



**Merloni Elettrodomestici**

**Presentation  
to the  
Financial Community**

**2<sup>nd</sup> Quarter 2004 Results**

**July 27, 2004**

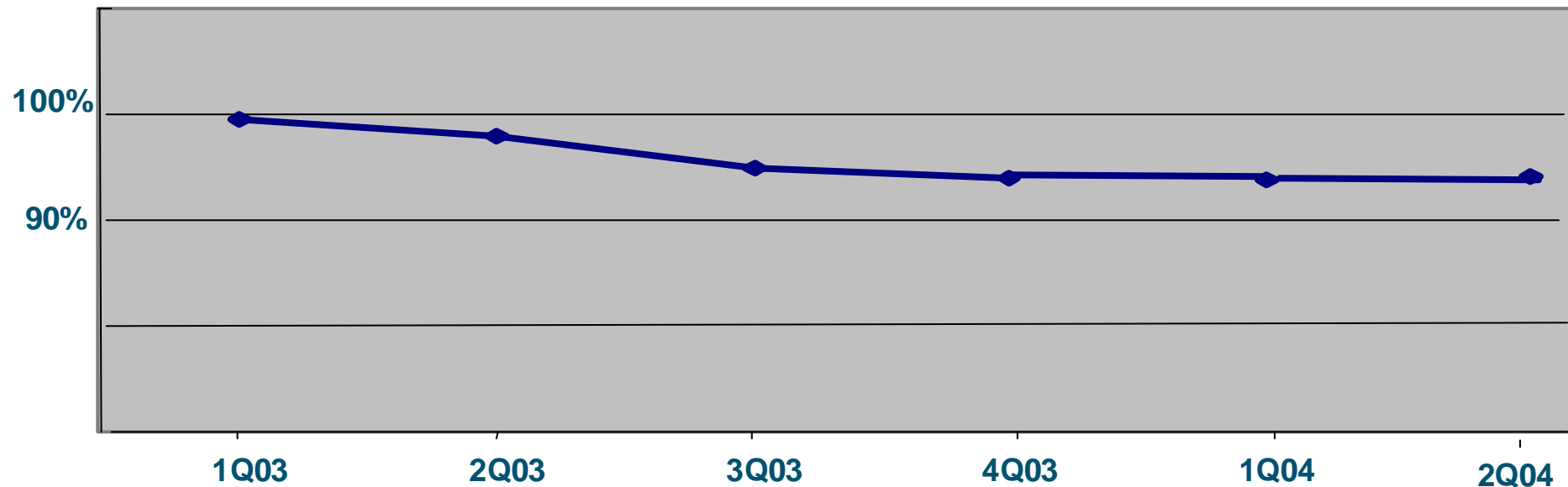
# 2Q04 Market & Merloni performance: VOLUMES

2Q04 VOLUMES	WE	EE+New Europe	Total
Market growth (vs 2Q03)	+3.7%	+19.7%	+7.9%
Markets overperforming the average	Italy France	Poland Turkey	NA
Markets underperforming the average	Germany Holland	Hungary Balkans Romania	NA
MERLONI GROWTH (vs2q03)	+5.4%	+19.8%	+10.1%

**2Q04 MERLONI MARKET SHARE: 15.6%**

## 2Q04 Market performance: PRICES

### Price trend of white goods in Western Europe



**2Q04 price trend on the market down versus 2Q03,  
but since the end of 2003 the curve is flattening**

# Merloni consolidated P&L 2Q04

P&L- €ml	2Q04	2Q03	Growth %
NET SALES	760	693	9.7%
EBITDA <i>% of net sales</i>	96 12.7%	83 12.0%	16.0%
EBITA* <i>% of net sales</i>	93 12.3%	81 11.7%	14.6%
EBIT <i>% of net sales (ROS)</i>	56 7.4%	50 7.2%	13.1%
PBT	42 5.5%	36 5.2%	15.3%

\* Net of amortization from Merloni Elettrodomestici UK( former GDA) acquisition

# Merloni P&L 2Q04: D&A

D&A- € ml	2Q04	2Q03	Diff. %
Depreciation of tangible assets <i>% on sales</i>	30 4.0%	27 3.9%	11.4%
Amortization of intangible assets (excluding for GDA acquisition) <i>% on sales</i>	7 0.9%	4 0.6%	53.5%
Amortization from GDA acquisition <i>% on sales</i>	3 0.4%	2 0.3%	77.8%
<b>TOTAL D&amp;A</b> <i>% on sales</i>	<b>40</b> 5.3%	<b>33</b> 4.8%	<b>20.4%</b>

# Merloni P&L 2Q04: Net financial charges

Net financial charges- € ml	2Q04	2Q03	Diff. %
<b>Net financial expenses</b> <i>% on sales</i>	<b>-6</b> -0.8%	<b>-5</b> -0.8%	<b>13.2%</b>
<b>Forex</b> <i>% on sales</i>	<b>2</b> 0.3%	<b>-0.4</b> -0.1%	-
<b>Commissions</b> <i>% on sales</i>	<b>-1</b> -0,1%	<b>-1</b> -0,1%	<b>+11.1%</b>
<b>TOTAL</b> <i>% on sales</i>	<b>-5.0</b> -0.7%	<b>-7</b> -1%	<b>-24.2%</b>

# Merloni consolidated P&L

P&L- €ml	1H04	1H03	Growth %
NET SALES	1,490	1,396	6.8%
EBITDA <i>% of net sales</i>	179 12.0%	161 11.5%	11.3%
EBITA* <i>% of net sales</i>	173 11.6%	157 11.3%	9.9%
EBIT <i>% of net sales (ROS)</i>	103 6.9%	92 6.6%	11.3%
PBT	82 5.5%	73 5.2%	11.9%

\*Net of amortization from Merloni Elettrodomestici UK (former GDA) acquisition

# Merloni P&L 1H04: D&A

D&A- €ml	1H04	1H03	Diff. %
Depreciation of tangible assets <i>% on sales</i>	59 3.9%	57 4.1%	+2.6%
Amortization of intangible assets (excluding for GDA acquisition) <i>% on sales</i>	12 0.8%	8 0.6%	+45.2%
Amortization from GDA acquisition <i>% on sales</i>	6 0.4%	4 0.3%	+70.3%
<b>TOTAL D&amp;A</b> <i>% on sales</i>	<b>77</b> 5.2%	<b>69</b> 5.0%	<b>+11.4%</b>

# Merloni P&L 1H04: Net financial charges

Net financial charges- € ml	1H04	1H03	Diff. %
<b>Net financial expenses</b> <i>% on sales</i>	<b>-11</b> -0.8%	<b>-11</b> -0.8%	<b>+8.6%</b>
<b>Forex</b> <i>% on sales</i>	<b>5</b> 0.3%	<b>1</b> 0.1%	-
<b>Commissions</b> <i>% on sales</i>	<b>-2</b> -0.2%	<b>-2</b> -0.2%	<b>+3.2%</b>
<b>TOTAL</b> <i>% on sales</i>	<b>-9</b> -0,6%	<b>-12</b> -0.8%	<b>-23.2%</b>

# Consolidated Balance Sheet

Balance Sheet, € ml	1H04	1H03	2003
<b>Total fixed assets</b>	<b>1,010</b>	<b>909</b>	<b>942</b>
Trade receivables	505	518	482
Stocks	393	337	285
Trade accounts payable	(760)	(712)	(792)
<b>Net working capital</b>	<b>138</b>	<b>143</b>	<b>(25)</b>
% on net sales	4.4%	5.2%	(0.8%)
<b>Provisions, funds and other liabilities</b>	<b>(176)</b>	<b>(201)</b>	<b>(207)</b>
<b>Net invested capital</b>	<b>972</b>	<b>851</b>	<b>709</b>
<b>Net financial position</b>	<b>390</b>	<b>374</b>	<b>192</b>
<b>Group shareholders' equity</b>	<b>547*</b>	<b>448*</b>	<b>481</b>
<b>Minority interest</b>	<b>35</b>	<b>29</b>	<b>36</b>
<b>Total sources</b>	<b>972</b>	<b>851</b>	<b>709</b>

\* Gross of tax

# 1H04 Net Financial Position

Financial assets, € ml	1H04	Financial liabilities, € ml	1H04
Cash collateral for GDA acquisition	47	Bank ML term debt in GBP	-67
Other cash collateralized	25	Syndicated loans	-101
<b>Total receivables in fin. assets</b>	<b>72</b>	Other ML term debts	-28
		<b>Total Bank ML term debts</b>	<b>-196</b>
Deposits with banks in Poland, Turkey and Russia	72	<b>Bond expiring on November 2004</b>	<b>-145</b>
Short term deposits	103	<b>Short term debts with banks</b>	<b>-335</b>
<b>Total short term deposits</b>	<b>175</b>		
<b>Securities related to securitization and other net financial assets</b>	<b>39</b>		
<b>Total Financial Assets</b>	<b>286</b>	<b>Total Financial Liabilities</b>	<b>-676</b>

**NET FINANCIAL POSITION AS OF June 30, 2004: €390ML**

# 2004 quarterly financial trends

	1Q04	2Q04	1Q03	2Q03	December 2003
Net Financial Position	337	390	292	374	192
Gearing %*	60%*	67%*	62%*	78%*	37%
Net Working Capital	103	138	93	143	(25)
Net Working Capital on 12 rolling months sales*	3.4%	4.4%	3.1%	5.2%	(0.8%)

- 1H2004 average net monthly financial position: € 355 ml vs €311 ml in 1H03
- FY2003 average net monthly financial position: € 311ml

**In June 2004 placing and pricing of US Private Placement of US\$ 330 ml in order to rebalance short & M/L term debt and differentiate financial sources**

\* Gross of tax, calculated on total Shareholders equity, including minorities- Only for December 2003 is net of tax.

\*Gross of the securitization effects, NWC on 12 months sales would have been: 7.1%, 8.3% ,6.8%,9.1%and 3.2%, respectively

# Merloni Cash Flow statement

Cash Flow Statement, €ml	2Q04*	2Q03*	2003
Gross Cash Flows	82	69	268
Operating Free Cash Flow	27	(4)	306
Cash Flow for Investments	(53)	(42)	(157)
Free Cash Flow	(54)	(81)	(10)

\*For the three month period net income is gross of tax

# Merloni Cash Flow statement

Cash Flow Statement, €ml	1H04*	1H03*	2003
Gross Cash Flows	157	142	268
Operating Free Cash Flow	(29)	(11)	306
Cash Flow for Investments	(146)	(52)	(157)
Free Cash Flow	(198)	(192)	(10)

\*For the six month period net income is gross of tax

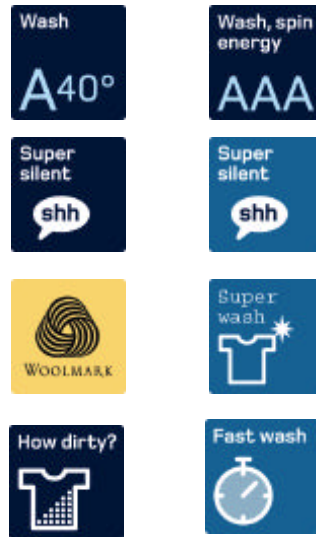
\*\*Included €55 ml for the acquisition of an additional 8% of GDA

## **NEW COOLING FACTORY IN POLAND**

- **PRODUCTION START UP: OCTOBER '04 CONFIRMED**

# New Products Update

## Hotpoint Ultima WM



- April 2004 – Hotpoint/Ariston Brands started production
- New 6 Kg Super Silent Washing Machine from North Wales
- Now part of front loading group platform

## Indesit 6 Kg Vented



- May 2004 – All Brands
- New 6 KG Vented Tumble Dryers

# New Products Update

## Indesit Graffiti



- May 2004 – Indesit Brand
- New “Graffiti” Refrigerator

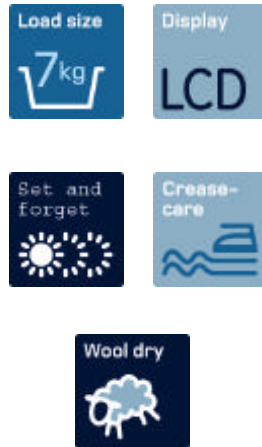
## Hotpoint Aquarius Plus Silver



- July 2004 – Hotpoint/Ariston brands
- New 5X5 KG Washer Dryer

# New Products Update

## Hotpoint Condenser Ultima Silver



- August 2004 – All brands
- New 7 KG Condenser Dryer

## New Experience Oven



- September 2004 – Hotpoint/Ariston brands

# 2004 Outlook on Raw Materials

- Commodity prices stable, at very high level

- Merloni contracts for raw materials are closed for FY04
- Up to today no changes

# 2004 Outlook

- Sales expected to increase around 5% at current exchange rates

- ROS improves versus the previous year

- Gearing ratio below previous year