% of revenues), i.e. -2.2% vs. 2006.

**Full year January 1st - December 31st 2007**

- significant growth of net revenues (+ 9.4%), up to € 1,490.9 million (vs. € 1,363 million in 2006), higher than the one obtained in 2006 (it was 8.4%), thanks to a positive trend in both Household and Professional divisions (respectively +5.6% and +11.3% at constant perimeter) and despite the important appreciation of Euro;
- the recovery of operating profitability maintains its path: EBITDA improves by 1.5 percentage points on revenues (10.5%) thus reaching € 156.3 million (+ 27.3%), before non recurring items amounting to € 10.9 million (of which € 9.4 million are related to the fire); after these items, EBITDA amounts to € 145.4 million, growing by 15.8%, and equal to 9.7% of revenues (vs. 9.2% in 2006);
- EBIT is growing by 22.1% and reaches € 103.7 million, i.e. 7% of revenues (vs. 6.2% in 2006);



*Living innovation*

- financial charges (€ 51.3 million) increase as a result of the rise of market interest rates and of the increase of the net indebtedness, due mainly to extraordinary items;
- net income amounts to € 30.6 million (vs. € 14.9 million in 2006, if excluding the gain from the sale of Elba s.p.a.), i.e. growing by 105%;
- net financial position decrease from € -314.6 million to € -355.9 million, as a consequence of acquisitions of the two distributing companies Topclima and Kenwood Swiss (€ 23.9 million), disbursements related to the fire and not yet reimbursed by insurance companies (€ 19.4 million), non recurring investments for new production lines in the radiators segment (€ 4.0 million) and the increase in the working capital due to the important growth (€ 21.3 million);
- the Board of Directors resolves to propose to the Shareholders' Meeting (to be held on April 22, 2008, or on April 23 in second call) a dividend of € 0.06 per share. The payment of dividends will be made on Friday May 2, 2008.

\* \* \* \* \*

## The 2007 results

The Board of Directors has approved the FY 2007 results.

In the past year the Group has maintained the growth trend of revenues and profitability, despite several critical external variables affecting the business: we only mention, first of all, the fire occurred to the Treviso plant on last April, which had not marginal financial impacts, then the appreciation of Euro against all major currencies (+8.4% against US Dollar and +9.4% against Japanese Yen) and finally the significant increase of raw materials' prices.

Within this scenario, the Group has confirmed its plan of investments of industrial nature (new production assets supporting the growth) and of commercial nature (the acquisition of two distributing companies, in Switzerland and Spain).

Consolidated revenues grew by 9.4% in the twelve months, from € 1,363 million to € 1,490.9 million, and by 6.6% in the fourth quarter (€ 473.3 million vs. € 444.2 million in the same quarter of 2006), at a higher rate than in fourth quarter of 2006 (which was 5.9%).



*Living innovation*

The growth was satisfactory in all markets, mainly in continental and eastern Europe (+28.2% as a whole).

The increased focus on a high end product mix, in addition to the control over the costs' dynamics, allowed the Group to obtain a general increase of margins: +14.3% in gross profit (or +1.7 percentage points on revenues), +27.3% in Ebitda before non recurring items (or +1.5 percentage points on revenues), +22.1% in Ebit (or + 0.8 percentage points on revenues).

Ebitda - before non recurring items - increases from € 122.7 to € 156.3 million (equal to 10.5% of revenues). The non recurring items, amounting to € 10.9 million (of which € 9.4 million related to the fire) are subtracting 0.7 percentage points of profitability, thus reducing the final Ebitda to € 145.4 million (vs. € 125.6 million in 2006).

Ebit amounts to € 103.7 million (€ 85 million in 2006), i.e. 7% of revenues.

Financial charges, amounting to € 51.3 million (vs. € 48.6 million in 2006), are affected by the one-off fees for the securitisation program's renewal (new expiry is 2012), by the rise in market interest rates and by the increase of the net indebtedness.

Profit before tax amounts to € 52.4 million, which compares with € 61.3 million in 2006; the latter however was benefiting from the € 25 million gain from the sale of Elba s.p.a.. On a comparable base, profit before tax increases by 44.4%.

Net Profit amounts to € 30.6 million, vs. € 39.8 million in 2006.

Both divisions are performing well in terms of revenues and profitability. The *Professional* division is growing by 11.3% at constant perimeter, while the *Household* division is growing by 5.6% at constant perimeter. In terms of margins, Ebitda (as a percentage of revenues) is becoming leveled between the two divisions, with *Household* growing and *Professional* slightly decreasing.

The net financial position amounts to € -355.9 million, from € -314.6 million of 2006 (it was € -419,7 million at September 30, 2007), as a consequence also of non recurring flows including the disbursements related to the fire not yet reimbursed by insurance companies (€ 19.4 million), investments for new tubular radiators' production lines (€ 4 million), past and future financial commitments for the acquisition of two distributing companies in Switzerland and Spain (€ 23.9 million) and the negative *fair value* of derivatives, hedging US Dollar exposure, which



*Living innovation*

were put in place in advance with the purpose of protecting the industrial plan (€ 7 million).

Looking at working capital, inventories show satisfactory dynamics (the increase is due only to the enlarged consolidation perimeter), while other components of receivable and payables absorb € 17.8 million of cash, as a result of the growth in revenues.

The Board of Directors has resolved to propose to the Shareholders' Meeting (which is to be held on April 22, 2008, or on April 23 in second call) a dividend of € 0.06 per share, which is deemed to be paid on May 2, 2008.

\* \* \* \* \*

The Board of Directors has approved a proposal of a compensation plan based on the increase in the value of the share of De' Longhi S.p.a. (the so called *Phantom stock option plan*), in favour of three top managing roles, also with the purpose to link part of the remuneration of said participant managers to the growth in value of the De' Longhi's shares and to focus the attention of said participating managers to medium-long term success factors of the Group. The above mentioned proposal will be submitted for approval by the next Shareholders' Meeting.

The details of said plan are included in the *documento informativo* (information document) that will be drafted according to the Annex 3.A *schema 7* of *Regolamento Emittenti*, and disclosed as per art. 84 bis of *Regolamento Emittenti*.

\* \* \* \* \*

#### **Events following year end.**

No major event has occurred since the closing of the FY 2007 accounts.

#### **Foreseeable business development**

The Group is confident to be able to meet the expected growth targets, despite a more difficult external scenario.

\* \* \* \* \*

#### **Declaration of the manager responsible for the company's accounts.**



*Living innovation*

The manager responsible for the preparation of the company's accounts, Stefano Biella, hereby declares, as per article 154 bis, paragraph 2, of the "Testo Unico della Finanza", that all information related to the company's accounts contained in this press release are fairly representing the accounts and the books of the company.

\* \* \* \* \*

Contacts:

*for the press:*

Alessandro Rinadini:  
M: +39 3482642896

*for analysts and investors:*  
Investor Relations, Fabrizio Micheli  
Ph: +39 0422 413235

*on the web:*  
[www.delonghi.it](http://www.delonghi.it)



*Living innovation*

Consolidated results of De' Longhi Group as at December 31, 2007

Consolidated Income Statement

Euro Million	2007	% on revenues	2006	% on revenues
<b>Net revenues</b>	<b>1.490,9</b>	<b>100,0%</b>	<b>1.363,0</b>	<b>100,0%</b>
<i>change 2007/2006</i>	<i>127,9</i>	<i>9,4%</i>		
Materials consumed and other production costs (services and production payroll costs)	(904,5)	(60,7%)	(849,9)	(62,4%)
<b>Gross profit</b>	<b>586,4</b>	<b>39,3%</b>	<b>513,1</b>	<b>37,6%</b>
Cost of services and other expenses	(307,4)	(20,6%)	(286,3)	(21,0%)
<b>Added Value</b>	<b>279,0</b>	<b>18,7%</b>	<b>226,8</b>	<b>16,6%</b>
Payroll (non-industrial)	(108,4)	(7,3%)	(91,6)	(6,7%)
Provisions	(14,3)	(1,0%)	(12,5)	(0,9%)
<b>EBITDA before non recurring items</b>	<b>156,3</b>	<b>10,5%</b>	<b>122,7</b>	<b>9,0%</b>
<i>change 2007/2006</i>	<i>33,5</i>	<i>27,3%</i>		
Other income (expenses)	(10,9)	(0,7%)	2,8	0,2%
<b>EBITDA</b>	<b>145,4</b>	<b>9,7%</b>	<b>125,6</b>	<b>9,2%</b>
Amortization and depreciation	(41,7)	(2,8%)	(40,6)	(3,0%)
<b>EBIT</b>	<b>103,7</b>	<b>7,0%</b>	<b>85,0</b>	<b>6,2%</b>
<i>change 2007/2006</i>	<i>18,7</i>	<i>22,1%</i>		
Financial income /(expenses)	(49,4)	(3,3%)	(47,0)	(3,4%)
Exchange rate gains / (losses)	(0,6)	-	(1,6)	(0,1%)
Charges for the new transaction of receivables sales on a non recourse basis	(1,3)	(0,1%)	-	0,0%
Extraordinary gains/ losses from participations	-	0,0%	25,0	1,8%
<b>Profit before taxes</b>	<b>52,4</b>	<b>3,5%</b>	<b>61,3</b>	<b>4,5%</b>
Taxes	(21,1)	(1,4%)	(20,9)	(1,5%)
<b>Profit (loss) for the period</b>	<b>31,3</b>	<b>2,1%</b>	<b>40,4</b>	<b>3,0%</b>
Profit (loss) pertaining to minority interests	0,7	0,0%	0,7	0,0%
<b>Profit (loss) pertaining to the Group Risultato netto di competenza del Gruppo</b>	<b>30,6</b>	<b>2,1%</b>	<b>39,8</b>	<b>2,9%</b>
<b>Profit (loss) pertaining to the Group before extraordinary charges from participations Risultato netto di competenza del Gruppo ante proventi e oneri da partecipazioni straordinari</b>	<b>30,6</b>		<b>14,9</b>	



### Consolidated Balance Sheet

Euro Million	31.12.07	31.12.06	change 31.12.07-31.12.06	change %
<b>Fixed Assets</b>	<b>709,4</b>	<b>718,9</b>	<b>(9,5)</b>	<b>(1,3%)</b>
Inventories	335,2	323,7	11,5	3,5%
Trade receivables	378,0	348,0	30,0	8,6%
Other current assets	63,8	39,4	24,4	61,9%
Trade payables	(333,7)	(327,1)	(6,6)	2,0%
Other current liabilities	(79,9)	(77,1)	(2,9)	3,7%
<b>Net working capital</b>	<b>363,4</b>	<b>307,0</b>	<b>56,4</b>	<b>18,4%</b>
Non current liabilities	(86,2)	(90,7)	4,5	(4,9%)
<b>Total capital employed</b>	<b>986,5</b>	<b>935,2</b>	<b>51,3</b>	<b>5,5%</b>
<b>Net debt</b>	<b>355,9</b>	<b>314,6</b>	<b>41,3</b>	<b>13,1%</b>
<b>Total shareholders' equity</b>	<b>625,2</b>	<b>615,6</b>	<b>9,7</b>	<b>1,6%</b>
<b>Total net debt and shareholders' equity</b>	<b>986,5</b>	<b>935,2</b>	<b>51,3</b>	<b>5,5%</b>

### Consolidated Cash Flow Statement

Euro Million	2007	2006
Cash Flow from operations	86,4	49,8
Cash Flow from changes in the working capital	(21,3)	45,5
<b>Cash Flow from current operations and w.c.</b>	<b>65,1</b>	<b>95,3</b>
Cash Flow from investments	(40,6)	(38,0)
<b>Operating Cash Flow</b>	<b>24,4</b>	<b>57,3</b>
Cash Flow from extraordinary investments	(23,9)	34,6
Fire event	(19,4)	-
Cash flow absorbed by changes in net equity	(22,3)	(8,0)
Cash flow from factoring receivables without recourse	-	112,9
<b>Net Cash Flow</b>	<b>(41,3)</b>	<b>196,8</b>
Opening net financial position	(314,6)	(511,4)
<b>Closing net financial position</b>	<b>(355,9)</b>	<b>(314,6)</b>



*Living innovation*

**Revenues by geographical breakdown**

Euro Million	2007	2006	Change	Change %
Italy	318.7	329.7	(11,0)	(3,3%)
UK	146.9	155,5	(8,5)	(5,5%)
Rest of Europe	656.6	512.1	144,6	28,2%
USA, Canada and Mexico	119.3	123,2	(3,8)	(3,1%)
Rest of the world	249.3	242.6	6,7	2,8%
<b>Total</b>	<b>1.490,9</b>	<b>1.363,0</b>	<b>127,9</b>	<b>9,4%</b>

**Business segments**

***Household***

Euro Million	2007	2006	change 2007-2006	2006 <i>pro-forma</i>	change 2007 – 2006 <i>pro-forma</i>
Net Revenues	1.111,1	1.072,0	39,0	1.052,5	58,6
<i>change %</i>			<i>3,6%</i>		<i>5,6%</i>
EBITDA before not recurring items	114,7	89,4	25,3	86,7	28,0
<i>margin % on revenues</i>	<i>10,3%</i>	<i>8,3%</i>	<i>28,3%</i>	<i>8,2%</i>	

***Professional***

Euro Million	2007	2006	change 2007-2006	2007 <i>pro-forma</i>	change 2007 <i>pro-</i> <i>forma</i> – 2006
Net Revenues	406.2	317.7	88.4	353.6	35.9
<i>change %</i>			<i>27,8%</i>		<i>11,3%</i>
EBITDA before not recurring items	41,7	33,2	8,5	35,8	2,6
<i>margin % on revenues</i>	<i>10,3%</i>	<i>10,5%</i>		<i>10,1%</i>	



*Living innovation*

RECEIVED  
FEB 19 10 10:57  
FEB 19 2008

PRESS RELEASE

Treviso, January 21, 2008

**DE' LONGHI S.p.A.: PRELIMINARY 2007 REVENUES .**

The De' Longhi Group reports 2007 preliminary revenues growing by about 8.9%, thus reaching about € 1,484 million, vs. € 1,363 million of 2006. Revenues in the fourth quarter grow by about 5.1%, amounting to about € 467 million, vs. € 444,2 million of the same quarter of 2006.

\* \* \* \* \*

The De' Longhi Group reports 2007 preliminary revenues of about € 1,484 million, with a growth of 8.9% vs. the 2006 revenues (€ 1,363 million).

Such performance is obtained despite the general appreciation of Euro against all main foreign currencies (specifically US Dollar and Japanese Yen).

All continental Europe (except Italy) and Eastern Europe (Russia above all) are growing very well. In the remaining countries the growth is satisfactory, while USA and UK are slowing.

In the fourth quarter revenues amount to about € 467 million, thus growing by 5.1% against the € 444.2 million of the same period of 2006, thanks to the prevailing contribution of the Household division.

\* \* \* \* \*

**Declaration of the manager responsible for the company's accounts.**

The manager responsible for the preparation of the company's accounts, Stefano Biella, hereby declares, as per article 154 bis, paragraph 2, of the "Testo Unico della Finanza", that all information related to the company's accounts contained in this press release are fairly representing the accounts and the books of the company.



*Living innovation*

Contacts:

*for the press:*

Valentina Zanetti  
ph. +39 0422 413384

*for analysts and investors:*

Investor Relations, Fabrizio Micheli  
ph. +39 0422 413235

*on the web:*

[www.delonghi.com](http://www.delonghi.com)



RECEIVED

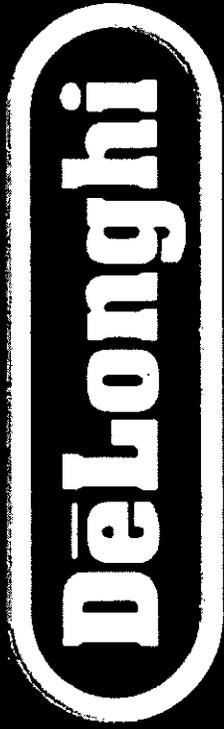
2008 MAR 19 A 10:57

**Calendar**  
**Board of Directors, Shareholders' meetings**  
**and presentations to financial analysts**  
**year 2008**

LIST OF INTERVALS  
 CORPORATE

<b>Date or time span</b>	<b>Object</b>
12-14 March 2008	Presentation of the financial statements closing at 31.12.07 Conference call with financial analysts.
22 April 2008	Ordinary shareholders' meeting for approval of the financial statements closing at 31.12.07.
12-14 May 2008	Approval of the Quarterly Report at 31.03.08 Conference call with financial analysts.
28-29 August 2008	Approval of the Half Year Report at 30.06.08 Conference call with financial analysts.
11-13 November 2008	Approval of the Quarterly Report at 30.09.08 Conference call with financial analysts.

File No. 82-34652



*Living innovation*

NOVEMBER 2007

7000 MAR 19

2 5 3 7

Investor Relations

# TABLE OF CONTENTS



File No. 82-34652

## at a Glance

-  **FY 2006 Results Highlights**
-  **The medium term targets**
-  **Strategic Developments**
-  **Recent events**

# THE GROUP AT A GLANCE



File No. 82-34652

## THE CORPORATE MISSION

To design, engineer,  
manufacture and market

High-end products  
and unique solutions

Comfort and wellness

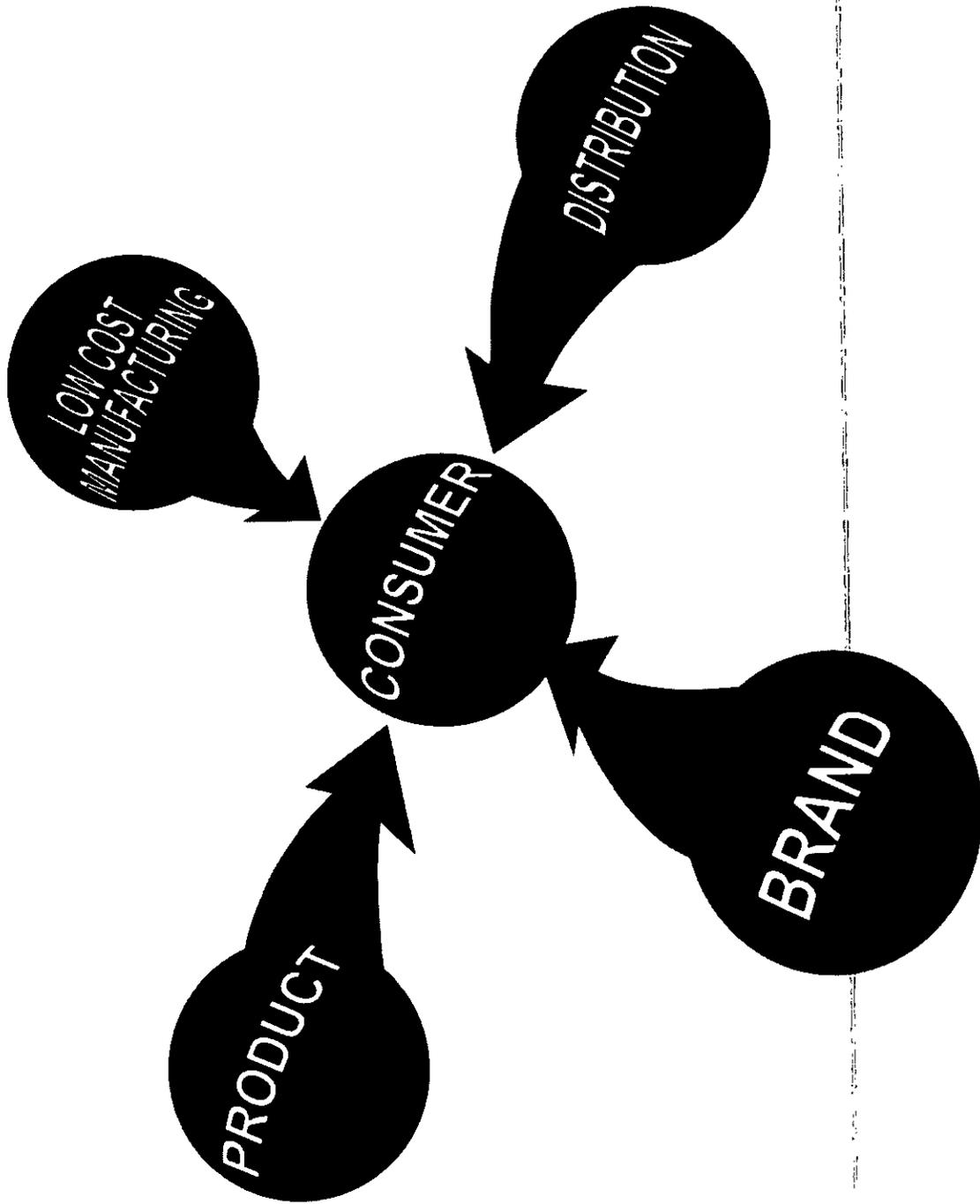
Home and business

# THE GROUP AT A GLANCE



File No. 82-34652

## THE BUSINESS MODEL

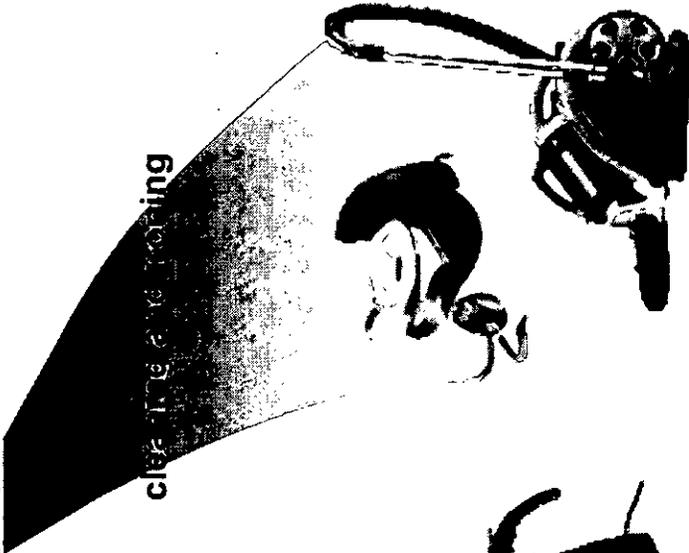
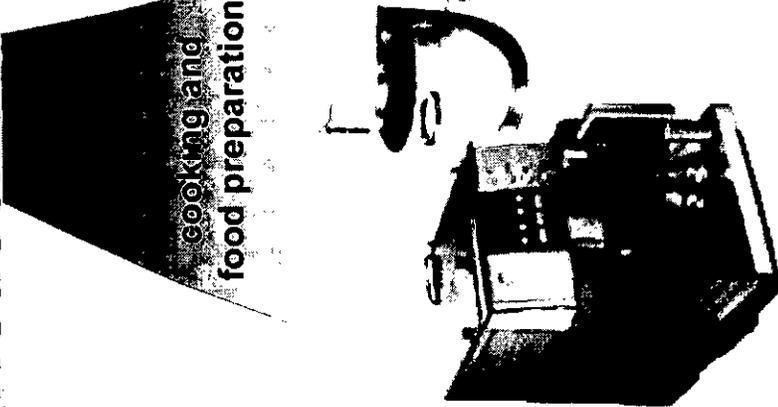
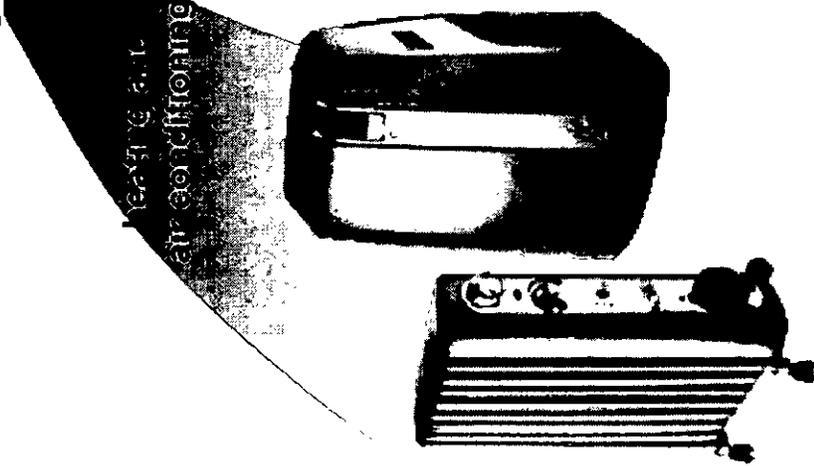


# THE GROUP AT A GLANCE



File No. 82-34652

## The Household Division



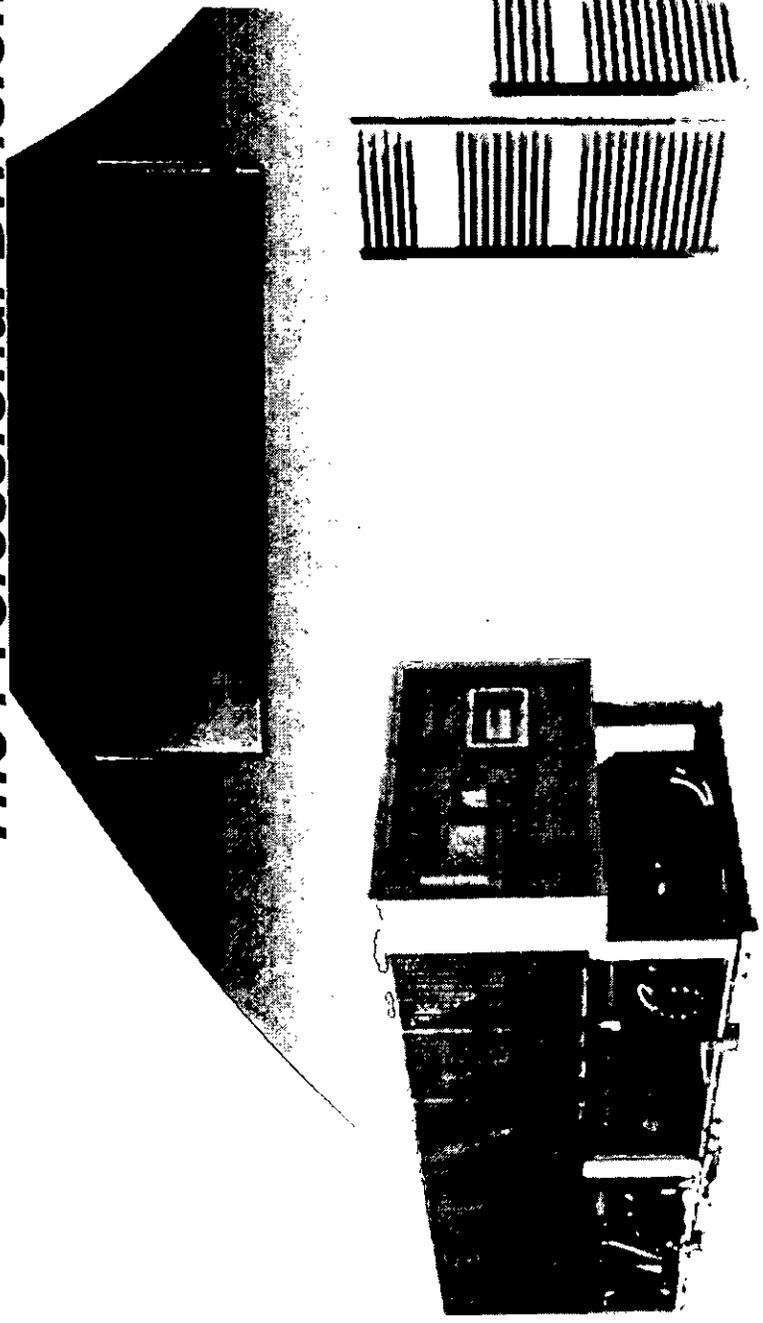
The Household Division comprises all the categories which are marketed through department stores, chains, wholesalers, department stores, OEM, and direct sales. The categories include heating and air conditioning, cooking and food preparation, cleaning and ironing, and small kitchen appliances, as well as cleaning and ironing products.

# THE GROUP AT A GLANCE



File No. 82-34652

## The Professional Division



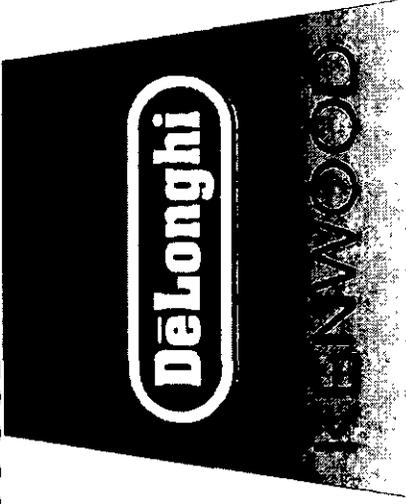
...includes the following categories: large thermo-cooling  
...water-filled radiators (DL Radiators) and the portion of fixed  
...through professional channels (installers, plumbing  
...technicians).

# BRAND PORTFOLIO



File No. 82-34652

## HOUSEHOLD DIVISION



**SIMAC**

**Ariete**

**ARIAGEL**

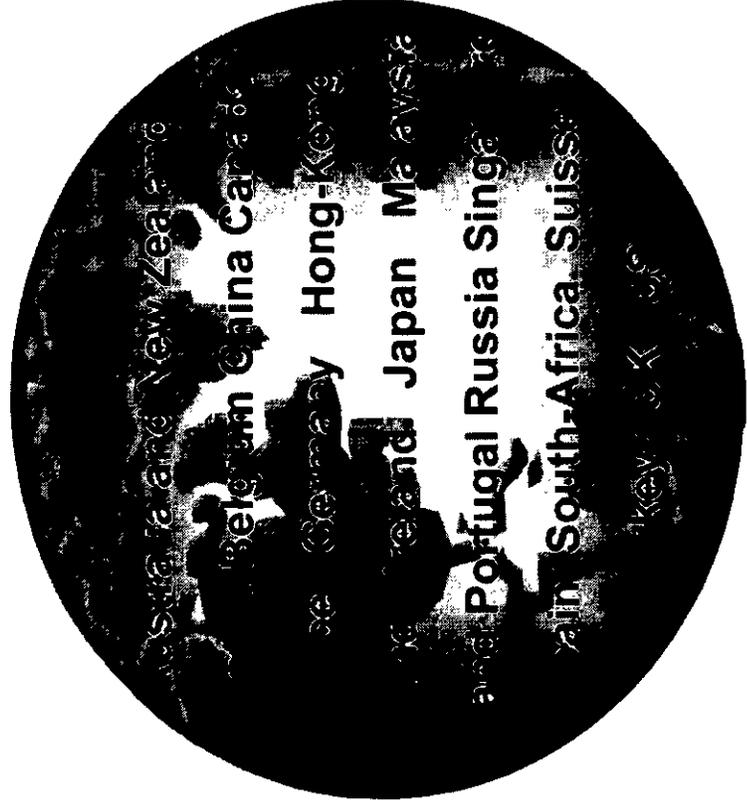
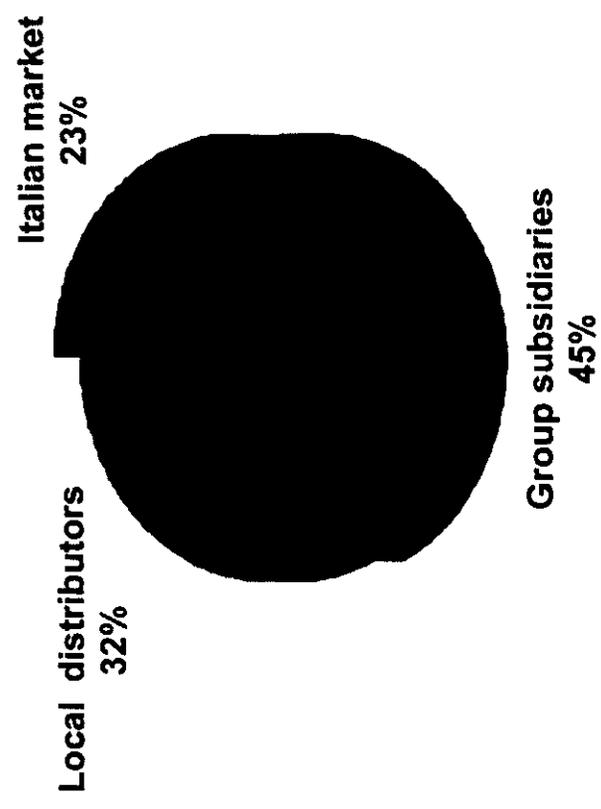
## PROFESSIONAL DIVISION



# TRULY INTERNATIONAL PRESENCE



File No. 82-34652



- 77% of Group sales come from international markets
- 68% of total sales go through Group's own subsidiaries

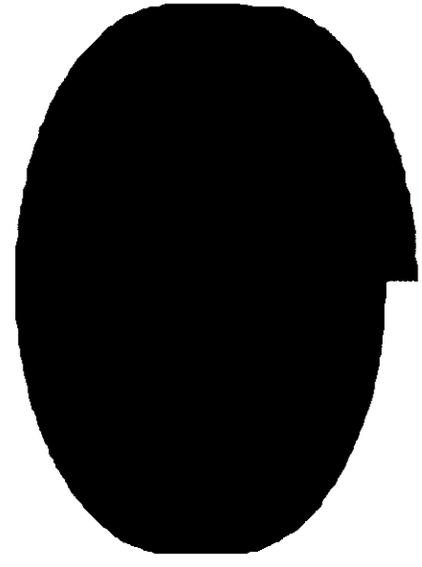


File No. 82-34652

# SALES BY AREA & DIVISION BREAKDOWN

## Sales FY 2006: € 1,363 mn

HOUSEHOLD  
77%



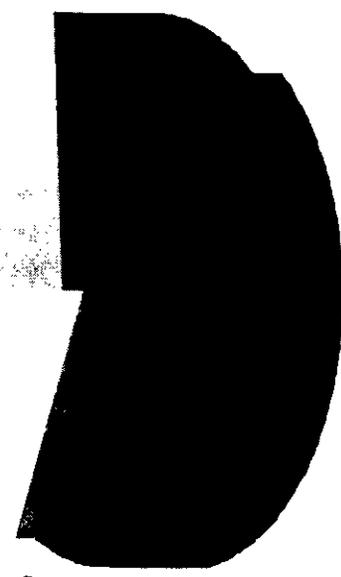
PROFESSIONAL  
23%

R.o.W.  
18%

Italy  
24%

UK  
11%

Northern  
America  
9%



Rest of Europe  
38%

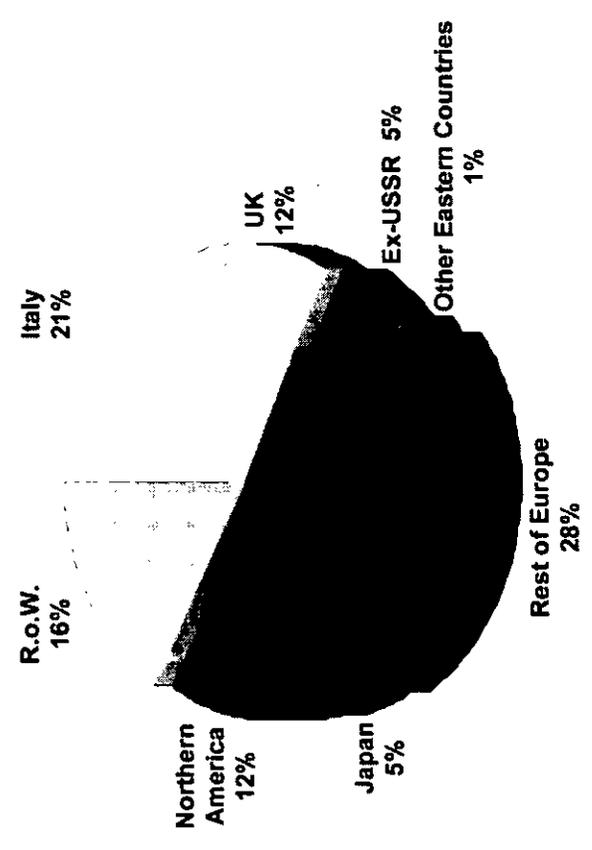
# SALES GEOGRAPHIC BREAKDOWN



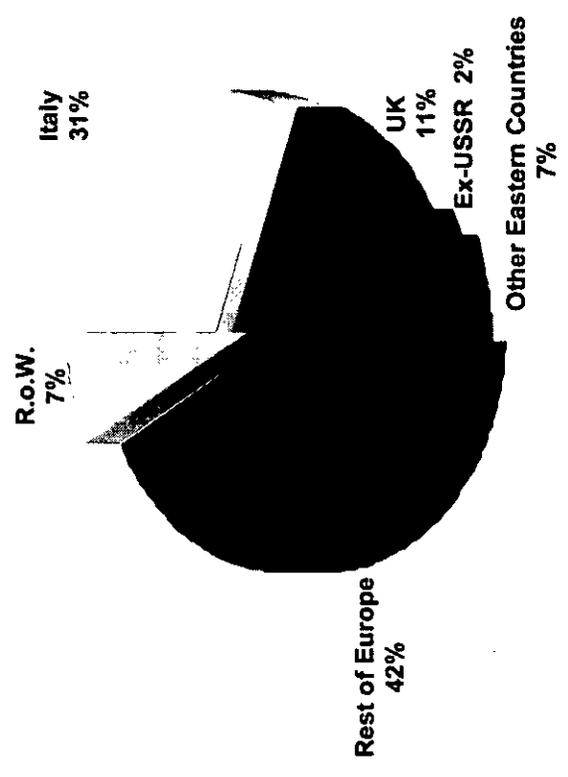
File No. 82-34652

## Sales FY 2006: € 1,363 mn

### HOUSEHOLD



### PROFESSIONAL



# SALES BREAKDOWN by PRODUCT FAMILY

**DeLonghi**

File No. 82-34652

**Sales FY 2006: € 1,363 mn**

## HOUSEHOLD

Other  
4%

Heating  
18%

Air cond. & treat.  
9%

coffee makers  
20%

Ironing & Cleaning  
9%

Cooking  
60%

## PROFESSIONAL

Heating  
34%

Air cond. & treat.  
66%

# TABLE OF CONTENTS



File No. 82-34652

 **The Group at a Glance**

 **Results Highlights**

 **The medium term targets**

 **Strategic Developments**

 **Recent events**

# KEY ECONOMIC AND FINANCIAL DATA



File No. 82-34652



## FY 2008 RESULTS IN LINE WITH EXPECTED GOALS

	EUR million		% Change
	FY 2006	FY 2005	
Sales	1,363	1,258	8,3%
Gross Profit	513	496	3,4%
% of sales	37,6%	39,4%	
EBITDA	126	105	19,6%
% of sales	9,2%	8,3%	
EBIT	85	67	26,9%
% of sales	6,2%	5,3%	
Net Profit	40	25	60,0%
% of sales	2,9%	2,0%	
EPS	0,27	0,17	60,0%
Net Working Capital	307	470	-34,7%
Net Working Capital <i>proforma</i>	307	357	-14,0%
% of sales	22,5%	28,4%	
Net Financial Position	-315	-511	-38,4%
Net Fin. Position <i>proforma</i>	-315	-399	-21,1%
Net Debt / Ebitda (x)	2,5	3,8	-34,2%
Net Debt / Equity (x)	0,51	0,68	-25,3%

## **STRONG IMPROVEMENT IN ALL KEY INDICATORS:**

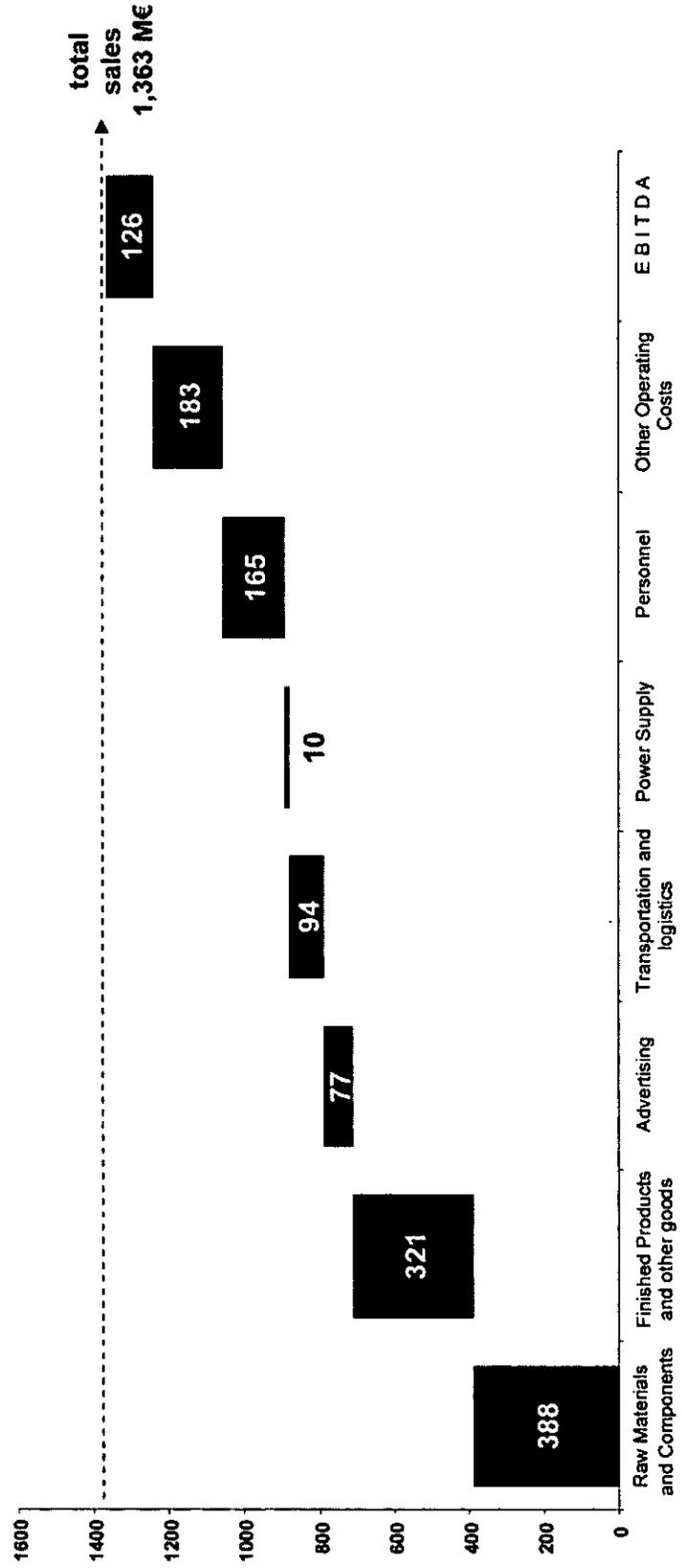
- ▣ Sales growth driven by positive trading performance of both divisions;
- ▣ EBITDA and EBIT margin improvement achieved despite highest raw materials costs;
- ▣ Net profit benefited also from gain on disposal of Elba Spa (€ 26.4 million);
- ▣ Net working capital reduction mainly due to inventories management and securitisation of trade receivables;
- ▣ Net financial position benefiting from operating cash flows, lower working capital and deconsolidation of Elba Spa.



File No. 82-34652

# KEY ECONOMIC AND FINANCIAL DATA

## Operating costs contribution to Ebitda 2006

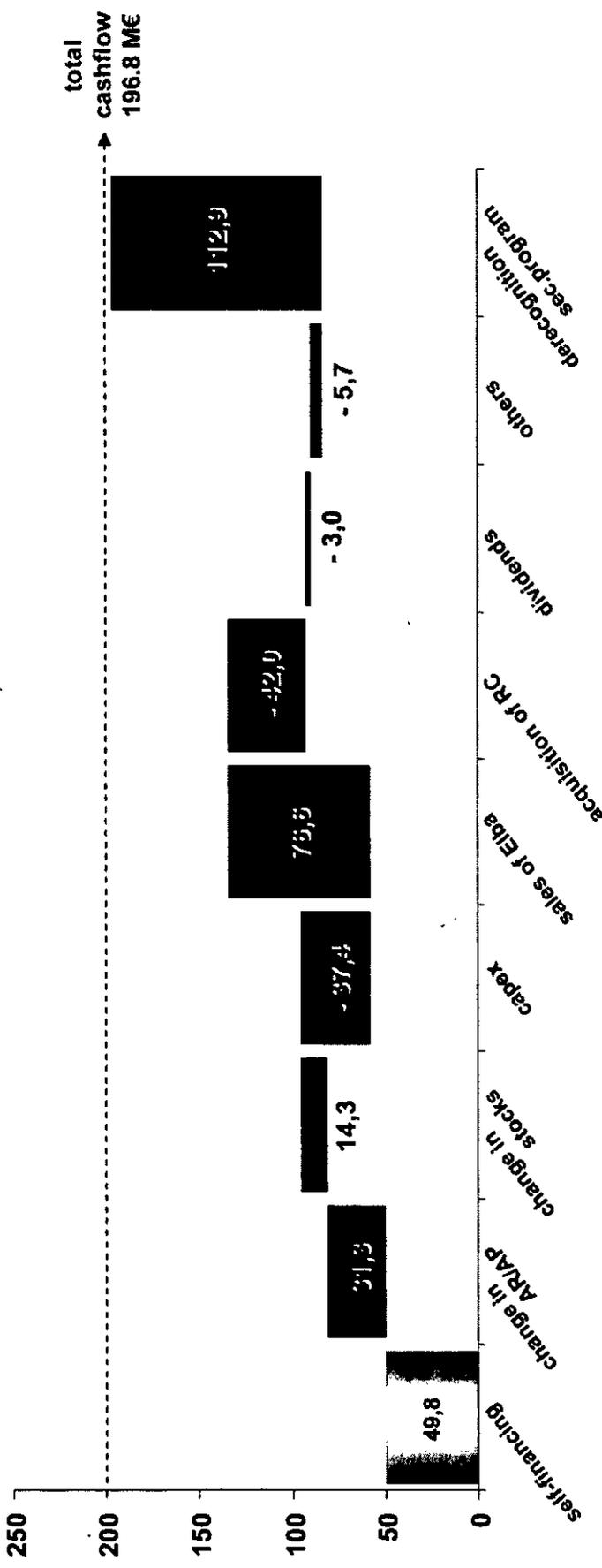




File No. 82-34652

# KEY ECONOMIC AND FINANCIAL DATA

## The 2006 cash flow performance



# THE HOUSEHOLD DIVISION



File No. 82-34652

	FY 2006	FY 2005	% Change	FY 2005 PRO-FORMA	% Change
EUR million					
Sales	1,072	997	7,5%	970	10,5%
EBITDA	92,2	79,5	16,0%	73,6	25,3%
% of sales	8,6%	8,0%		7,6%	

- Main contribution came from coffee makers, food prep, electric ovens and portable heaters;**
- Strong momentum for both De' Longhi and Kenwood brands in the high end market bracket;**
- strong margin improvement despite raw materials' trend (Ebitda + 1% vs. FY 2005 proforma);**
- Significant reduction of working capital.**

# THE PROFESSIONAL DIVISION



File No. 82-34652

	FY 2006	FY 2005	% Change	FY 2006 PRO-FORMA	% Change
EUR million					
Sales	318	271	17,3%	302	11,4%
EBITDA	33,3	25,4	31,1%	31,5	24,0%
% of sales	10,5%	9,4%		10,4%	

- 
**Strong performance of screw compressor thermo cooling machines and water heaters;**
- 
**synergies arising from RC Group acquisition partially achieved (only Q4);**
- 
**strong margin improvement despite raw materials' trend (Ebitda + 1.1% vs. FY 2005);**
- 
**significant initial developments in China and from increased production capacity in water radiators.**

# TABLE OF CONTENTS



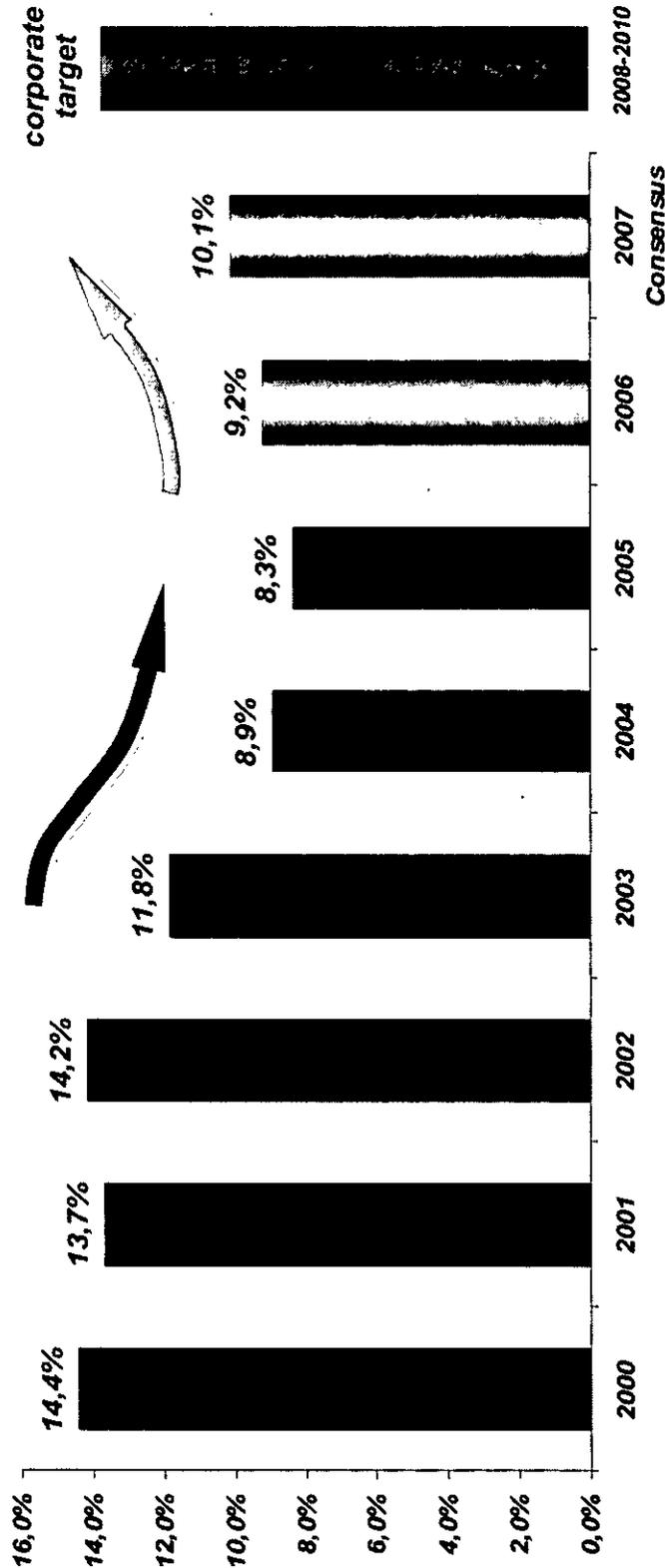
File No. 82-34652

-  **The Group at a Glance**
-  **FY 2006 Results Highlights**
-  **Short term targets**
-  **Strategic Developments**
-  **Recent events**

# EBITDA EROSION and RECOVERY



File No. 82-34652



> weak demand  
 > stable margins  
 > competition among consolidated players  
 > reliable Italian manufacturing platform

**Targets:**  
 > growth and new product

> prices competition  
 > margins compression  
 > Euro revaluation  
 > Far East aggression

**Targets:**  
 > preserving market shares  
 > delocalization and industrial cost

> raw materials concerns  
 > competitive industrial base  
 > The <brand-era> emerging markets are opportunities

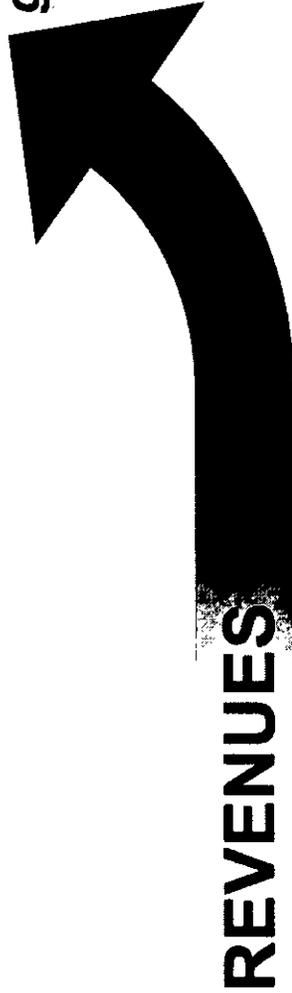
**Targets:**  
 > prices and margins growth

# NEW MEDIUM TERM TARGETS



File No. 82-34652

**+ 5 / 10 %  
growth per year**



**REVENUES**

**+ 100 / 200 bps.  
growth per year**



**EBITDA margin**

# NEW MEDIUM TERM TARGETS



File No. 82-34652

**EBITDA margin**  
**+ 100 / 200 bps.**  
**growth per year**

## CONCERNS:

- raw materials' prices escalation
- potential adverse developments in consumption dynamics in USA & UK

## OPPORTUNITIES:

- favourable markets diversification
- protection coming from high end product mix
- depreciation of US Dollar

- operational leverage

# TABLE OF CONTENTS



File No. 82-34652

-  **The Group at a Glance**
-  **FY 2006 Results Highlights**
-  **The medium term targets**
-  **Developments**
-  **Recent events**

# STRATEGIC DEVELOPMENTS



File No. 82-34652

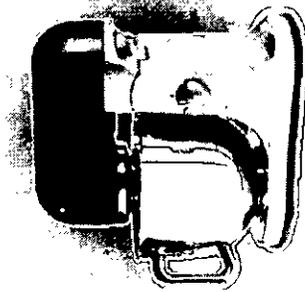
-  **New products development**
-  **Marketing alliances**
-  **Enlarging distribution network**
-  **Acquisitions on core business: RC Group**
-  **New industrial platforms in target markets**

# STRATEGIC DEVELOPMENTS

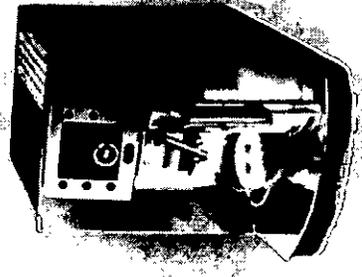


File No. 82-34652

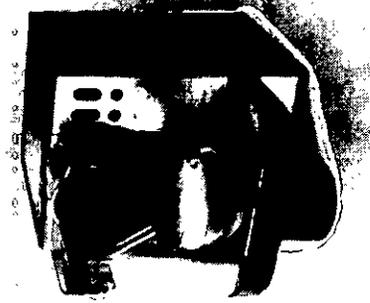
## New products development



**K - m i x :**  
the new food processors of Kenwood



**P e r f e c t a :**  
the new superautomatic  
coffee machine



**L a t t i s s i m a :**  
the new exclusive Nespresso  
coffee maker addressing the  
"milk option"



the new range of **t u b o l a r r a d i a t o r s**

# STRATEGIC DEVELOPMENTS



File No. 82-34652

In the years De'Longhi has been recognised as one of the most talented companies for Design. Here following some of the prizes that were rewarded to De'Longhi's Design Department in 2007:

"IF design award", Household section – Esclusivo Line



"Plus X Award 2007" Elektrobörse – Ironing System VX 2200



"Red Dot award 2007" Product design sect., Household - Esclusivo



reddot design award

Since 2006 Pinguino De'Longhi PAC 50 is displayed as part of the Collection of Italian Design, at the Triennale of Milan.



# STRATEGIC DEVELOPMENTS



File No. 82-34652

## Marketing alliances

partnership with Nestlé for Nespresso coffee makers;



entering the Starbucks distribution network;



commercial relationship with AEG;



venture with TCL for production and distribution of portable air conditioners and dehumidifiers in Far East.

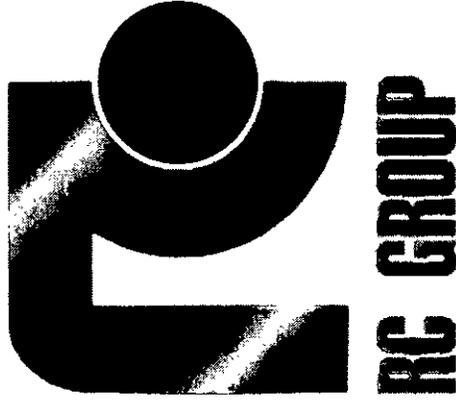


**PHILIPS** relationship with Philips for supplying coffee makers;

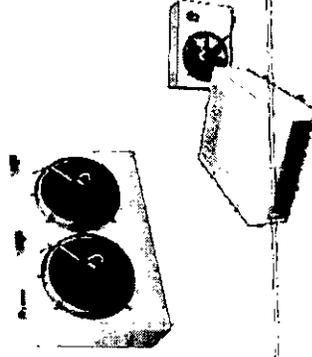
## *Enlarging distribution network*

- During 2006 the Group has opened new branches in China and Turkey;
- development of a distribution network in fast growing Russia and Germany/Austria;
- started new subsidiary Kenwood Swiss in 2007;
- new presence in Dubai, where a rep-office was opened.

## Acquisitions on core business: RC Group



- In October 2006 the Group acquired a 83.3% stake in RC Lux Sa, owner of RC Group Sa, a leading company in the manufacture and marketing of cooling systems for mobile communication stations, cooling systems for computer rooms and fixed telephony stations, liquid cooling units and heat pumps
- Equity Value of the transaction equal to € 31 million and Enterprise Value to € 39 million
- In the FY 2005 RC Group reported sales of € 51 million and EBITDA of € 5 million; for the current FY expected turnover of € 54 million and EBITDA of € 6 million,; net financial position of € 6 million
- Foothold in a strategic and fast growing business segment
- Significant industrial and commercial synergies expected with the existing Climaveneta business; opportunities to expand sales base in Europe and Asia (telephony)
- Transaction consistent with Group's willingness of focussing on small domestic appliance categories and professional businesses



# STRATEGIC DEVELOPMENTS



File No. 82-34652

## The new industrial platform – Household division

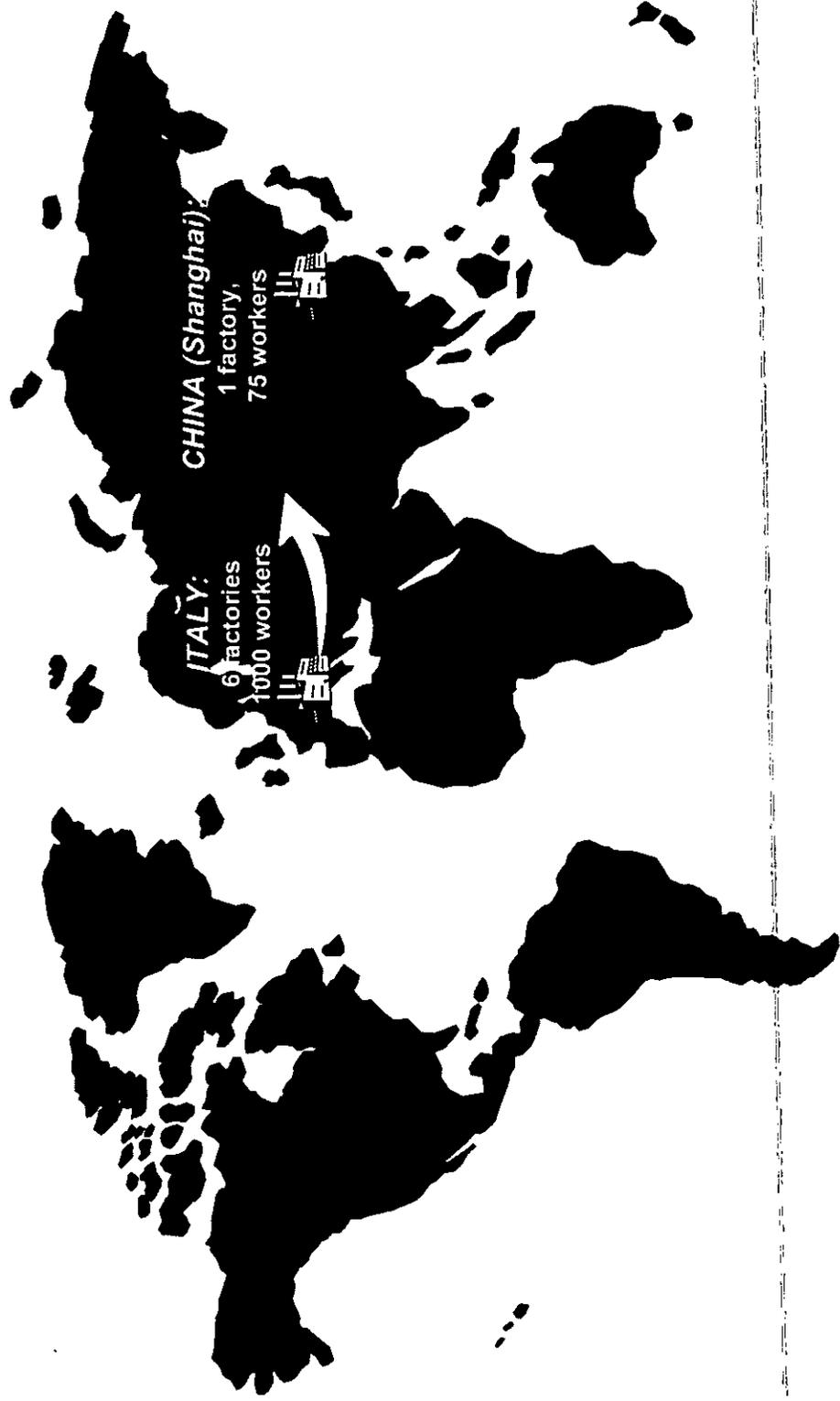


# STRATEGIC DEVELOPMENTS



File No. 82-34652

## *The new industrial platform – Professional division*





File No. 82-34652

# TABLE OF CONTENTS

-  **The Group at a Glance**
-  **FY 2006 Results Highlights**
-  **The medium term targets**
-  **Strategic Developments**

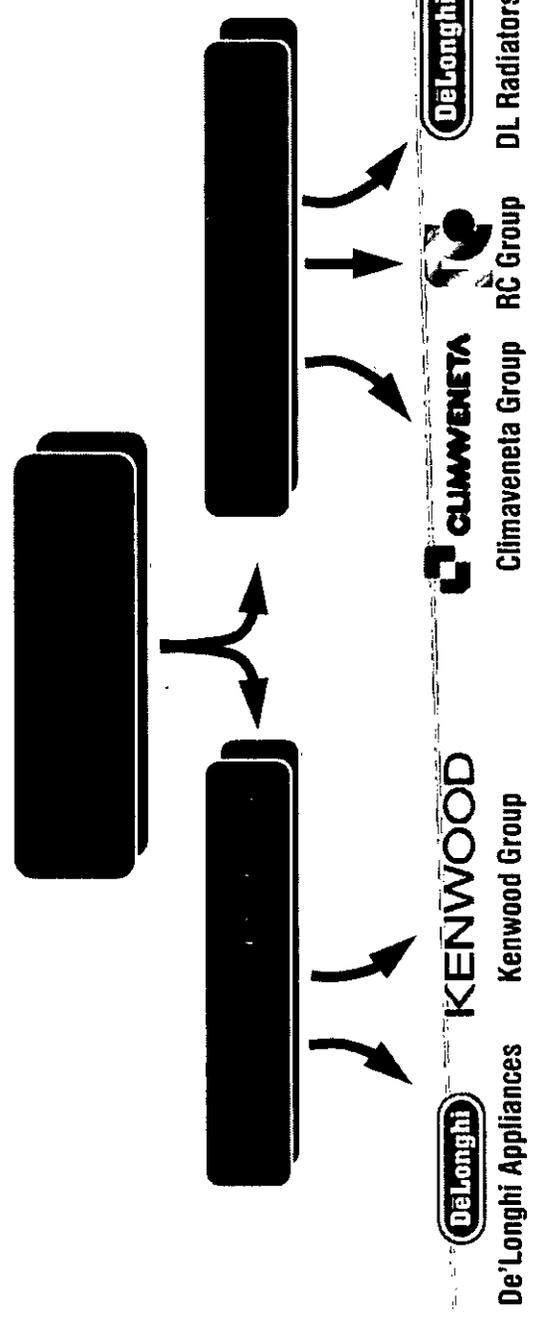


# RECENT EVENTS



File No. 82-34652

- On June 5 a reorganization plan was launched in order to create two industrial poles for Household and Professional businesses:
  - in line with the recent business development and management strategies;
  - major opportunity to focus on core business and increase value generation;
  - no change in the consolidation perimeter and in consolidated Net Equity, Net Financial Position and Ebitda.



## THE Q3 2007 PROVIDES STRONG CONFIDENCE FOR 2007 RESULTS

(EUR million)	<u>Q3-2007</u>	<u>Q3-2006</u>	<u>% change</u>
<b>Net Revenues</b>	381,0	342,6	
	45,5	124,4	17,0%
	38,7%	36,3%	
<b>Ebitda</b>	47,5	35,6	
before non-recurring items	12,5%	10,4%	
<b>Ebitda</b>	45,5	36,0	26,4%
after non-recurring items	11,9%	10,5%	

Over expected growth range targets, despite Euro appreciation

Boosting the overall profitability profile

Over 200 bps of improvement

# RECENT EVENTS



File No. 82-34652

## THE 9 M/2007 RESULTS CONFIRM FASTER TARGETS ACHIEVEMENT

(EUR million)	<u>9m-2007</u>	<u>9m-2006</u>	<u>% change</u>
<b>Net Revenues</b>	1.017,6	918,8	
	395,6	344,4	14,9%
	38,9%	37,5%	
<b>Ebitda</b>	105,0	74,7	
before non-recurring items			
% on revenues	10,3%	8,1%	
<b>Ebitda</b>	97,3	77,4	25,7%
after non-recurring items			
% on revenues	9,6%	8,4%	

Over expected growth range targets

Reversed previous years' decreasing trend despite raw materials' increasing prices

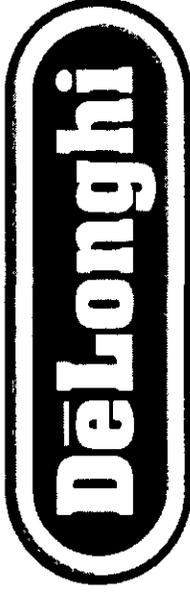
Accelerating path towards medium term Ebitda margin target

Showing top range improvement despite the fire extraordinary costs

# CONTACTS



File No. 82-34652



**Fabio de' Longhi**  
C.E.O.  
+39 0422 4131

**Fabrizio Micheli**  
*Finance Director and IRM*  
+39 0422 413235  
[investor.relations@delonghi.it](mailto:investor.relations@delonghi.it)

# De'Longhi

**EUROMOBILIARE**  
S.I.M. SpA

Italy – Electrical Appliances

**HOLD** (unchanged)

Risk: High

TARGET € 5.1 (prev € 5.0)

September 19, 2007

Price €: 4.46

Mibtel Index: 30,532 N° 286

**GOOD 1H07 RESULTS - BUT THE STOCK IS FAIRLY VALUED**

The 1H07 results of De'Longhi (DLG) were slightly higher than our estimates at operating level and lower in bottom-line terms. More specifically:

- **Revenues** = +10.5% (+8.8% organic) to € 636 mn (already known). Very strong performance from the Professional division (+40% YoY and +19% like for like). Performance good also in the Household division (+2.4% like for like but +7.2% pro-forma)
- **Adj. EBITDA** = +47.4% to € 57.5 mn – slightly better than our estimate of € 56.6 mn
- **Reported EBITDA** = € 51.8 mn, lower than our € 52.5-mn estimate due to higher non-recurring costs (€ 5.7 mn vs. € 4 mn) relating to the fire at the Treviso factory
- **Net profit** = € 3.5 mn vs. € 6.7 mn expected. The difference was almost entirely due to higher finance expense
- **Debt** = € -381 mn – worse than € -320 mn but partly explained by € 30 mn less use of no-recourse assignment of receivables.

Salient points of the De'Longhi conference call:

- **Sales growth of between 5% and 10% YoY is also expected in 2H07**
- **The positive FY2007 impact of USD depreciation is estimated to be around € 15 mn**
- Management does not see any particular price pressures in any major market
- Germany, Russia, and Austria are growing at particularly strong rates. In America and the UK DLG is seeing slight decline of demand – but is offsetting this with the launch of several new products (which are being well received by the market).

Following DLG's good 1H07 results, we have revised our 2007 estimates slightly upwards (sales now +2% to € 1.5 bn and EBITDA +4% to € 151 mn), mainly to reflect (a) better performance by the Professional division (we now estimate sales of € 390 mn vs. € 365 mn previously) and (b) the positive trend of the €/USD exchange rate (DLG has a bias on the cost side of around USD 200 mn).

We have also factored in USD depreciation from 2008 onwards, increasing EBITDA by 2% on average.

After incorporating the new estimates, our valuation increases by 2% to € 5.1 per share. We nevertheless confirm our neutral view because we believe that, at present multiples (2007-08E P/E multiple of around 16x and 13x respectively and 2008E FCF of around 6%), DLG stock is fairly valued.

**STOCK DATA**

Bloomberg Code	DLG IM
52-week range	€ 2.91 - 5.4
Daily Volumes	55,097

**CAPITALIZATION**

Market Cap.	667
2006 Net Financial Position	-432
Free Float	25%
Shares Outstanding (fully diluted)	150

**PRICE PERFORMANCE**

	1M	3M	12M
Absolute	-0.58	-13.42	52.46
Rel. to Mibtel Index	-4.40	-6.45	44.56

**FORECASTS/VALUATION**

	12/2006	12/2007E
EPS	26.6	27.2
ADJ. EPS	14.3	29.6
ADJ. P/E	32.2	15.1
EV/EBITDA	9.1	7.2

Dino Catena  
+39-02-6204.859  
d.catena@eurosim.it

IMPORTANT DISCLOSURES APPEAR AT THE BACK OF THIS REPORT

## 1H07 RESULTS

DLG's 1H07 results were slightly higher than our estimates at operating level and lower in bottom-line terms.

	1H RESULTS (€ mn)							
	1H06	margin	1H07 Exp.	margin	1H07 Act.	margin	YoY change	Diff. act./exp.
Sales	576.2	100.0	636.4	100.0	635.5	100.0	10.3%	-0.1%
Adj. EBITDA	39.0	6.8	56.5	8.9	57.5	9.0	47.4%	1.7%
Non-recurring items	2.4		-4.0		-5.7			
Reported EBITDA	41.4	7.2	52.5	8.3	51.8	8.2	25.1%	-1.4%
Depreciation & amortisation	-19.1		-19.8		-19.1		0.0%	-3.5%
EBIT	22.3		32.7		32.7		46.6%	-0.2%
Finance expense	-22.5		-19.9		-23.2		3.1%	16.6%
Non-recurring items	24.9				0.0			
Pre-tax profit	24.7		12.8		9.5		-61.5%	-26.1%
Taxes	-0.1		-6.0		-5.9			
Minorities	-0.2		-0.2		-0.1			
Net Profit	24.4	4.2	6.7	1.0	3.5	0.6	-85.7%	-47.5%
Net Financial Position adj.	-360.6		-380.0		-381.1			

Source: Company data & Euromobiliare SIM estimates

More specifically:

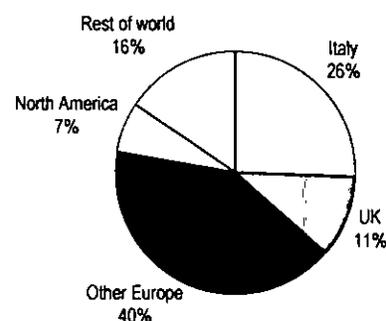
- **Revenues = +10.5% (+8.8% organic) to € 636 mn (already known).** Very strong performance came from the Professional division (+40% YoY and +19% like for like) thanks to large air conditioning systems. Performance was also good in the Household division (+2.4% like for like but +7.2% pro-forma), driven by the positive trend of coffee machines and portable air conditioners.

	SALES BREAKDOWN (€ mn)				
	1H06	1H07 Exp.	1H07 Act.	YoY change	Diff. act./exp.
Total sales	576.2	636.4	635.5	10.3%	-0.1%
Household	438.8	450.7	449.2	2.4%	-0.3%
Professional	145.0	185.7	203.5	40.3%	9.6%

Source: Company data & Euromobiliare SIM estimates

As regards geographical markets, we highlight growth in Europe (+16%, headed by Germany, Russia, and East European countries) and good performance in the North American (+5.4%) zone despite euro appreciation. Conversely, the Asian area was slightly down (-0.2%) due to a mild winter.

REVENUES BREAKDOWN – sales = € 636



Source: Company data

- **EBITDA before non-recurring items = € 57.5 mn (EBIT margin = 9%) vs. € 56.5 mn expected.** Breakdown by business segment was as shown below:

	EBITDA BREAKDOWN (€ mn)							
	1H06	margin	1H07 Exp.	margin	1H07 Act.	margin	YoY change	Diff. act./exp.
Total EBITDA	39.0	6.8	56.5	8.9	57.5	9.0	47.4%	1.7%
Household	22.8	5.2	32.4	7.2	32.7	7.3	43.4%	1.0%
Professional	16.2	11.2	24.2	13.0	24.8	12.2	53.1%	2.6%

Source: Company data & Euromobiliare SIM estimates

IMPORTANT DISCLOSURES APPEAR AT THE BACK OF THIS REPORT

EUROMOBILIARE  
S.I.M. s.p.a.

- **Non-recurring costs = € 5.7 mn vs. € 4.0 mn** and featured the following breakdown:
  1. € -5.3 mn = net costs relating to the Treviso factory fire (i.e. the difference between € 42.4 mn for all costs relating to the fire and insurance reimbursements of € 37.1 mn)
  2. € +2.8 mn = one-off income from new regulatory accounting treatment of post-employment benefit provision
  3. € -2.2 mn = other non-recurring costs
- **EBIT = € 37.2 mn, perfectly in line** – but we had estimated higher depreciation & amortisation (€ 19.7 mn vs. 19.1 mn)
- **Net profit = € 3.5 mn** (vs. € 24.4 mn in 1H06 which, however, included the € 24.9-mn capital gain on the sale of the Elba subsidiary) **vs. € 6.7 mn expected**. The difference is mainly explained by higher finance expense (there were also one-off costs of € 1.5 mn relating to the new programme for no-recourse assignment of receivables for the 2007-2010 period).
- **NFP = € -381 mn** – worse than our estimate of € -320 mn. This was partly due to € 30 mn less use of no-recourse assignment of receivables and in part to higher NWC than expected.

## 2007 OUTLOOK

The conference call with DLG manager produced some interesting pointers, i.e.

- **Sales growth of between 5% and 10% YoY is also expected in 2H07**
- **The positive FY2007 impact of USD depreciation is estimated to be around € 15 mn**
- Management does not see any particular price pressures in any major market
- Germany, Russia, and Austria are growing at particularly strong rates. In America and the UK DLG is seeing slight decline of demand – but is offsetting this with the launch of several new products (which are being well received by the market).

## ESTIMATES AND VALUATION

Following DLG's good 1H07 results, we have revised our 2007 estimates slightly upwards (sales now +2% to € 1.5 bn and EBITDA +4% to € 151 mn), mainly to reflect (a) better performance by the Professional division (we now estimate sales of € 390 mn vs. € 365 mn previously) and (b) the positive trend of the €/USD exchange rate (DLG has a bias on the cost side of around USD 200 mn).

We have also factored in USD depreciation from 2008 onwards, increasing EBITDA by 2% on average.

2007-2009 ESTIMATES										
	2005	%	2006	%	2007E	%	2008E	%	2009E	%
Revenues	1,233.6	100	1,363.0	100	1,500.4	100	1,565.6	100	1,620.0	100
Change%	-2%		10%		10%		4%		3%	
Adj EBITDA	97.4	7.9	122.8	9.0	157.0	10.5	166.5	10.6	177.1	10.9
Non Recurring Items	-12.4		2.8		-5.7		0.0		0.0	
EBITDA	85.0	6.9	125.6	9.2	151.3	10.1	166.5	10.6	177.1	10.9
Change%	-28%		48%		21%		10%		6%	
EBIT	67.5	5.5	85.0	6.2	110.7	7.4	125.1	8.0	134.9	8.3
Change%	-13%		26%		30%		13%		8%	
Financial revenues (charges)	-40.0		-56.4		-34.4		-33.3		-32.6	
Pre Tax Profit	27.5	2.2	61.4	4.5	66.7	4.4	82.0	5.2	92.3	5.7
Change%	-19%		123%		9%		23%		13%	
Taxes	-2.6		-20.9		-25.4		-31.2		-35.1	
Minorities	-0.1		-0.7		-0.7		-0.7		-0.8	
Net Profit	24.8	2.0	39.8	2.9	40.7	2.7	50.1	3.2	56.5	3.5
Change%	-30%		61%		2%		23%		13%	
adj NFP	-511.4		-431.6		-422.4		-396.4		-362.9	

Source: Company data & Euromobiliare SIM estimates

After incorporating the new estimates, our valuation increases by 2% to € 5.1 per share. We nevertheless confirm our neutral view because we believe that, at present multiples (2007-08E P/E multiple of around 16x and 13x respectively and 2008E FCF of around 6%), DLG stock is fairly valued.

**SENSITIVITY OF OUR DCF VALUATION**

		SENSITIVITY ANALYSIS				
		Perpetual growth				
		0.50%	1.00%	1.50%	2.00%	2.50%
WACC	7.60%	4.6	5.1	5.6	6.2	6.9
	7.80%	4.4	4.8	5.3	5.9	6.6
	8.00%	4.2	4.6	5.1	5.6	6.2
	8.20%	4.0	4.4	4.8	5.3	5.9
	8.40%	3.9	4.2	4.6	5.1	5.6

Source: Euromobiliare SIM estimates

**STATEMENT OF RISK**

The primary factors that could adversely affect our view of DLG are the following:

- Deterioration of European market
- Increase in raw material costs
- More pressure from competitors

The primary factors that could positively affect our view of DLG are the following:

- Decrease in raw material costs
- Less pressure from competitors
- Further devaluation of USD vs. EUR.

MAIN FIGURES (€ mn)										
	2005	%	2006	%	2007E	%	2008E	%	2009E	%
Sales	1,234	100	1,363	100	1,500	100	1,586	100	1,620	100
Change	-2%		10%		10%		4%		3%	
EBITDA	85	6.9	128	9.2	151	10.1	166	10.6	177	10.9
Change	-28%		48%		21%		10%		6%	
EBITDA adj	97	7.9	123	9.01	157	10.5	166	10.6	177	10.9
Change	-13%		26%		30%		13%		8%	
EBIT	67	5.5	85	6.2	111	7.4	123	8.0	135	8.3
Change	-16%		26%		30%		13%		8%	
Pre Tax Inc.	27	2.2	61	4.5	67	4.4	82	5.2	92	5.7
Change	-19%		123%		9%		23%		13%	
Net Income	25	2.0	40	2.9	41	2.7	50	3.2	56	3.5
Change	-30%		61%		2%		23%		13%	
Free cash flow	-44	-3.6	249	18.3	18	1.2	36	2.3	46	2.8
Change	-265%		nm		-93%		100%		25%	

FINANCIAL FIGURES					
	2005	2006	2007E	2008E	2009E
Cap. Exp.	61	40	44	40	41
NWC	504	345	379	396	410
Net Fin. Pos.	-511	-432	-422	-396	-363
D/E	0.7	0.5	0.4	0.4	0.3
Cap. employed	1,183	1,122	1,144	1,157	1,168
ROCE	5%	5%	6%	7%	7%

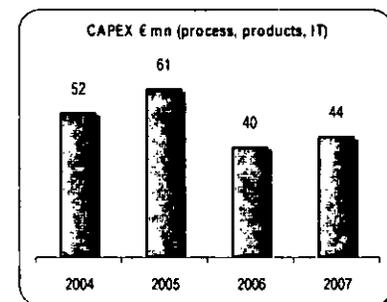
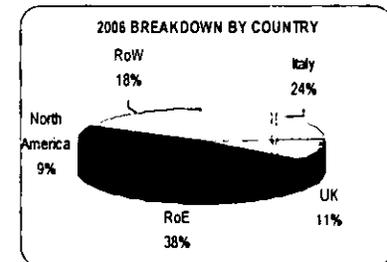
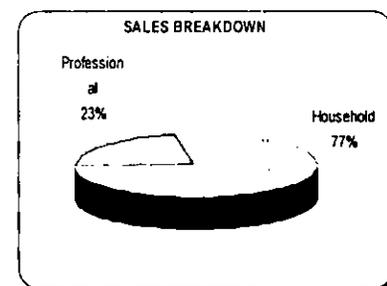
PER SHARE DATA (€ cent)					
	2005	2006	2007E	2008E	2009E
Eps	16.6	26.6	27.2	33.5	37.8
Change	-24%	61%	2%	23%	13%
Eps Adj.	15.4	14.3	29.6	33.5	37.8
Change	7%	-7%	107%	13%	13%
Dividend ord.	0.02	0.06	0.07	0.08	0.09

MARKET RATIOS					
	2005	2006	2007E	2008E	2009E
PE	17.5	17.3	16.4	13.3	11.8
PE Adj.	18.8	32.2	15.1	13.3	11.8
PBV	0.74	1.11	1.03	0.97	0.91
Yield ord.	0.7%	1.3%	1.6%	1.8%	2.0%
FCF yield	-10.2%	36.2%	2.7%	5.5%	6.8%

EV FIGURES					
	2005	2006	2007E	2008E	2009E
EV/Sales	0.7	0.7	0.6	0.6	0.6
EV/EBITDA	9.8	8.0	6.4	5.7	5.1
EV/EBITDA Adj	9.7	9.1	7.2	6.4	5.8
EV/EBIT	12.3	11.8	8.8	7.5	6.7
EV/CE	0.7	0.9	0.8	0.8	0.8

Source: Euromobiliare SIM estimates and company data

COMPANY VALUATION	
NPV of FCF	229
Perpetuity	965
EV	1,194
NFP	-432
Equity	763
nr shares	150
per share	5.1
WACC	8.0%
EV/EBITDA perpetuity	6.6



**INFORMATION PURSUANT TO ARTICLE 69 ET SEQ. OF  
CONSOB (Italian securities & exchange commission) REGULATION no. 11971/1999**

This publication has been prepared by Dino Catena on behalf of Euromobiliare SIM SpA (licensed to practice by CONSOB resolution no. 11761 of December 22nd 1998 and registered as no. 67 in the Italian central register of investment service companies and financial intermediaries)

In the past Euromobiliare SIM has published studies on De Longhi.

Euromobiliare SIM is distributing this publication via e-mail to some 700 qualified operators today: Wednesday, 19 September 2007

The prices of the financial instruments shown in the report are the reference prices posted on the day before publication of the same.

Euromobiliare SIM intends to provide continuous coverage of the financial instrument forming the subject of the present publication, with a semi-annual frequency and, in any case, with a frequency consistent with the timing of the issuer's periodical financial reporting and of any exceptional event occurring in the issuer's sphere of activity.

The information contained in this publication is based on sources believed to be reliable. Although Euromobiliare SIM makes every reasonable endeavour to obtain information from sources that it deems to be reliable, it accepts no responsibility or liability as to the completeness, accuracy or exactitude of such information. If there are doubts in this respect, Euromobiliare SIM clearly highlights this circumstance. The most important sources of information used are the issuer's public corporate documentation (such as, for example, annual and interim reports, press releases, and presentations) besides information made available by financial service companies (such as, for example, Bloomberg and Reuters) and domestic and international business publications. It is Euromobiliare SIM's practice to submit a pre-publication draft of its reports for review to the Investor Relations Department of the issuer forming the subject of the report, solely for the purpose of correcting any inadvertent material inaccuracies. This note has not been submitted to the issuer.

Euromobiliare SIM has adopted internal procedures able to assure the independence of its financial analysts and that establish appropriate rules of conduct for them.

Furthermore, it is pointed out that Euromobiliare SIM SpA is an intermediary licensed to provide all investment services as per Italian Legislative Decree no. 58/1998. Given this, Euromobiliare SIM might hold positions in and execute transactions concerning the financial instruments covered by the present publication, or could provide, or wish to provide, investment and/or related services to the issuers of the financial instruments covered by this publication. Consequently, it might have a potential conflict of interest concerning the issuers, financial issuers and transactions forming the subject of the present publication.

In addition, it is also pointed out that, within the constraints of current internal procedures, Euromobiliare SIM's directors, employees and/or outside professionals might hold long or short positions in the financial instruments covered by this publication and buy or sell them at any time, both on their own account and that of third parties.

The remuneration of the financial analysts who have produced the publication is not directly linked to corporate finance transactions undertaken by Euromobiliare SIM or by the Credem Group.

The recommendations to BUY, HOLD and REDUCE are based on Expected Total Return (ETR - expected absolute performance in the next 12 months inclusive of the dividend paid out by the stock's issuer) and on the degree of risk associated with the stock, as per the matrix shown in the table. The level of risk is based on the stock's liquidity and volatility and on the analyst's opinion of the business model of the company being analysed. Due to fluctuations of the stock, the ETR might temporarily fall outside the ranges shown in the table.

**EXPECTED TOTAL RETURN FOR THE VARIOUS CATEGORIES OF RECOMMENDATION AND RISK PROFILE**

<i>Recommendation/Rating</i>	<i>Low Risk</i>	<i>Medium Risk</i>	<i>High Risk</i>
BUY	ETR >= 7.5%	ETR >= 10%	ETR >= 15%
HOLD	-5% <ETR< 7.5%	-5% <ETR< 10%	0% <ETR< 15%
REDUCE	ETR <= -5%	ETR <= -5%	ETR <= 0%

The methods preferred by Euromobiliare SIM to evaluate and set a value on the stocks forming the subject of the publication, and therefore the Expected Total Return in 12 months, are those most commonly used in market practice, i.e. multiples comparison (comparison with market ratios, e.g. P/E, EV/EBITDA, and others, expressed by stocks belonging to the same or similar sectors), or classical financial methods such as discounted cash flow (DCF) models, or others based on similar concepts. For financial stocks, Euromobiliare SIM also uses valuation methods based on comparison of ROE (ROEV - return on embedded value - in the case of insurance companies), cost of capital and P/BV (P/EV - ratio of price to embedded value - in the case of insurance companies).

**MOST RECENT RECOMMENDATIONS:**

<i>Date</i>	<i>Rec.</i>	<i>Comment</i>
14 September 2007	HOLD (Good Morning)	

**DISCLAIMER**

The purpose of this publication is merely to provide information that is up to date and as accurate as possible. The publication does not represent to be, nor can it be construed as being, an offer or solicitation to buy, subscribe or sell financial products or instruments, or to execute any operation whatsoever concerning such products or instruments.

**Euromobiliare SIM does not guarantee any specific result as regards the information contained in the present publication, and accepts no responsibility or liability for the outcome of the transactions recommended therein or for the results produced by such transactions. Each and every investment/divestiture decision is the sole responsibility of the party receiving the advice and recommendations, who is free to decide whether or not to implement them. Therefore, Euromobiliare SIM and/or the author of the present publication cannot in any way be held liable for any losses, damage or lower earnings that the party using the publication might suffer following execution of transactions on the basis of the information and/or recommendations contained therein.**

The estimates and opinions expressed in the publication may be subject to change without notice.

**EQUITY RATING DISPERSION**

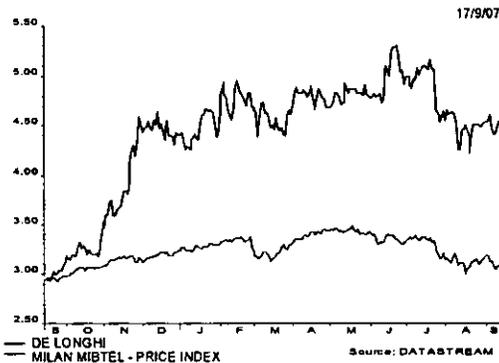
	<i>COMPANIES COVERED</i>	<i>COMPANIES COVERED WITH BANKING RELATIONSHIP</i>
BUY	49.7%	44%
HOLD	43.0%	56%
REDUCE	7.3%	0%
NOT RATED	0%	0%



distributes this report issued by INTESA SANPAOLO

**1H07 Results &  
Earnings Revision****DE LONGHI****HOLD**

Market price (ord): EUR 4.508



Company Key Data	2006A	2007E	2008E	2009E
Revenues (EUR M)	1,363.0	1,513.5	1,604.3	1,700.6
EBITDA (EUR M)	125.6	152.6	178.6	199.9
EBIT (EUR M)	85.0	108.7	130.4	148.9
Net Income (EUR M)	39.7	41.1	57.6	72.6
Dividend Ord. (EUR)	0.02	0.07	0.11	0.14
EPS adj (EUR)	0.07	0.31	0.39	0.49
EV/EBITDA (x)	7.9 (*)	6.4 (*)	5.3 (*)	4.5 (*)
P/E adj (x)	61.7	14.4	11.7	9.3

Note (\*): Excluding a securitisation for EUR 112M. A: actual, data taken from 2006 financial statements and Intesa Sanpaolo Equity Research calculations E: expected, Intesa Sanpaolo Equity Research estimates

See Pages 4 and 5 for Analyst Certification and Full Disclosures

Company Data	Ords
N. of Shares (M):	150
Market Price (EUR):	4.51
Target Price (EUR):	5.00
Target Upside:	11%
Previous Target (EUR):	4.8

Market Data	
Market Cap (EUR M)	673.9
Free Float (%)	22.8
12 m Hi/Lo (EUR)	5.3/2.9375
Average Volumes ('000)	37.7

Other Info	
Sector	Durable Goods
Reuters Code	DLG.MI
Bloomberg Code	DLG IM
Mibtel Index	30,397

Performance (%)	Abs	Rel
1 month	1.6	2.3
3 months	-11.4	-2.8
12 months	54.0	49.4

17 September 2007

Equity Analyst:

Luca Bacoccoli +39 02 8021 5026  
luca.bacoccoli@intesaspaolo.com

## A Rosy Scenario Ahead

• **1H07 results: Better than expected excluding extraordinary items:** EBITDA and EBIT post non-recurring items were almost in line with our estimates, showing a good progression vs. 1H06 both in absolute terms as well as a percentage of sales (see tables N° 1 - 2). Sales already disclosed at the end of July were confirmed at EUR 636M, implying a healthy 10.5% growth vs. 1H06. However, 1H07 was penalised by EUR 5.7M of extraordinary items related to the fire that occurred a few months ago. Restating 1H07 for this item, which was not included in our estimates, EBITDA would have been EUR 57.5M (9% of sales) vs. EUR 39M in 1H06 (6.8% of sales), and around 11% better than expected. Net debt climbed to EUR 381.1M from EUR 314.6M for FY06 and EUR 360.6M due to NWC cash absorption (EUR 34M) and higher capex (+EUR 11M vs. 1H06).

• **Conference call & estimates: Positive Outlook reiterated, 2007 EPS raised 10.6%.** During the conference call, the CEO of De Longhi gave a rather bullish scenario for 2H07 turnover, which is expected to grow by around 5-10% as both the Household and Professional divisions are performing well and visibility on 3Q07 is very good. We feel that growth should be close to the high end of the range. The CEO is quite confident about the consumer spending trends in the U.S. and the U.K. A possible slowdown in these markets could be offset by new products that are in the pipeline and also to a better penetration in some promising new countries (ie, Russia). Despite still very high raw material prices, the dollar depreciation will keep offsetting input cost inflation, while in 2H07 there should not be any extraordinary items other than the EUR 5.7M booked in 1H07 related to the fire. We revised upwards our 2007 top-line forecast to EUR 1.5Bn (+4.5% vs. previous estimates), implying an 11% growth yoy and EBITDA rising from EUR 144M to EUR 158M pre-extraordinary items. 2007 net profit climbed from EUR 37M to EUR 41.1M (EUR 46.8M adjusted). We also raised 2008-09 EBITDA by 12% and 13% respectively.

• **Valuation.** Running a DCF model with these new assumptions and with a higher WACC (8%), due to a higher risk free (from 4.0% to 4.8%), our fair value increases from EUR 4.8 per share to EUR 5.0 per share. Although newsflow continues to be good and the company momentum is improving faster than expected, current market prices are already discounting this rosy scenario as mirrored by EV/EBITDA 07-08E at 7.2x and 5.9x (see table 1, page 2 of our report of 14 May 2007 for explanation of securitisation) respectively vs. 7.1x and 6.8x of Seb, its main peer and competitor (Source:JCF). **HOLD.**

• **Key risks.** On the upside, the main risk is an earlier-than-expected completion of the successful turnaround, while on the downside the main risks are a strong drop of consumer spending in some key markets and a further increase in raw materials prices.

Banca Caboto S.p.A.

Piazzetta Giordano Dell'Amore 3, 20121 Milano Telephone +39 02 80211 E-mail: info@caboto.it www.caboto.it

Share capital €482,464,000 ABI Code 3249.0 Company Register number, Tax Code, and VAT Code 04377700150 Bank Register enrollment number 5570 Company under the management and coordination of Intesa Sanpaolo S.p.A. and part of the Intesa Sanpaolo Group, enrolled in the Banking Group Register, member of the Interbank Deposit Protection Fund and the National Guarantee Fund.

## 1H07 Results

Table 1: De Longhi – 2Q07 results

EUR M	2Q06A	2Q07A	2Q07E	2Q07A vs. 2Q06A	2Q07A vs. 2Q07E	Comments
Revenue	300.0	345.3	344.8	15.1%	0.1%	LFL growth: ca+10%. Strong air conditioning season
Gross margin	116.5	138.8	NA	19.1%		140bps due to sales mix and price increase
<i>on sales</i>	38.8%	40.2%				
EBITDA pre non recurring items	24.1	33.9	28.6	40.7%	18.5%	EBITDA margin +190bps due to higher gross margin and efficiency
<i>on sales</i>	8.0%	9.8%	8.3%			
EBITDA post non recurring	21.9	28.7	28.6	31.1%	0.3%	Negative impact of EUR 5.7M of extr. items
<i>on sales</i>	7.3%	8.3%	8.3%			
EBIT post non recurring	12.6	19.3	17.6	53.2%	9.6%	
<i>on sales</i>	4.2%	5.6%	5.1%			
PBT	24.2	7.1	6.0	-70.7%	18.0%	Capital gain of EUR 26.4M from Elba disposal in 2006

A: Actual, data taken from 2Q06 and 2Q07 reports, and Intesa Sanpaolo Equity Research calculations E: Expected, Intesa Sanpaolo Equity Research estimates NA: Not Available

Table 2: De Longhi - 1H07 results

EUR M	1H06A	1H07A	1H07E	1H07A vs. 1H06A	1H07A vs. 1H07E
Revenue	576.2	636.5	636.0	10.5%	0%
Gross margin	219.9	250.1	NA	13.7%	
<i>on sales</i>	38.2%	39.3%			
EBITDA pre non recurring items	43.8	57.5	51.7	31.3%	
<i>on sales</i>	7.6%	9.0%	8.1%		
EBITDA post non recurring	41.4	51.8	51.7	25.1%	0%
<i>on sales</i>	7.2%	8.1%	8.1%		
EBIT post non recurring	22.3	32.7	31.0	46.6%	5%
<i>on sales</i>	3.9%	5.1%	4.9%		
PBT	24.7	9.6	8.5	-61.1%	13%

A: Actual, data taken from 1H06 and 1H07 reports, and Intesa Sanpaolo Equity Research calculations E: Expected, Intesa Sanpaolo Equity Research estimates

17 September 2007

De Longhi SpA

**DE LONGHI**

17 Sep 2007

Sector:	Durable Goods		Mkt Price (EUR)	Target (EUR)	Rating	
Datatype:	Industrial		Ordinary	4.5	5.0	HOLD
REUTERS CODE	DLG.MI					
<b>Values per Share (EUR)</b>	<b>2004</b>	<b>2005</b>	<b>2006A</b>	<b>2007E</b>	<b>2008E</b>	<b>2009E</b>
No. Ordinary Shares (M)	150	149.5	149.5	149.5	149.5	149.5
No. NC Saving/Preferred Shares (M)	-	-	-	-	-	-
Total No. of Equivalent Shares (M)	150	149.5	149.5	149.5	149.5	149.5
EPS Adjusted	0.23	0.24	0.07	0.31	0.39	0.49
CFPS	0.52	0.42	0.54	0.57	0.71	0.83
BVPS	3.75	3.92	4.15	4.41	4.72	5.10
Dividend Ord	0.060	0.06	0.02	0.07	0.11	0.14
Dividend SAV Nc	-	-	40.600	43.892	-	-
<b>Income Statement (EUR M)</b>	<b>2004</b>	<b>2005</b>	<b>2006A</b>	<b>2007E</b>	<b>2008E</b>	<b>2009E</b>
Sales	1,287.0	1,257.7	1,363.0	1,513.5	1,604.3	1,700.6
EBITDA	137.2	105.0	125.6	152.6	178.6	199.9
EBIT	74.0	67.5	85.0	108.7	130.4	148.9
Pre-tax Income	19.7	27.4	61.3	69.8	93.1	114.4
Net Income	14.9	24.7	39.7	41.1	57.6	72.6
Adj. Net Income	33.8	35.9	10.9	46.8	57.6	72.6
<b>Cash Flow (EUR M)</b>	<b>2004</b>	<b>2005</b>	<b>2006A</b>	<b>2007E</b>	<b>2008E</b>	<b>2009E</b>
Net Income before Minorities	15.1	24.8	40.4	41.2	58.6	72.9
Depreciation and Provisions	63.2	37.5	40.6	43.9	48.1	51.0
Change in Working Capital	(83.4)	(35.8)	203.0	(36.9)	(29.4)	(20.1)
Operating Cash Flow	(5.1)	26.5	284.0	48.3	77.3	103.8
Capital Expenditure	(50.7)	(60.8)	(69.5)	(37.8)	(40.1)	(42.5)
Other (uses of Funds)	(1.5)	(10.0)	(14.0)	4.5	4.8	5.0
<b>Free Cash Flow</b>	<b>(57.3)</b>	<b>(44.3)</b>	<b>200.5</b>	<b>15.0</b>	<b>42.0</b>	<b>66.3</b>
Dividends and Equity Changes	(9.0)	(9.0)	(3.0)	(3.0)	(10.3)	(16.1)
<b>Net Cash Flow</b>	<b>(66.3)</b>	<b>(53.3)</b>	<b>197.5</b>	<b>12.0</b>	<b>31.7</b>	<b>50.2</b>
<b>Balance Sheet (EUR M)</b>	<b>2004</b>	<b>2005</b>	<b>2006A</b>	<b>2007E</b>	<b>2008E</b>	<b>2009E</b>
<b>Net Capital Employed</b>	<b>876.2</b>	<b>1,096.9</b>	<b>935.2</b>	<b>961.3</b>	<b>977.0</b>	<b>983.2</b>
of which Associates	-	-	-	-	-	-
Net Debt (Cash)	313.5	511.4	314.6	302.6	270.9	220.7
Minorities	1.7	-	-	-	-	-
Net Equity	561.0	585.5	620.6	658.7	706.0	762.5
Market Cap	674	674	673.9	673.9	673.9	673.9
Enterprise Value (*)	989	1,185	989(**)	977(**)	945(**)	895(**)
<b>Stock Market Ratios</b>	<b>2004</b>	<b>2005</b>	<b>2006A</b>	<b>2007E</b>	<b>2008E</b>	<b>2009E</b>
P/E adj	19.9x	18.8x	61.7x	14.4x	11.7x	9.3x
P/CEPS	8.6x	10.8x	8.4x	7.9x	6.4x	5.5x
P/BVPS	1.2x	1.2x	1.1x	1.0x	1.0x	0.9x
Dividend Yield (%ord)	1.3%	1.3%	0.4%	1.5%	2.4%	3.0%
Dividend Yield (%sav)						
EV/Sales	0.8x	0.9x	0.7x	0.6x	0.6x	0.5x
EV/EBITDA	7.2x	11.3x	7.9x (**)	6.4x (**)	5.3x (**)	4.5x (**)
EV/EBIT	13.4x	17.6x	11.6x	9.0x	7.2x	6.0x
EV/CE	1.1x	1.1x	1.1x	1.0x	1.0x	0.9x
D/EBITDA	2.3x	4.9x	2.5x	2.0x	1.5x	1.1x
D/EBIT	4.2x	7.6x	3.7x	2.8x	2.1x	1.5x
<b>Profitability &amp; Financial Ratios</b>	<b>2004</b>	<b>2005</b>	<b>2006A</b>	<b>2007E</b>	<b>2008E</b>	<b>2009E</b>
EBITDA Margin (%)	10.7%	8.3%	9.2%	10.1%	11.1%	11.8%
EBIT Margin (%)	5.7%	5.4%	6.2%	7.2%	8.1%	8.8%
Tax Rate (%)	23.4%	9.5%	34.1%	40.9%	37.0%	36.3%
Net Income Margin (%)	1.2%	2.0%	2.9%	2.7%	3.6%	4.3%
ROE (%)	2.7%	4.2%	6.4%	6.2%	8.2%	9.5%
Debt/Equity Ratio	0.6x	0.9x	0.5x	0.5x	0.4x	0.3x
<b>Growth</b>		<b>2005</b>	<b>2006A</b>	<b>2007E</b>	<b>2008E</b>	<b>2009E</b>
Sales (%)		-2.3%	8.4%	11.0%	6.0%	6.0%
EBITDA (%)		-23.5%	19.6%	21.5%	17.0%	12.0%
EBIT (%)		-8.8%	25.9%	27.9%	20.0%	14.1%
Pre-tax Income (%)		39.1%	123.8%	13.9%	33.3%	22.9%
Net Income (%)		65.8%	60.8%	3.4%	40.2%	26.0%
Adj. Net Income (%)		6.2%	-69.6%	328.3%	23.1%	26.0%

(\*) Note : EV = Mkt cap + Net Debt + Minorities \* P/BV - Associates (\*\*) excluding securitization for EUR 112M

A: actual, data taken from the 2004-2006 financial statements and Intesa Sanpaolo Equity Research calculations; E: expected, Intesa Sanpaolo Equity Research estimates.

## APPENDIX 1

### ANALYST CERTIFICATION

The financial analyst(s) who prepared this report, and whose name(s) and role(s) appear on the first page, certifies/ly that:

- (1) The views expressed on the company mentioned herein accurately reflect their personal views;
- (2) No direct or indirect compensation has been or will be received in exchange for any views expressed.

### SPECIFIC DISCLOSURES:

1. Neither the analyst nor any member of the analyst's household has a financial interest in the securities of the Company/ies.
2. Neither the analyst nor any member of the analyst's household serves as an officer, director or advisory board member of the Company/ies.
3. The analyst named in the document is a member of AIAF.
4. The analyst of this report does not receive bonuses, salaries, or any other form of compensation that is based upon specific investment banking transactions.
5. The research department supervisors do not have a financial interest in the securities of the Company/ies.

### IMPORTANT DISCLOSURES

This research has been prepared by Intesa Sanpaolo S.p.A. on behalf of Banca Caboto S.p.A.. Intesa Sanpaolo S.p.A. accepts full responsibility for the contents of this report. Please also note that Intesa Sanpaolo S.p.A. reserves the right to issue this document to its own clients.

Opinions and estimates in this research are as at the date of this material and are subject to change without notice to the recipient. Information and opinions have been obtained from sources believed to be reliable, but no representation or warranty is made as to their accuracy or correctness.

Past performance is not a guarantee of future results.

The investments and strategies discussed in this research may not be suitable for all investors. If you are in any doubt you should consult your investment advisor.

This report has been prepared solely for information purposes and is not intended as an offer or solicitation with respect to the purchase or sale of any financial products. It should not be regarded as a substitute for the exercise of the recipient's own judgement.

No Intesa Sanpaolo S.p.A. or Banca Caboto S.p.A. entities accept any liability whatsoever for any direct, consequential or indirect loss arising from any use of material contained in this report.

This document may only be reproduced or published together with the name of Intesa Sanpaolo S.p.A. and Banca Caboto S.p.A..

Intesa Sanpaolo S.p.A. and Banca Caboto S.p.A. have in place a Joint Conflicts Management Policy for managing effectively the conflicts of interest which might affect the impartiality of all investment research which is held out, or where it is reasonable for the user to rely on the research, as being an impartial assessment of the value or prospects of its subject matter. A copy of this Policy is available to the recipient of this research upon making a written request to the Compliance Officer, Intesa Sanpaolo S.p.A., 90 Queen Street, London EC4N 1SA.

Intesa Sanpaolo S.p.A. has formalised a set of principles and procedures for dealing with conflicts of interest ("Research Policy"). The Research Policy is clearly explained in the relevant section of Banca Caboto's web site ([www.caboto.it](http://www.caboto.it)).

Banca Caboto S.p.A. and Intesa Sanpaolo S.p.A. are both part of the Gruppo Intesa Sanpaolo. Intesa Sanpaolo S.p.A. and Banca Caboto S.p.A. are both authorised by the Banca d'Italia and are regulated by the Financial Services Authority in the conduct of designated investment business in the UK.

Intesa Sanpaolo S.p.A. issues and circulates research to Qualified Institutional Investors in the USA only through Banca IMI Securities Corp., 245 Park Avenue, 35<sup>th</sup> floor, 10167 New York, NY, USA, Tel: (1) 212 326 1230.

**Residents in Italy:** This document is intended for distribution only to professional investors as defined in art.31, Consob Regulation no. 11522 of 1.07.1998 either as a printed document and/or in electronic form.

**Person and residents in the UK:** This document is not for distribution in the United Kingdom to persons who would be defined as private customers under rules of the FSA.

**US persons:** This document is intended for distribution in the United States only to Qualified Institutional Investors as defined in Rule 144a of the Securities Act of 1933. US Customers wishing to effect a transaction should do so only by contacting a representative at Banca IMI Securities Corp. in the US (see contact details above).

### Valuation methodology

The Intesa Sanpaolo S.p.A. Equity Research Department values the companies for which it assigns recommendations as follows:

We obtain a fair value using a number of valuation methodologies including: discounted cash flow method (DCF), dividend discount model (DDM), embedded value methodology, return on allocated capital, break-up value, asset-based valuation method, sum-of-the-parts, and multiples-based models (for example PE, P/BV, PCF, EV/Sales, EV/EBITDA, EV/EBIT, etc.). The financial analysts use the above valuation methods alternatively and/or jointly at their discretion.

The assigned target price may differ from the fair value, as it also takes into account overall market/sector conditions, corporate/market events, and corporate specifics (ie, holding discounts) reasonably considered to be possible drivers of the company's share price performance. These factors may also be assessed using the methodology indicated above.

#### Equity rating key

In its recommendations, Intesa Sanpaolo S.p.A. uses an "absolute" rating system, which is not related to market performance and whose key is reported below:

**BUY:** if the target price is 20% higher than the market price.

**ADD:** if the target price is 10%-20% higher than the market price.

**HOLD:** if the target price is 10% below or 10% above the market price.

**REDUCE:** if the target price is 10%-20% lower than the market price.

**SELL:** if the target price is 20% lower than the market price.

**TARGET PRICE:** the market price that the analyst believes that the share may reach within a one-year time horizon.

**MARKET PRICE:** closing price on the day before the issue date of the report, as indicated on the first page.

**RATING SUSPENDED:** The rating and target price have been suspended temporarily to comply with applicable regulations and/or firm policies in certain circumstances, including when Intesa Sanpaolo Group is acting in an advisory capacity in a merger or strategic transaction involving the company.

**NO RATING:** The company is or may be covered by the Research Department but no rating or target price is assigned.

#### Coverage policy and frequency of research reports

The list of companies covered by the Research Department is available upon request. Intesa Sanpaolo S.p.A. aims to provide continuous coverage of the companies on the list in conjunction with the timing of periodical accounting reports and any exceptional event that affects the issuer's operations. The companies for which Banca Caboto acts as sponsor or specialist are covered in compliance with regulations issued by regulatory bodies with jurisdiction.

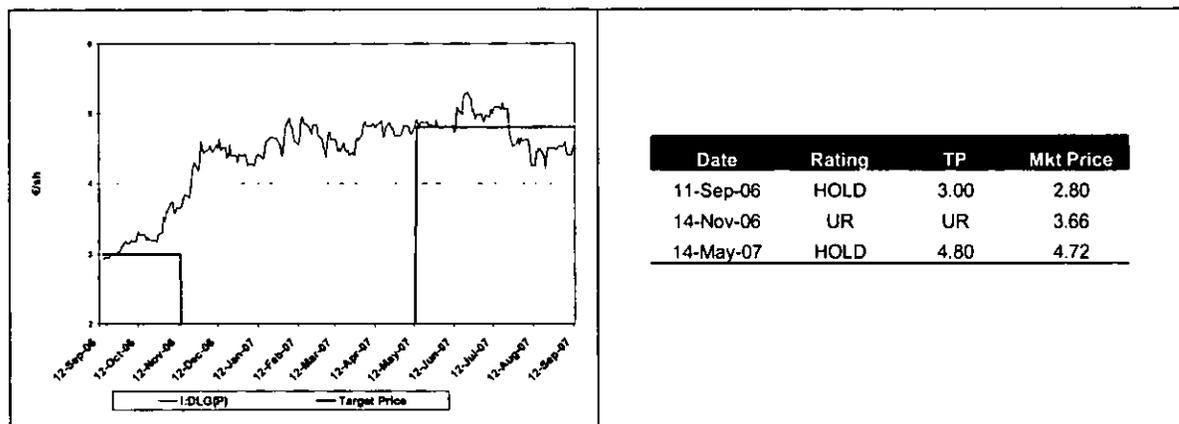
In the case of a short note, we advise investors to refer to the most recent company report published by Intesa Sanpaolo S.p.A.'s Research Department for a full analysis of valuation methodology, earnings assumptions and risks. Research is available on Caboto's web site ([www.caboto.it](http://www.caboto.it)) or by contacting your sales representative.

#### SPECIFIC DISCLOSURES

We provide the following information on Intesa Sanpaolo Group's conflicts of interest:

1 - The Intesa Sanpaolo Group has a conflict of interest in as much as it plans to solicit investment banking business or intends to seek compensation from the Company in the next three months.

#### Historical recommendations and target price



**INTESA SANPAOLO RESEARCH RATING DISTRIBUTION (July 07)**

<i>Number of companies covered: 68</i>	BUY	ADD	HOLD	REDUCE	SELL
Equity research Coverage relating to the last rating	13.0%	37.0%	46.0%	3.0%	1.0%
Intesa Sanpaolo's Clients (*)	56.0%	16.0%	13.0%	0%	0%

(\*) Companies on behalf of whom Intesa Sanpaolo and the other companies of the Intesa Sanpaolo Group have provided corporate and investment banking services in the last 12 months.

**Equity Research**

Luca Bacoccoli	+39 02 8021 5026
Monica Bosio	+39 02 8021 2725
Ester Brizzolara	+39 02 8021 5984
Alberto Francese	+39 02 8021 2707
Manuela Meroni	+39 02 8021 5937
Gian Luca Pacini	+39 02 8021 2971
Fabio Picardi	+39 02 8021 2972
Roberto Ranieri	+39 02 8021 5011
Mauro Rilasciati	+39 02 8021 5688
Laura Carozza	+39 02 8021 5899

**Technical Analysis**

Emanuele Cecere	+39 02 8021 5546
Corrado Binda	+39 02 8021 5763
Sergio Mingolla	+39 02 8021 5483

**Research Assistants & Distribution**

Cinzia Bovina	+39 02 8021 5437
Elena Giordano	+39 02 8021 2742

**Exchange Traded Derivatives**

Matteo Massardi	+39 02.8021 2407
Duncan Barker	+39 02.8021 2427
Carmine Calamello	+39 02.8021 2429
Lorenzo Cingolani	+39 02.8021 2426
Umberto De Paoli	+39 02.8021 2424
Cristian De Zen	+39 02.8021 2423
Franco Nardo	+39 02.8021 2421

**Institutional Sales**

Nicola Maccario	+39 02 8021 5517
Carlo Cavalieri	+39 02 8021 2722
Umberto Grimi	+39 02 8021 5963
Francesca Guadagni	+39 02 8021 5817
Gregory Halvorsen	+39 02 8021 5857
Laura Spinella	+39 02 8021 5782
Daniela Stucchi	+39 02 8021 5708

**Sales Direct Market Access**

Insaf Amri	+39 02 8021 5897
Claudio Manes	+39 02 8021 5542
Nicola Mastrotolaro	+39 02 8021 2976

**US Institutional Sales**

Marco Letizia	+1 212 326 1233
Joe Frisone	+1 212 326 1235
Jack Del Duca	+1 212 326 1234
Barbara Leonardi	+1 212 326 1232

**Sales Trading**

Roberto Gussoni	+39 02 8021 5929
Adele Marchetti	+39 02 8021 5880
Lorenzo Pennati	+39 02 8021 5647
Stefano Rivarola	+39 02 8021 5420
Mark Wilson	+39 02 8021 2758

**Trading**

Orazio Ruggeri	+39 02 8021 5314
Sergio Francolini	+39 02 8021 5859
Stefania Capra	+39 02 8021 5449
Laura Costa	+39 02 8021 5888
Paolo Masa	+39 02 8021 5791

**Securities Lending**

Carlo Antonioli	+44 207 894 2444
-----------------	------------------

**Corporate Brokerage**

Danilo Brusa	+39 02 8021 5917
Fabrizio Speroni	+39 02 8021 5894

## DE' LONGHI

## OUTPERFORM

Price (Eu): **4.51**  
 Target Price (Eu): **5.70**

SECTOR: Consumers

Stefano Corneliani +39-02-77115.359  
 e-mail: corneliani@intermonte.it

Elisa Corghi +39-02-77115.439  
 e-mail: corghi@intermonte.it

## 2Q Just Fine, 2H Looks Good

- **2Q results slightly better than expected despite higher non-recurring costs.** Yesterday, De' Longhi announced that it closed 2Q with revenues (already released at the end of July) up 15.1% YoY to Eu345mn. EBITDA and EBIT grew more than proportionally despite the company having incurred Eu5.3mn in net non-recurring costs (due to a fire that occurred at its plant in Treviso): EBITDA grew by 31% to Eu29mn while EBIT jumped by 54% to Eu19mn. Net income fell 86% to Eu3.5mn, a decline entirely attributable to the capital gain recorded in 2Q06 that skews the comparison. Net of capital gains, adjusted net income improved remarkably, to Eu3.5mn from last year's net loss of Eu0.7mn. Net debt increased by Eu16.5mn to Eu381mn in 2Q. 2Q results were slightly better than our expectations despite heavier non-recurring expenses.
- **FY07 Outlook sounds good.** At today's conference call, management was pretty optimistic about future developments. In this regard, De' Longhi expects the second half of the year to deliver a still healthy +5-10% revenue growth. Positive indications were also given on margins: management stated that the 200bp improvement at EBITDA level (before non-recurring items) is sustainable and testified that the delocalization of most of the production to China is delivering positive results. These indications match up well with our FY expectations and lift visibility on '07 estimates.
- **'07-09 EPS fine-tuned.** We just fine-tuned our '07-09 EPS estimates, as we expect that a slightly better operating profitability will be drained by higher financial charges, purely connected to the recent surge in interest rates and corporate spreads.
- **OUTPERFORM confirmed. Target price unchanged at Eu5.70 per share.** After 2Q results, we confirm our OUTPERFORM recommendation as we think that De' Longhi is one of the very few listed companies that could take advantage of the ongoing global warming despite the presumable slowdown that is expected to hit consumer spending. On top of this and despite the benefits already delivered, we think that the delocalization of production to China has yet to fulfill its potential. In accordance with our negligible change in estimates, we have kept our target price unchanged at Eu5.70 per share.

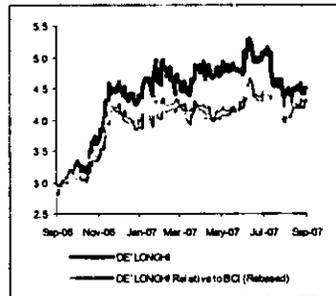
Key Figures	2005A	2006A	2007E	2008E	2009E
Sales (Eu mn)	1,258	1,363	1,486	1,580	1,665
Ebitda (Eu mn)	105	126	148	177	198
Net profit (Eu mn)	25	40	36	54	68
EPS - New (Eu)	0.10	0.10	0.26	0.36	0.45
EPS - Old (Eu)	0.10	0.10	0.25	0.36	0.46
DPS (Eu)	0.02	0.06	0.06	0.09	0.12

Ratios & Multiples	2005A	2006A	2007E	2008E	2009E
P/E	46.1	45.5	17.5	12.4	10.0
Div. Yield	0.4%	1.3%	1.3%	2.0%	2.6%
EV/Ebitda	11.3	9.0	7.6	6.2	5.3
ROCE	6.8%	8.4%	11.4%	14.2%	16.2%

The reproduction of the information, recommendations and research produced by Intermonte SIM contained herein, and of any of its parts, is strictly prohibited. None of the contents of this document may be shared with third parties without Company authorization.

## DE' LONGHI - 12m Performance



RATING: Unchanged

TARGET PRICE (Eu): Unchanged

Change in EPS est: 2007E 2008E  
 2.8% 0.3%

## STOCK DATA

Reuters code: DLG.MI

Bloomberg code: DLG IM

Performance	1m	3m	12m
Absolute	7.3%	-4.4%	61.8%
Relative	7.8%	2.8%	57.0%
12 months H/L:	5.31/2.85		

## SHAREHOLDER DATA

No. of Ord. shares (mn):	150
Total No. of shares (mn):	150
Mkt Cap Ord (Eu mn):	675
Total Mkt Cap (Eu mn):	675
Mkt Float - ord (Eu mn):	169
Mkt Float (In %):	25.1%
Main shareholder:	
De'Longhi Soparll S.A.	74.9%

## BALANCE SHEET DATA

	2007
Book value (Eu mn):	643
BVPS (Eu):	4.30
P/BV:	1.1
Net Financial Position (Eu mn):	-296
Enterprise value (Eu mn):	1,130


**De' Longhi – 1H07 and 2Q07 Consolidated Results**

As of	2Q06	2Q07	YoY	1H07	YoY	2Q07E	A vs E	FY07E		
								Old	New	% Change
<b>Net sales</b>	<b>300.0</b>	<b>345.3</b>	15.1%	<b>636.5</b>	10.5%	<b>344.8</b>	0.1%	<b>1,486.1</b>	<b>1,486.1</b>	0.0%
Cost of good sold	(184.5)	(206.5)		(386.4)		(213.1)		(928.4)	(914.8)	
<b>Gross Profit</b>	<b>115.5</b>	<b>138.8</b>	20.2%	<b>250.1</b>	13.7%	<b>131.7</b>	5.4%	<b>557.7</b>	<b>571.2</b>	2.4%
% margin	38.5%	40.2%		39.3%		38.2%		37.5%	38.4%	
Operating expenses	(93.6)	(110.1)		(198.3)		(104.6)		(412.8)	(423.0)	
<b>EBITDA</b>	<b>21.9</b>	<b>28.7</b>	31.1%	<b>51.8</b>	25.1%	<b>27.1</b>	6.1%	<b>144.9</b>	<b>148.2</b>	2.3%
% margin	7.3%	8.3%		8.1%		7.8%		9.8%	10.0%	
A&D	(9.4)	(9.4)		(19.1)		(10.0)		(41.3)	(41.3)	
<b>EBIT</b>	<b>12.5</b>	<b>19.3</b>	54.4%	<b>32.7</b>	46.6%	<b>17.1</b>	13.2%	<b>103.6</b>	<b>106.9</b>	3.2%
% margin	4.2%	5.6%		5.1%		4.9%		7.0%	7.2%	
Financial charges	12.0	(12.3)		(23.2)		(11.0)		(42.3)	(44.1)	
Other income (expenses)	0.0	0.0		0.0		0.0		0.0	0.0	
<b>Pre-tax profit</b>	<b>24.5</b>	<b>7.0</b>	-71.4%	<b>9.5</b>	-61.5%	<b>6.1</b>	15.6%	<b>61.3</b>	<b>62.8</b>	2.5%
Minority interests	0.0	(0.5)		(0.2)		(0.5)		(1.1)	(1.1)	
<b>Group pre-tax profit</b>	<b>24.5</b>	<b>6.5</b>	-73.5%	<b>9.3</b>	-62.0%	<b>5.6</b>	17.0%	<b>60.1</b>	<b>61.7</b>	2.6%
Taxes	1.2	(3.1)		(5.9)		(3.1)		(25.1)	(25.6)	
<b>Reported net income</b>	<b>25.7</b>	<b>3.4</b>	-86.8%	<b>3.5</b>	-85.6%	<b>2.5</b>	38.5%	<b>35.1</b>	<b>36.1</b>	2.9%
% margin	8.6%	1.0%		0.5%		0.7%		2.4%	2.4%	
% tax rate	n.m.	47.7%		63.4%		55.8%		41.7%	41.5%	
<b>Net Cash/ (Debt)</b>	<b>(360.6)</b>	<b>(381.1)</b>	5.7%	<b>(381.1)</b>	5.7%	<b>(390.0)</b>	-2.3%	<b>(296.8)</b>	<b>(295.8)</b>	-0.3%
Debt/Equity	0.60	0.62		0.62		0.64		0.46	0.46	

Source: Company Data & Intermonte SIM estimates

## DE' LONGHI - KEY FIGURES

		2005A	2006A	2007E	2008E	2009E
Fiscal year end		31/12/2005	31/12/2006	31/12/2007	31/12/2008	31/12/2009
<b>PROFIT &amp; LOSS (Eu mn)</b>	Sales	1,258	1,363	1,486	1,580	1,665
	EBITDA	105	126	148	177	198
	EBIT	68	85	107	135	157
	Financial income (charges)	(40)	(24)	(44)	(44)	(43)
	Associates & Others	0	0	0	0	0
	Pre-tax profit (Loss)	28	61	63	91	114
	Taxes	(3)	(21)	(26)	(36)	(45)
	Tax rate (%)	9.5%	34.0%	40.7%	39.3%	39.3%
	Minorities & discontinue activities	(0)	(1)	(1)	(1)	(1)
	Net profit	25	40	36	54	68
	Total extraordinary items	(12)	3	(6)	0	0
	Ebitda excl. extraordinary items	117	123	154	177	198
	Ebit excl. extraordinary items	80	82	113	135	157
Net profit restated	15	15	38	54	68	
<b>PER SHARE DATA (Eu)</b>	Total shares out (mn) - average fd	150	150	150	150	150
	EPS stated fd	0.17	0.27	0.24	0.36	0.45
	EPS restated fd	0.10	0.10	0.26	0.36	0.45
	BVPS fd	3.91	4.12	4.30	4.60	4.97
	Dividend per share (ord)	0.02	0.06	0.06	0.09	0.12
	Dividend per share (sav)	0.00	0.00	0.00	0.00	0.00
	Dividend pay out ratio (%)	12.0%	22.6%	24.9%	24.7%	25.8%
<b>CASH FLOW (Eu mn)</b>	Gross cash flow	51	50	77	96	109
	Change in NWC	(41)	46	(2)	(16)	(15)
	Capital expenditure	(59)	(37)	(48)	(42)	(45)
	Other cash items	(26)	0	0	0	0
	Free cash flow (FCF)	(75)	58	28	38	50
	Acquisitions, divestments & others	(2)	34	0	0	0
	Dividend	(9)	(3)	(9)	(9)	(13)
	Equity financing/Buy-back	0	0	0	0	0
Change in Net Financial Position	(85)	197	19	29	36	
<b>BALANCE SHEET (Eu mn)</b>	Total fixed assets	690	702	708	708	712
	Net working capital	510	304	306	322	336
	Long term liabilities	(103)	(70)	(70)	(70)	(70)
	Net capital employed	1,096	935	943	960	978
	Net financial position	(511)	(315)	(296)	(267)	(231)
	Group equity	586	621	648	693	747
	Minorities	2	5	5	5	5
	Net equity	584	616	643	688	742
<b>ENTERPRISE VALUE (Eu mn)</b>	Average mkt cap - current	675	675	675	675	675
	Adjustments (associate & minorities)	(0)	(147)	(160)	(154)	(153)
	Net financial position	(511)	(315)	(296)	(267)	(231)
	Enterprise value	1,186	1,136	1,130	1,096	1,058
<b>RATIOS(%)</b>	EBITDA margin*	9.3%	9.0%	10.4%	11.2%	11.9%
	EBIT margin*	6.4%	6.0%	7.6%	8.6%	9.4%
	Gearing - Debt/equity	87.3%	50.7%	45.7%	38.5%	30.8%
	Interest cover on EBIT	1.7	3.6	2.4	3.1	3.6
	Debt/Ebitda	4.87	2.51	2.00	1.51	1.16
	ROCE*	6.8%	8.4%	11.4%	14.2%	16.2%
	ROE*	4.3%	6.6%	5.7%	8.2%	9.5%
	EV/CE	1.2	1.1	1.2	1.2	1.1
	EV/Sales	0.9	0.8	0.8	0.7	0.6
	EV/Ebit	17.6	13.4	10.6	8.1	6.7
Free Cash Flow Yield	-11.0%	7.1%	3.3%	4.6%	6.0%	
<b>GROWTH RATES (%)</b>	Sales	-2.0%	8.4%	9.0%	6.3%	5.4%
	EBITDA*	-14.1%	4.6%	25.4%	14.8%	12.3%
	EBIT*	-19.9%	2.8%	37.1%	20.3%	15.8%
	Net profit	-29.5%	59.8%	-9.3%	50.7%	24.5%
	EPS restated	-48.2%	1.5%	159.1%	41.4%	24.5%

\* Excluding extraordinary items

Source: Intermonte SIM estimates

DISCLAIMER (for more details go to <http://intermonte.it/disclosures.asp>)

#### IMPORTANT DISCLOSURES

The reproduction of the information, recommendations and research produced by Intermonte SIM contained herein and of any its parts is strictly prohibited. None of the contents of this document may be shared with third parties without authorisation from Intermonte.

This report is directed exclusively at market professional and other institutional investors ("institutions") and is not for distribution to non-institution ("non-institution"), who should not rely on this material. Moreover, any investment or service to which this report may relate will not be made available to non-institution. The information and data in this report have been obtained from sources which we believe to be reliable, although the accuracy of these cannot be guaranteed by the Intermonte. In the event that there be any doubt as to their reliability, this will be clearly indicated. The main purpose of the report is to offer up-to-date and accurate information in accordance with regulations in force covering "recommendations" and is not intended nor should it be construed as a "solicitation to buy or sell securities" as defined by art.1, lett.1) of Decreto Law 58/1998.

This disclaimer is constantly updated on Intermonte's website [www.intermonte.it](http://www.intermonte.it) under DISCLOSURES. Valuations and recommendations can be found in the text of the most recent research and/or reports on the companies in question.

#### ANALYST CERTIFICATION

For each company mentioned in this report the respective research analyst hereby certifies that all of the views expressed in this research report accurately reflect the analyst's personal views about any or all of the subject issuer (s) or securities. The analyst (s) also certify that no part of their compensation was, is or will be directly or indirectly related to the specific recommendation or view in this report.

The analyst (s) responsible for preparing this research report receive(s) compensation that is based upon various factors, including Intermonte's total profits, a portion of which is generated by Intermonte's corporate finance activities, although this is minimal in comparison to that generated by brokerage activities.

Intermonte's internal procedures and codes of conduct are aimed to ensure the impartiality of its financial analysis. The exchange of information between the Corporate Finance sector and the Research Department is prohibited, as is the exchange of information between the latter and the proprietary equity desk in order to prevent conflicts of interest when recommendations are made.

#### GUIDE TO FUNDAMENTAL RESEARCH

Reports on all companies listed on the S&P/MIB40 Index, most of those on the MIBEX Index and the main small caps (regular coverage) are published at least once per quarter to comment on results and important newsworld.

A draft copy of each report is sent to the subject company for its information, but unless expressly stated in the text of the report, no changes are made before it is published. Explanation of our ratings system:

**BUY:** stock expected to outperform the market by over 25% over a 12 month period;  
**OUTPERFORM:** stock expected to outperform the market by between 10% and 25% over a 12 month period;  
**NEUTRAL:** stock performance expected at between +10% and -10% compared to the market over a 12 month period;  
**UNDERPERFORM:** stock expected to underperform the market by between -10% and -25% over a 12 month period;  
**SELL:** stock expected to underperform the market by over 25% over a 12 month period

The stock price indicated is the reference price on the day prior to the publication of the report.

#### CURRENT INVESTMENT RESEARCH RATING DISTRIBUTIONS

Intermonte SIM is authorised by CONSOB to provide investment services and is listed at n° 98 in the register of brokerage firms. As at 30 June 2007 Intermonte's Research Department covered 175 companies. Intermonte's distribution of stock ratings is as follows:

BUY	OUTPERFORM	NEUTRAL	UNDERPERFORM	SELL
22.86%	30.86%	36.57%	9.14%	0.57%

The distribution of stock ratings for companies which have received corporate finance services from Intermonte in the last 12 months (1 in total) is as follows:

BUY	OUTPERFORM	NEUTRAL	UNDERPERFORM	SELL
44.44%	22.22%	33.34%	0.0%	0.0%

#### CONFLICT OF INTEREST

The reproduction of the information, recommendations and research produced by Intermonte SIM contained herein and of any its parts is strictly prohibited. None of the contents of this document may be shared with third parties without company authorization.

The reproduction of the information, recommendations and research produced by Intermonte SIM contained herein and of any its parts is strictly prohibited. None of the contents of this document may be shared with third parties without company authorization.

This report is directed exclusively at market professional and institutional investor customers and is not for distribution to private customers, who should not rely on this material. Moreover, any investment or service to which this report may relate will not be made available to such private customers.

The information and data in this report has been obtained from sources which we believe to be reliable, though the accuracy of which is not guaranteed. Its main scope is to offer up-to-date and accurate information; it should not, therefore, be intended as a solicitation or offer to buy or sell securities.

In order to disclose its possible conflicts of interest Intermonte SIM states that:

- The Parent Company, Banca Monte dei Paschi di Siena, owns, directly or indirectly, a significant stake in the following Companies: Aeroporto di Firenze, Alerion Industries S.p.A., Banca Popolare di Spoleto, Cir Energia (Gruppo CIR), Dada, ELEN, Fiat, Kersell, Sna, Sorin, Unipol;
- a few members of the Board of Directors of the following Companies have positions within Banca Monte dei Paschi di Siena Group: Aeroporto di Firenze, Alerion Industries S.p.A., Banca Popolare di Spoleto, BNL, Calteogone S.p.A., Calteogone Editore, Cementi, Dada, ELEN, Engineering, Sna, Sorin, Unipol, Vianini Industrie, Vianini Lavori;
- within the last year, Intermonte SIM managed or co-managed, it is managing or is co-managing (see companies indicated in bold type) an institutional offering of the securities of the following Companies: Arimmedica, Bancamano, Conell, Omnia Network, Pirell (private placement), Monti Ascensori (private placement), IF Holding (private placement), Inmac;
- in the last year Intermonte, Banca Monte Paschi di Siena and/or other banks in the group have acted or are acting (see companies in bold type) as Lead Manager or Co-lead Manager in consortia for the placement of shares, or to guarantee rights issues, of the following companies: Bancamano, Conell, Kersell (also Financial Advisor), Omnia Network, Promac;
- Intermonte SIM is Sponsor in accordance with the Italian Securities Markets regulations, with the related obligation of coverage and distribution of research, of the following Companies: Anamedica, Bancamano, Conell, Omnia Network, RDM Realty;
- Intermonte SIM is Specialist, in accordance with the Italian Securities Markets regulations, with the related obligation of coverage and distribution of research, of the following Companies: Bancamano, Buongiorno, Cogeme, Datologic, Dmail, Digital Bros, EMS, Epipnet, FWR, Arié, Kersell, La Dorla, Monti Ascensori, Reno de Medici, RDM Realty, Soes Getters, Servizi Italia, TAS, Trevison, TXI e-solutions;
- Banks of the Banca Monte dei Paschi di Siena Group, issue financial instruments related to the shares of the following Companies and/or are market makers and/or are arrangers and/or are distributors: Autostade, Banca Roseiram, Banca Innesa, Bipop-Carife, Edson, Enel, Eni, Erg, Fiat, Generali Assicurazioni, Impregilo, Mediaset, Mediolanum, Pirelli & C., Ras, SanPaolo-IMI, Seat Pagine Gialle, Telecom Italia, Italcil, Unieredito Italiano;
- the Monte Paschi di Siena banking group provides a significant amount of financing to the following Companies: Alitalia, Camfin, Datologic, Fiat, Hera, Pirelli & C., Pirelli & C. Real Estate, Seat Pagine Gialle, Telecom Italia.

#### DETAILS ON STOCK RECOMMENDATION

Stock NAME	DE' LONGHI	
Current Recomm:	OUTPERFORM	Previous Recomm: OUTPERFORM
Current Target (Eu):	5.70	Previous Target (Eu): 5.70
Current Price (Eu):	4.51	Previous Price (Eu): 4.51
Date of report:	13/09/2007	Date of last report: 30/08/07

Further information is available

END