DēLonghi Group

Annual report at 31 December 2015

DēLonghi KENWOOD BRAUN Ariete

Contents

Company officers *

Board of Directors

GIUSEPPE DE'LONGHI	Chairman
FABIO DE'LONGHI	Vice-Chairman and Chief Executive Officer
ALBERTO CLÒ **	Director
RENATO CORRADA **	Director
SILVIA DE'LONGHI	Director
CARLO GARAVAGLIA	Director
CRISTINA PAGNI **	Director
STEFANIA PETRUCCIOLI**	Director
GIORGIO SANDRI	Director
SILVIO SARTORI	Director

Board of Statutory Auditors

GIANLUCA PONZELLINI	Chairman
PAOLA MIGNANI	Standing member
ALBERTO VILLANI	Standing member
PIERA TULA	Alternate auditor
ENRICO PIAN	Alternate auditor

External Auditors

RECONTA ERNST & YOUNG S.P.A. ***

Internal Auditing and Corporate Governance Committee

RENATO CORRADA **
SILVIO SARTORI
STEFANIA PETRUCCIOLI**

Compensation Committee

ALBERTO CLÒ **
CARLO GARAVAGLIA
CRISTINA PAGNI **

* The company officers were elected at the shareholders' meeting of 23 April 2013 for the period 2013-2015.
** Independent directors.
*** The engagement to audit the financial statements for 2010-2018 was approved at the shareholders' meeting of 21 April 2010.

KEY PERFORMANCE INDICATORS

Consolidated results

(€/million)	**2015**	**% revenues**	**2014**	**% revenues**	**Change**	**% Change**
Reveneus	1,891.1	100%	1,726.7	100%	164.4	9.5%
Constant currency revenues (*)	*1,841.0*		*1,726.7*		*114.4*	*6.6%*
Net industrial margin	904.6	47.8%	815.7	47.2%	89.0	10.9%
EBITDA before non-recurring income/expenses	287.8	15.2%	260.1	15.1%	27.7	10.6%
Constant currency EBITDA before non-recurring income/expenses (*)	*324.7*	*17.6%*	*260.1*	*15.1%*	*64.6*	*24.8%*
EBITDA	285.2	15.1%	259.6	15.0%	25.6	9.9%
EBIT	232.7	12.3%	212.7	12.3%	19.9	9.4%

(*)Figures at constant exchange rates are calculated excluding the effect of exchange rates fluctuations and of the hedging put in place by the Group.

Statement of financial position

(€/million)	**31.12.2015**	**31.12.2014**
Net working capital	250.4	236.2
Net operating working capital	312.1	301.4
Net capital employed	717.0	697.2
Net financial assets	188.9	89.0
of which:		
- *Net bank financial position*	*210.1*	*113.2*
- *Other financial receivables (payables)*	*(21.2)*	*(24.2)*
Net Equity	905.9	786.1
Net working capital/Net revenues	13.2%	13.7%
Net operating working capital/Net revenues	16.5%	17.5%

REPORT ON OPERATIONS

Review of performance

2015 marked another year of brilliant results for the De'Longhi Group, with good growth in revenues and margins, considerable cash flow generation and strengthening of the leadership in the Group's main product categories.

These results were achieved despite the particularly adverse exchange effect and a market environment influenced by the political and financial crises underway in a few countries (above all in Eastern Europe and the MEIA region).

The comparison of 2015 with 2014, therefore, reflects the currency volatility which, however, impacted revenues and margins in different ways. The strengthening of a few export currencies (namely the USD, GBP, CNY and CHF) against the Euro, despite the devaluation of the Russian ruble and the Ukrainian hryvnia, had a positive impact on revenues; this trend, however, also strongly affected purchasing and operating costs denominated in CNY/HKD and USD which, overall, had a particularly negative impact on full year margins that waned in fourth quarter 2015.

Revenues amounted to €1,891.1 million, an increase of €164.4 million or 9.5% against 2014. At constant exchange rates and net of the effect of the hedging implemented by the Group, an increase against the prior year of €114.4 million or 6.6% was recorded.

The breakdown of revenues by product line shows that sales growth was driven by coffee machines, primarily the machines manufactured internally (fully automatic and manual machines, Nespresso *Lattissima* and DolceGusto *Jovia*); the performance of kitchen and food preparation appliances was also positive overall sustained, in particular, by the sale of fryers (thanks to the recent launch of the new *Multifry* line) and small appliances.
Despite a bad season for heaters as a result of the mild winter reported in many reference markets, *Comfort* also posted growth linked to the good performance of portable air conditioners and the revenues generated by cleaning products and irons, thanks to the launch of new Braun brand ironing systems.

Three years after the acquisition of the Braun brand, the completed integration process produced positive results: strong growth was posted in sales (thanks also to the launch of new ironing systems), despite the unstable political conditions and the negative exchange effect reported in a few reference countries (Russia, Ukraine and a few MEIA region countries).

The ability to effectively manage the integration of acquired businesses like Kenwood in 2001, a brand which was previously exclusively English and is now a global brand specialized in high-end kitchen and food preparation products, and, more recently, Braun, as well as the internationalization process (De'Longhi is now present in all the main markets) are a few of the elements underlying the Group's success and growth.

In terms of markets, growth was recorded in all the regions where the Group is commercially active with Europe leading the way with an increase in revenues of €85.3 million (+7.1%) thanks, above all, to the contribution of the South West which was up by 9.8% due to the good sales trend reported in Italy and the DACH countries (Germany, Austria and Switzerland) and the Iberian Peninsula. Revenues also increased, albeit by a lower percentage (2.9%), in the North East which, despite the negative exchange effect (which affected sales in Russia and Ukraine), benefitted from the good performances reported in Poland, the Czech Republic/Hungary and the United Kingdom.

Positive overall results were posted in the APA region (+ €62.7 million or +17.1%), thanks above all to Australia, the Unites States, Brazil, China and South Korea, which also benefited from a positive exchange effect.

The revenue growth reported in the MEIA region (+€16.5 million or +10.1%) reflects, above all, the positive exchange effect which offset the drop in sales recorded in a few markets linked to political-economic difficulties, as well as local political tension.

As for the margins, thanks to the positioning as a leader in the main product categories, the Group succeeded in improving profitability and offsetting the negative exchange effect, thanks to the positive volume and mix effect, price increases and the steps taken to limit production costs.

The net industrial margin reached €904.6 million (+€89.0 million or +10.9% against 2014), rising as a percentage of revenues from the 47.2% reported in 2014 to 47.8% in 2015.

EBITDA before non-recurring costs amounted to €287.8 million (+€ 27.7 million or +10.6% against 2014), rising slightly against 2014 as a percentage of revenues to 15.2% despite the particularly adverse exchange effect.
Net of the unfavorable exchange effect, EBITDA before non-recurring costs amounted to €324.7 million at constant exchange rates (17.6% as a percentage of revenues), an increase of €64.6 million with respect to 2014 (+ 24.8%).

In the fourth quarter of 2015 non-recurring costs of €2.6 million were recorded explained primarily by the reorganization of a foreign subsidiary.

EBITDA amounted to €285.2 million, an increase of €25.6 million against 2014 (+9.9%).

EBIT amounted to €232.7 million (versus €212.7 million in the prior year) despite the €5.7 million increase in amortization and depreciation as a result of the recent investments made in production (primarily in China and Romania). As a percentage of revenues, EBIT reached 12.3%, in line with the 2015.

Financial expenses dropped from the €41.7 million posted in 2014 to €33.6 million as a result of the improved net financial position, more efficient factoring (explained by the renewal finalized in 2015) and better foreign exchange management.

Profit pertaining to the Group amounted to €149.5 million in 2015, an increase against 2014 (€126.5 million) both outright (+ €23.0 million), and as a percentage of revenues (7.3% in 2014 versus 7.9% in 2015).

With regard to the Group's financial performance and structure, of note is the solid generation of cash flow recorded in the year which reached €99.9 million bringing the net financial position at 31 December 2015 to a positive €188.9 million (versus €89.0 million at 31 December 2014).
This result reflects, in addition to the cash flow generated by ordinary operations, the effective management of working capital, which fell as a percentage of revenues from the 13.7% recorded at 31 December 2014 to 13.2% at 31 December 2015, and the positive exchange effect.

Significant events

2015 was characterized by the completion of the investment plans to further strengthen the production platforms in both China and Romania, as well as the commercial and marketing initiatives focused on enhancing the Group's brands.

With regard to the strengthening of the production platform, the Romanian plant's product portfolio was expanded and diversified with the launch, in addition to the lines dedicated to the production of De' Longhi brand fully automatic and Nestle' brand capsule machines, of the assembly lines for the Braun brand handblenders. Other areas of production were also developed further making it possible to take advantage of the synergies that are typically created as a result of vertical production chain integration; as a result of the acceleration in production, the workforce at the plant was increased and the total number of employees amounted to approximately 700 at the end of December.

The second phase of investments focused on the strengthening of the local production facilities was completed at the most important Chinese plant resulting in the construction of new 27,000 m^2 warehouse which is now supporting the plant's operations. With a view, furthermore, to reducing the dependency on external suppliers to a marginal level, integration of strategic processes like plastic molding continued.

Progress was also made in the activities related to supply chain optimization focused on more efficient forecasting and planning; toward this end, work continued on the global supply chain project to improve product availability and reduce time to market.

Lastly, in 2015, the new procedures for the management of factoring without recourse were finalized (with the involvement of two more European subsidiaries along with the three companies that are already part of the program) which resulted in important cost savings and operational improvements beginning in the second quarter of 2015.

As for Braun, 2015 was the third year of operation following the acquisition of the brand from P&G in September 2012; Braun posted good results in 2015 which confirm the growth trend; the strength of the global brand and technical knowhow contributed to the Group's overall growth making it possible to also gain control of very competitive product categories, while also increasing the presence and activities in a few strategic commercial locations like Russia, the United States and the MEIA region.

Global market conditions

The global economy grew in 2015, albeit at a pace that differed from country to country.
In the advanced economies trade continued to grow at a robust pace, sustained by the low price of oil, funding at conditions that are still favorable, improved labor markets and a more positive sentiment; in the United States the Federal Reserve decided to raise the federal funds rate in December which, moreover, did not have negative repercussions for the global financial and currency markets.
In the emerging markets, rather, the trends continued to be weaker overall and more heterogeneous: the drop in the costs of raw materials and presence of structural obstacles, exacerbated by the tensions of the Chinese financial market, slowed the expansion of global trade and contributed to lowering inflation worldwide.
Growth continued in the Euro zone, thanks to internal demand and the accommodative monetary policies of the Euro system, but, however, remains fragile due to the gradual slowing of exports.
Looking forward, the recent forecasts call for a gradual increase in economic activity in 2016, driven by prospects that growth will hold well in most of the advanced economies. That said, the weak growth prospects for the emerging markets, volatile financial markets and uncertainty about the economic and international geopolitical environment will continue to weigh on the economic recovery.
(Source: Bank of Italy/ECB).

Group results

The reclassified De'Longhi Group consolidated income statement is summarized as follows:

(€/million)	**2015**	**% revenues**	**2014**	**% revenues**
Revenues	**1,891.1**	**100.0%**	**1,726.7**	**100.0%**
Change 2015/2014	*164.4*	*9.5%*		
Materials consumed & other production costs (production services and payroll costs)	(986.5)	(52.2%)	(911.0)	(52.8%)
Net industrial margin	**904.6**	**47.8%**	**815.7**	**47.2%**
Costs for services and other expenses	(454.1)	(24.0%)	(406.5)	(23.5%)
Payroll (non-production)	(162.7)	(8.6%)	(149.1)	(8.6%)
EBITDA before non-recurring income/expenses	**287.8**	**15.2%**	**260.1**	**15.1%**
Change 2015/2014	*27.7*	*10.6%*		
Other non-recurring income (expenses)	(2.6)	(0.1%)	(0.6)	(0.0%)
EBITDA	**285.2**	**15.1%**	**259.6**	**15.0%**
Amortization	(52.5)	(2.8%)	(46.8)	(2.7%)
EBIT	**232.7**	**12.3%**	**212.7**	**12.3%**
Change 2015/2014	*19.9*	*9.4%*		
Financial income (expenses)	(33.6)	(1.8%)	(41.7)	(2.4%)
Profit (loss) before taxes	**199.1**	**10.5%**	**171.0**	**9.9%**
Income taxes	(49.3)	(2.6%)	(43.8)	(2.5%)
Profit (loss) after taxes	**149.8**	**7.9%**	**127.2**	**7.4%**
Profit (loss) pertaining to minority interests	0.3	0.0%	0.7	0.0%
Profit (loss) pertaining to the Group	**149.5**	**7.9%**	**126.5**	**7.3%**

The net industrial margin reported in the reclassified income statement differs by € 157,9 million in 2015 (€ 154,5 million in 2014) from the consolidated income statement; this is because, in order to represent period performance better, production-related payroll and service costs have been reclassified from payroll and services respectively.

Revenues

In 2015 the Group posted consolidated revenues of €1,891.1 million, an increase of €164.4 million (+9.5%) against 2014 thanks to a rise in sale volumes, price increases and the overall positive exchange effect (the negative impact of Russia and the Ukraine was offset by the positive trend in the export markets).
At constant exchange rates and net of hedging carried out in 2015, growth would have reached +6.6% or €114.4 million.

Results by operating segment

Under IFRS 8 information by operating segment must be provided based on three operating segments which coincide with the Group's three main business regions: Europe (which consists of two regions, North East and South West), MEIA (Middle East, India and Africa) and APA (Asia, Pacific, America). Each segment is responsible for all aspects of the Group's brands within the different markets it includes.
This breakdown is in line with the tools used by Group management to run operations, as well as evaluate the company's performance and make strategic decisions.

The results by operating segment can be found in the Explanatory Notes.

Markets

The Group's revenues are broken down by geographical area as follows:

(€/million)	2015	% revenues	2014	% revenues	Change	Change %
North East Europe	479.6	25.4%	466.1	27.0%	13.5	2.9%
South West Europe	802.9	42.5%	731.1	42.3%	71.8	9.8%
EUROPE	**1,282.5**	**67.8%**	**1,197.2**	**69.3%**	**85.3**	**7.1%**
MEIA (Middle East/India/Africa)	**179.9**	**9.5%**	**163.4**	**9.5%**	**16.5**	**10.1%**
United States and Canada	123.5	6.5%	97.6	5.7%	25.8	26.4%
Australia and New Zealand	105.1	5.6%	100.9	5.8%	4.2	4.2%
Japan	59.9	3.2%	58.0	3.4%	1.9	3.3%
Other APA Countries	140.2	7.4%	109.5	6.3%	30.7	28.1%
APA (Asia/Pacific/Americas)	**428.7**	**22.7%**	**366.1**	**21.2%**	**62.7**	**17.1%**
Total revenues	**1,891.1**	**100.0%**	**1,726.7**	**100.0%**	**164.4**	**9.5%**

Net revenues increased, albeit at different speeds, in all the geographic regions.

A positive performance was posted in Europe where revenues rose €85.3 million or 7.1% (amounted to 1,282.5 million in 2015).
More in detail, in the South West revenues amounted to €802.9 million, an increase of 9.8% against 2014 thanks to the contributions of Italy, the DACH countries (Germany, Austria and Switzerland) and the Iberian Peninsula. Growth was driven by the volume and mix effect linked to the sales of fully automatic coffee machines, as well as the launch of *Lattissima Touch* and the Braun brand ironing systems.
Revenues rose slightly in the North East (+2.9%) where the market share of the main product categories rose despite the decided weakening of currencies in a few markets (Russia and Ukraine). The United Kingdom, thanks also to the favorable trend of the British pound, Poland and the Czech Republic/Hungary, where the small appliances market is showing no signs of slowing, contributed to this growth.
In Russia, where the market declined significantly, increased prices and stable volumes made it possible to partially offset the strong depreciation of the local currency.

Revenues for the MEIA region reached €179.9 million, an increase of +10.1% against 2014, due to the strengthening of the dollar, which more than offset the drop in volumes linked to the difficult economic and political situations. The region's markets were impacted by the low price of oil (above all the Gulf countries), by the restrictive financial and monetary policies in Egypt (with caps on currency exports) and political conflicts which

caused a drop in consumption and the sell out. Despite the difficult environment the De'Longhi Group did, however, succeed in increasing market share in the main markets.
Double digit growth (+17.1% against 2014) was reported in the APA (Asia/Pacific/Americas) region where revenues reached €428.7 million thanks to the contributions, above all, of USA/Canada, Brazil, China, Australia and South Korea, as well as the exchange effect. An excellent air conditioning season in the USA and Brazil boosted sales, while the mild winter caused heater sales to drop, particularly in Japan.
The importance of on-line sales continues to increase, primarily in the USA and China.
In the USA good results were reported as a result of, in addition to the good performance of the comfort segment, the improved mix with a growing contribution of the *Lattissima* and pump coffee machines.
In China, where market growth is slowing noticeably, the Group reported positive results thanks to the good performance of coffee machines, the push in on-line sales and the positive exchange effect.
Sales in Korea rose markedly in 2015, the first full year after completion of the commercial reorganization which resulted in the direct management of the Group's three main brands.

With regard to revenues by product family, growth was driven by coffee machines (fully automatic, Nespresso *Lattissima*, pump machines and DolceGusto *Jovia)* and comfort (thanks to the excellent air conditioning season which offset the drop in sales posted by the heating segment due to the mild winter).
Kitchen and food preparation appliances reported good results thanks, in particular, to fryers (thanks to the new *Multifry*) and small appliances (above all, food processors and kettles).
Sales of cleaning products and irons rose thanks to the contribution of the new Braun brand ironing systems.

As for the De'Longhi brand, growth was posted in all the main product categories of the coffee segment. The *Primadonna Elite's* new top-of-the-line fully automatic machine was launched in the year and the success of the *Dedica* pump machine continues thanks also to the introduction of a new series, launched in a few markets.
With regard to the Nestlè partnership product line, of note is the launch of the new *Lattissima Touch* and the good sales of the *Jovia* DolceGusto.
Lastly, very positive sales were also posted by kitchen machines, both the *Multifry* line and the *Breakfast* collection.

Even though the year was characterized by strong competition and market pressure for the main product, kitchen machines, Kenwood maintained its position as leader thanks to the premium positioning of its products and the launch of the new *Chef Sense*.
Of note in 2015 were the launch of *kCook,* a new food processor, and the new hand blender *Triblade System PRO*, as well as the success of the new *Multipro Classic*.
Two new blender lines were introduced*: Blend Xfresh* and *Blend Xcompact*.
The *Smoothie 2GO sport* was launched in order to capture the interest in products dedicated to health and wellbeing.

As for Braun brand products, the main product categories reported growth thanks primarily to the launch of new ironing systems and hand mixers; growth in ironing systems was recorded in all the main reference markets, thanks also to the launch of the new *Icare 5* line.
Growth of handblenders is attributable to both the high end line, MQ7 and the basic line, MQ1.
The two launches completed in the year, *CareStyle5* and *Multimix 3,* were awarded "*Best product of the year*" in the *Plus X* category.

Profitability

EBITDA before non-recurring costs amounted to €287.8 million (€260.1 million in 2014), rising slightly against 2014 as a percentage of revenues from 15.1% to 15.2%.
The trend in EBITDA reflects, on the one hand, the increase in the industrial margin and, on the other, the increase in general overhead and operating costs which were also impacted by the negative exchange effect.
The net industrial margin increased €89.0 million or +10.9% against 2014, rising as a percentage of revenues from the 47.2% reported in 2014 to 47.8% in 2015 thanks to higher volumes, price increases, cost efficiencies and despite the negative exchange effect.
Operating costs and general overhead increased, rising as percentage of revenues from 23.5% to 24.0%, due primarily to the exchange effect (revaluation of general expenses incurred in a few subsidiaries), provisions made for bad debt in a few markets, as well as a different classification of transportation costs.

Non-recurring costs of €2.6 million were recorded in the fourth quarter of 2015 relating to the reorganization of a foreign branch and the change made to the business model in the reference market.
Net of these non-recurring costs, EBITDA came to €285.2 million (€259.6 million in 2014).

Amortization and depreciation (€52.5 million) reflect the recent investments made in production (primarily in China and Romania) and were higher than in 2014 (+ €5.7 million).
EBIT rose €19.9 million in 2015 to €232.7 million, but was stable as a percentage of revenue at 12.3%.

Financial expenses came to €33.6 million in 2015 (€41.7 million in 2014), a decrease of €8.2 million due to the improved net financial position, lower factoring costs, beginning April 2015, and a drop in currency management costs.

Profit pertaining to the Group amounted to €149.5 million, an increase of €23.0 million with respect to 2014.

Review of the statement of financial position

The reclassified consolidated statement of financial position is presented below:

(€/million)	**31.12.2015**	**31.12.2014**	**Change**
- Intangibile assets	322.5	325.1	(2.6)
- Tangibile assets	199.1	191.1	8.0
- Financial assets	8.4	7.7	0.6
- Deferred tax assets	39.8	42.5	(2.7)
Non-current assets	**569.7**	**566.5**	**3.2**
- Inventories	323.4	317.8	5.7
- Trade receivables	372.1	366.2	5.9
- Trade payables	(383.3)	(382.5)	(0.8)
- Other payables (net of receivables)	(61.7)	(65.2)	3.5
Net working capital	**250.4**	**236.2**	**14.2**
Total non-current liabilities and provisions	**(103.2)**	**(105.5)**	**2.3**
Net capital employed	**717.0**	**697.2**	**19.8**
Net debt/(Net financial assets) (*)	**(188.9)**	**(89.0)**	**(99.9)**
Total net equity	**905.9**	**786.1**	**119.7**
Total net debt and equity	**717.0**	**697.2**	**19.8**

(*) The net financial position at 31 December 2015 includes €21.2 million in net financial liabilities (€24.2 million at 31 December 2014) relating to the fair value of derivatives, the financial debt connected to the transfer to third parties of the pension fund liabilities and the residual debt payable to Procter & Gamble for the Braun acquisition.

Capital expenditures in 2015 amounted to €54.4 million (€62.3 million in 2014) and include the €8.9 million invested in strengthening production, relating to the second wave of investments in the main Chinese plant and the start-up of production at the plant in Romania (€25.7 million in 2014).

Net working capital amounted to €250.4 million at 31 December 2015 and net working capital turnover improved reaching 13.2% of revenues versus 13.7% in 2014.
The change in trade receivables is explained, in addition to the increased sales, by the negative exchange effect, a decrease in factoring and a different classification of a few items recognized under suppliers at 31 December 2014. Net of these items, the change in trade receivables is less than the growth in sales, thanks above all to better collection in a few important markets.
Inventory was also down with respect to 2014 (in terms of the turnover ratio) thanks to the continuous steps taken to contain inventory in the main markets.

The Group's net financial position reached a positive €188.9 million at 31 December 2015 (€89.0 million at year-end 2014), an improvement, therefore, of €99.9 million.

Details of the net financial position are as follows:

€/million	31.12.2015	31.12.2014	Change
Cash and cash equivalents	357.9	388.5	(30.6)
Other financial receivables	15.9	55.2	(39.3)
Current financial debt	(71.5)	(232.0)	160.5
Net current financial assets	**302.3**	**211.8**	**90.5**
Non-current financial debt	**(113.5)**	**(122.8)**	**9.3**
Total net financial position	**188.9**	**89.0**	**99.9**
of which:			
- positions with banks and other financial payables	*210.1*	*113.2*	*96.9*
- Financial liabilities other than bank debt (fair value of derivaties and options,residual payable related to the Braun acquisition, financial payable commented to the pension fund transaction)	*(21.2)*	*(24.2)*	*2.9*

The net financial position at 31 December 2015 includes items other than bank debt of €21.2 million: the residual amount owed to Procter & Gamble million relating to the potential earn-out payable over the next two years and other net assets relative to the fair value of derivatives, as well as the financial payable linked to the transfer of pension fund liabilities to third parties (the items other than bank debt totaled €24.2 million at 31 December 2014).

The net financial position with banks and other lenders, net, therefore, of the financial liabilities other than bank debt, reached a positive €210.1 million al 31 December 2015 (compared to a positive €113.2 million at 31 December 2014). Improvement of €96.9 million was recorded in the twelve months due also to the positive exchange effect (estimated at around €30.2 million) and despite a few non-recurring or non-operating items (non-recurring investments, the payment of dividends, translation differences and lower factoring without recourse); net of the exchange effect and the non-recurring items the net financial position would have improved by €137.5 million (€105.0 million in the previous twelve months).

As for structure, the net current financial position amounted to €302.3 million at 31 December 2015 (€211.8 million at 31 December 2014).
No new medium/long-term loans were taken out in 2015.

The statement of cash flows is presented on a condensed basis as follows:

(€/million)	**2015**	**2014**
Cash flow by current operations	243.3	215.3
Cash flow by changes in working capital	(51.5)	(46.7)
Cash flow by investment activities	(53.3)	(60.8)
Cash flow by operating activities	**138.6**	**107.8**
Dividends paid	(61.3)	(59.8)
Cash flow by changes in fair value and cash flow hedge reserves	(7.7)	19.4
Cash flow by actuarial linked to the pension fund transaction	-	0.1
Cash flow by other changes in net equity	30.3	30.5
Cash flow absorbed by changes in net equity	**(38.7)**	**(9.8)**
Cash flow for the period	**99.9**	**98.0**
Opening net financial position	89.0	(9.0)
Closing net financial position/(Net debt)	**188.9**	**89.0**

Total cash flow for the period reached a positive €99.9 million in 2015 (basically in line with the positive cash flow of €98.0 million posted in 2014). This result reflects an improvement in operating cash flow, with respect to the prior year, which was partially offset by changes in net equity.
Net cash flow from operating activities reached a positive €138.6 million 2015 (versus a positive €107.8 million in 2014) due to an improvement in working capital management and fewer investments, following completion of the investment plans in Romania and China in 2015, despite higher ordinary investments as a result of new production reaching capacity.
Cash flows in 2015 were also affected by changes in net equity which amounted to approximately €38.7 million (versus €9.8 million in 2014) explained for €61.3 million by the payment of dividends, for €7.7 million by the negative impact of the fair value measurement of hedging instruments, which was partially offset by positive exchange differences of €30.3 million.

Research and development – quality control

The Group continued to invest in research and development in 2015. Total costs incurred (operating data) reached approximately €46.8 million (€42.2 million in 2014), €8.9 million of which capitalized as intangible assets.

Production began in the second half of 2015 of the new fully automatic coffee machine *Primadonna Elite* which was presented at IFA 2015. This a top-of-the-line product, the design and content of which were updated to reflect the relative market segment; the machine comes with a color TFT display, a full touch interface, new recipes/drinks, and can be connected via bluetooth and other apps (android/iOS).

The Group also continued with the development of simplified fully automatic coffee machines with milk functions for new markets where penetration is low, like Japan.

As for capsule machines, the focus was on the renewal of the line through the introduction of new models and new functions.

The *Distinta* line of the breakfast collection was launched, consequently development activities were focused on expanding the line (with, in particular, kettles, toasters and drip coffee machines).

As for cooking and food preparation products, the *Multyfry* line was developed further in order to both increase the number of accessories and access the premium segment, as well as create specific, personalized solutions for the different geographical regions.

Looking at air treatment products, complete renewal of the dehumidifier line was also started.

With regard to air conditioners, the Group continued to develop solutions that are more energy efficient, as well as less noisy; these activities involved existing products, as well as a freshly designed product featuring new technologies that will be ready to launch in Europe in first quarter 2016.

As for heaters, the convector line was completely renewed and the design of the entire oil heater line was enhanced.

A new line of Braun brand ironing systems and steam irons was created by the Braun and De'Longhi teams; the *CareStyle 5* ironing system was launched in 2015 and in 2016 the line is expected to be completed, particularly the one for the Far East markets.
Production of both the *serie 3* ironing system and steam iron also began in the year.

As for Kenwood, the additional investments made in development resulted in the launch of new products in all the main categories (kitchen machines, food processors, cookers, blenders and breakfast collections). Development also continued of the innovative products that will be launched in 2016.
The *Internet of Things* (IoT) technology is an important area of innovation, as is, consequently, the development of related products; in collaboration with external consultants a number of steps were taken in 2015 to define the IoT strategy.

Monitoring of quality control continued in 2015.
Certification of the corporate quality control system was assigned to Bureau Veritas, an important, highly visible provider which offers a benchmarking program/improvement of brands and the Group's production.
Thanks to the collaboration of the Quality Control, Purchasing and Human Resources departments, a structured monitoring and control system of the Chinese OEM suppliers relating to Social Accountability was established.
A mapping of the current state of Information Security was done with external consultants in order to define the areas in need of improvement and the steps to take in 2016.
Implementation of the best practices for the "food contact" was also completed at the European and Chinese plants.
A structured system for the monitoring of quality control costs was also defined and implemented at the Italian plant in order to optimize investments in strategic areas with a view to being preventively proactive rather than intervening when defects are detected; in 2016 this system will also be implemented at the Romanian plant and, subsequently, at the Chinese production facilities.
As for coffee, a dedicated team was instituted and began operations with a view to, on the one hand, intervening preventively during the product development phase and, on the other, monitoring quality of products already brought to market.
Lastly, the Group's PC&RA (Product Compliance & Regulatory Affairs) unit was also defined and became operational. This unit will work with the different brands' Technical and Production Divisions in order to follow, on a group level, developments in regulations and laws (electrical safety, energy efficiency, ecodesign, food contact, chemical regulations, etc.) and ensure that all product categories are uniformly updated and compliant with the law.

Communication activities

In 2015 communication activities supporting the brands continued on various fronts.

The De'Longhi brand benefitted from the launch of *Multyfry*, an appliance that combines the characteristics of a low-oil fryer with those of a multicooker. The initiative was very well received by consumers who appreciated, in particular, the launch of an application that makes it possible to consult, as well as share recipes and cooking tips, which is supported and enhanced locally thanks to video recipes posted on the website and *youtube*.

With regard to coffee, 2015 was a crucial year due to the launch of *Primadonna Elite's* new top-of-the-line fully automatic machine in the main European markets. The launch was supported by a wide variety of communication initiatives which ranged from the preparation of display materials in the points of sale to the creation of dedicated websites and new TV advertising campaigns. The *Primadonna Elite* coffee machine also works via bluetooth thanks to an application created specifically for this purpose. Lastly, in order to provide more customer assistance, a dedicated channel was inaugurated on *youtube* where consumers can find different types of demo videos regarding everything from basic maintenance to instructions on how to better use the product.

Breakfast benefitted from the introduction of new collections which included, more specifically, the *Distinta* line which was supported by the creation of specific application that allows consumers to see products inside their kitchens on their smartphones or tablets.
A new TV advertising campaign was developed for comfort in order to provide information about dehumidifiers, focused on the discomfort that dampness can cause, which received positive feedback.

Particular attention was paid to strengthening the training platform used by promoters and personnel dedicated to product demonstrations in order to provide all the information needed to approach the consumer. Courses were held and updated tools were made available during the year in order to ensure that the sales force had access to all relevant information.

As for the Braun brand, at the beginning of 2015, the launch of the new *CareStyle 5* marked the introduction of the line of ironing systems, expanded in the second half of the year with the launch of *CareStyle 5 Pro*. This was an important initiative which added momentum to the entire family of ironing products. The category, in fact, benefitted from the new positioning of the product and, in general, took advantage of the positive impact that the informational material provided had on consumers.

The solidity of hand blenders was maintained. The launch of *Multimix 3* at the beginning of the year was very well received and we believe will further strengthen segment positioning.

Particular attention was paid to strengthening Braun's online presence in terms of both content and search engine optimization which caused online traffic to grow by 100%.

With regard to the Kenwood brand, the focus in 2015 was on stabilizing the products launched at the end of the year, while also supporting the of new products like *kCook* and *Multione*. Both initiatives called for the release of an application with more than 300 recipes published in different languages. The Group worked to improve the application by introducing new functions, a new format and a new structure that makes it possible to upload products, recipes and videos.

The Group also focused its attention on accelerating the creation of video content, not only in order to present new products, but also to discuss specific topics.

New web pages were created with useful information, highlighting special characteristics of products through the publication of recipes and videos and providing answers to the questions asked most frequently by consumers.

Steps were also taken to enhance the presence in stores by working directly on product displays.

The guidelines relative to merchandising were strengthened in an effort to unify the image of the Kenwood brand as much as possible. The e-Learning platform dedicated to promoters and product demonstration staff was strengthened in order to facilitate the sharing of information and updates.

In 2015 the Group continued to invest in its digital strategy. The dedicated team was strengthened and digital agencies provided assistance in the implementation of new digital initiatives.
The initial focus was on SEO (*Search Engine Optimisation*) which resulted in a significant increase in traffic on the websites of the Group's brands.
The traffic on the Group's website (www.delonghigroup.com) also increased for 50% if compared with 2014, as did the number of users using smartphones and tablets to access the website.

In the United Kingdom the "Product registration" system (which will be launched in 32 more countries) based on which the consumer can access after-sales services directly and becomes involved in the sharing of information about events and/or promotions was successfully launched.

After the positive conclusion of the pilot project, use of the tool that makes it possible to interact with retailers' websites in order to provide accurate product information also began in other countries.

Human resources

The De'Longhi Group had 6,436 employees at 31 December 2015 (6,710 at 31 December 2014).

Here follows a detail of the average workforce in 2015 and in 2014:

	2015	%	2014	%	Change
Blue collar	3,799	56.7%	3,782	57.7%	17
White collar	2,802	41.8%	2,676	40.8%	126
Senior managers	97	1.5%	96	1.5%	1
Total	**6,698**	**100.0%**	**6,554**	**100.0%**	**144**

	2015	%	2014	%	Change
Household	6,600	98.5%	6,459	98.6%	141
Corporate	98	1.5%	95	1.4%	3
Total	**6,698**	**100.0%**	**6,554**	**100.0%**	**144**

The Group had an average of 6,698 employees in 2015, an increase of 144 employees, while the FTE figure (including, therefore, temporary workers) rose by approximately 840 as a result of the steps taken to increase production at the Chinese and Romanian plants, as well as the Braun structures in Germany and a few sales offices.

In terms of R&D structures, strengthening of the product development centers continued in 2015 at the headquarters in Italy, the UK and Germany, as well as in China.

As part of the ever increasing focus on the development and motivation of the Group's employees, key not only to fostering a positive work environment, but also to ensuring the improvement and sustainability of results over the medium/long term, in 2015 De'Longhi, for the first time, launched an employee engagement initiative *"Your Voice: to Make the Difference"* – with the support of a premier consultancy in order to guarantee professionalism and the confidentiality of the data.
In order to improve employee engagement and the level of loyalty to the company, employees were provided with an opportunity to voice their opinions and asked to provide information in relation to eight different topics - Leadership, My Company, My Manager, Personal Growth, My Team, Wellbeing, Fair Deal, Giving Something Back.
The participation exceeded the brightest expectations, with 94% of the 3,000 or so employees involved answering, testimony to both the strong tie to the company, as well as the desire to participate and contribute to the creation of a more positive and stimulating work environment.

The information gathered, as well as the priorities that emerged, will make it possible to define how to implement the improvements needed at both a Group and a single country/location/department level over the next 18/24 months.

The portal for employees "*PLUS*", created in Italy in 2013, was launched internationally in 2015 and is now available at all the Group's branches. This launch represented a further step forward in the internal communication projects which seek to foster the Group's identity and the sense of belonging in all its locations.

As for the external communication and employer branding initiatives in Italy, in 2015 a number of initiatives were organized in collaboration with universities, featuring testimonials, guided tours and company presentations to groups of students.
The Group also continued the collaboration begun in 2013 with the Summer School program organized by the University of Padua's Department of Economics with Guangzhou University (China), hosting a group of students at the headquarters in Treviso and in Dongguan, China.

With a view, again, to increasing the focus on the development of internal resources, in 2015 further and increased investments were made in training in order to strengthen managerial and technical knowhow.
The different initiatives included (i) an "Innovation Workshop", an event held in Italy the purpose of which was to find innovative ideas for a specific product category, experimenting with new approaches to brainstorming and the process of innovation thanks to the support of an external partner specialized in these types of project. The 24 young resources who participated in the event were from different divisions and assigned to work groups which proposed 5 innovative ideas, new product prototypes and/or functions which could be used to develop new products and (ii) a teamwork initiative that involved key resources of Italian and Romanian production facilities with a view to fostering integration, synergies and shared paths/projects.

Report on corporate governance and ownership structure

In compliance with applicable laws and regulations, as well as the Italian Stock Market Regulations, information is herewith provided about the corporate governance system, also with reference to the principles of the Corporate Governance Code for Listed Companies (July 2014 edition), and about ownership structure, in compliance with the legislator's requirements as set out in art. 123-*bis* of Legislative Decree n. 58/98 ("TUF").

The De'Longhi Group has adopted and complies with the Corporate Governance Code for Listed Companies, published in July 2014.
In compliance with applicable laws and regulations, as well as the Italian Stock Market Regulations, the Group prepares an annual Report on Corporate Governance and Ownership Structure, which not only provides a general description of the system of corporate governance adopted, but also the information on ownership structure, required by art. 123-*bis* of TUF.
This report, to which this section now refers, has been prepared in accordance with the "*Format for the report on corporate governance and ownership structure"* published by the stock market management company in January 2015, and will be made available to the public at the same time as the Report on Operations and the full year financial statements. The report is also available at www.delonghigroup.com, in the section " *Investor relations > Governance > Annual Shareholders Meeting > 2016"*.

The key points relevant for the purposes of the Report on Operations are summarized below.

Direction and Co-ordination
De'Longhi S.p.A. is not subject to the direction and co-ordination of its parent De'Longhi Industrial S.A., or of any other party, as defined by articles 2497 *et seq*. of the Italian Civil Code, and directs and co-ordinates its subsidiaries.
In compliance with the principles of corporate governance, transactions of particular importance strategically, or for the statement of financial position and results of the De'Longhi Group, must be examined and approved solely by the Board of Directors of the issuer De'Longhi S.p.A., which contains four directors qualifying as non-executive and independent, based on the guidelines found in article 3 of the Corporate Governance Code, adopted by the Company as resolved by the Board of Directors on 23 April 2013 (please refer to paragraph 4.6 of the 2015 Report on Corporate Governance and Ownership Structure) and articles 147 *ter*, 4th paragraph, and 148, 3rd paragraph, of TUF .

Board of Directors
The Board of Directors currently in office was appointed by the shareholders' during the meeting of 23 April 2013, which set the total number of directors at ten. This Board will end its term in office at the shareholders' meeting called to approve the annual report and financial statements at 31 December 2015.
In compliance with art. 147-*ter* of TUF, the articles of association of De'Longhi S.p.A. establish that the Board of Directors is elected using a list voting mechanism, with one director elected from the list obtaining the second highest number of votes (the other members all being taken from the majority list).
During the meeting held on 18 December 2012, the Board of Directors resolved to amend articles 9 and 14 of the articles of association, relating to the appointment and composition of boards and control bodies in order to comply with the new provisions of articles 147-*ter*, paragraph 1-*ter* and 148, paragraph 1-*bis* of TUF – as amended by Law n. 120/2011 "implementing provisions concerning gender equality in the composition of administrative and control bodies of companies listed on regulated markets". Shareholders who own an interest at least equal to that determined by CONSOB pursuant to law and regulations are entitled to present lists of candidates for the office of director.

In order to ensure that the Company's governance complies with the changes introduced in the December 2011 version of the Code, on 18 December 2012 the Board of Directors approved a new framework resolution reiterating its adhesion to the Corporate Governance Code (with a few exceptions, that will be detailed later in this Report explaining the related reason and the other information required by the Corporate Governance Code), applying the new recommendations and confirming the resolutions relating to corporate governance approved in the past. Following the new edition of the Corporate Governance Code, issued on July 2014, the Board of Directors, in force since April 2013, adopted the changes amended by the new edition on the meeting dated 19 February 2015, thus changing the framework resolution adopted on 18 December 2012.
Pursuant to Article 1.C.1., lett. g) of the Corporate Governance Code, during the meeting on 3 March 2015 the Board of Directors resolved to begin a board review or self-assessment process in order to evaluate, among other things, the functioning, size and composition of the Board. The methods used and findings are discussed in the detail in the 2015 Report on Corporate Governance and Ownership Structure.

In 2015 the Board of Directors also:
- confirmed the list of the De'Longhi Group's "strategically important subsidiaries", identifying them as De'Longhi Capital Services S.r.l. and De'Longhi Appliances S.r.l., De'Longhi-Kenwood Appliances (Dongguan) Co. Ltd, Kenwood Ltd, De'Longhi Deutschland GmbH, De'Longhi Australia PTY Ltd., De'Longhi LLC, De' Longhi America Inc., De' Longhi Kenwood MEIA FZE, De'Longhi Japan Corporation and De'Longhi Kenwood A.P.A. Ltd;
- resolved, pursuant to art. 3 of Consob Resolution n. 18079 dated 20 January 2012, to exercise the opt-out clause found in articles 70, paragraph 8 and 71, paragraph 1-*bis* of Consob Regulation n. 11971/99 which grants the option to waive the mandatory publication of information documents relating to mergers, spin-offs, capital increases through in-kind transfers, acquisitions and disposals.

The Board of Directors periodically reviews whether its members qualify as executive/non-executive and independent/non-independent in compliance with the principles established by articles 2 and 3 of the Corporate Governance Code, and adopted by the Company in a framework resolution approved by the Board of Directors on 18 December 2012.
The Board has two executive directors - the Chairman and the Chief Executive Officer - and eight non-executive directors, who have no authority or managerial functions in the company or the Group, and four of whom satisfy

the independence requirements established under art. 148, par. 3 of TUF and art. 3 of the Corporate Governance Code, and adopted by the Company in the above mentioned Board of Directors' resolution of 18 December 2012. Lastly, during the meeting held on 3 March 2015, the Board confirmed that the directors Alberto Clò, Renato Corrada, Stefania Petruccioli and Cristina Pagni still qualify as independent as per the above.

Some of the current directors hold appointments in other listed or relevant companies. The most significant appointments are listed in the 2015 Report on Corporate Governance and Ownership Structure.

The Board of Directors has decided to adopt the recommendation relating to the appointment of a lead independent director with the functions suggested in the Corporate Governance Code.

Committees set up by the Board of Directors

During the meeting held on 23 April 2013, the Board of Directors voted to confirm the establishment of two Board committees, namely:
- the Risk and Control and Corporate Governance Committee;
- the Compensation and Nominations Committee.

During the same meeting held on 23 April 2013 the Board also decided to set up a committee solely comprising independent directors.

The Risk and Control and Corporate Governance Committee met six times in 2015. These meetings were also attended by the Board of Statutory Auditors, while the committee also extended invitations to the Head of Internal Audit, the Financial Reporting Officer, and the Group's Head of Corporate Affairs, who also acted as secretary. The Compensation and Nominations Committee held eight meetings during 2015, all of which were attended by all its members; the Chairman also extended an invitation to the Group's Head of Human Resources, who also attended all the meetings.

Details of the powers and operation of these committees can be found in the 2015 Report on Corporate Governance and Ownership Structure and in the annual Remuneration Report prepared in accordance with art. 123-*ter* of TUF and art. 84-*quater* of the Issuer Regulations.

Board of Statutory Auditors

Following the resolutions adopted by the shareholders' meeting of 23 April 2013, the Board of Statutory Auditors comprises Gianluca Ponzellini, its chairman, and Paola Mignani and Alberto Villani, both standing members. Their term in office expires with the approval of the annual report and financial statements at 31 December 2015. Art. 14 of the articles of association is designed to ensure that the Chairman of the Board of Statutory Auditors is appointed by the minority, by taking him/her from the list obtaining the second highest number of votes.

External Auditors

Reconta Ernst & Young S.p.A. has been engaged to audit the financial statements of De'Longhi S.p.A. and its subsidiaries, in accordance with the resolution adopted during the ordinary shareholders' meeting held on 21 April 2010. The assignment will expire with the approval of the annual report and financial statements for the year ended 31 December 2018.

Risk management and internal control system relating to the financial reporting process

Introduction

The Issuer's and the De'Longhi Group's Internal Control System consists in the set of rules, procedures and organizational structures set in place to ensure that company strategies are adhered to and, based on the corporate governance standards and model included in the COSO report (Committee of Sponsoring Organizations of the Treadway Commission), to guarantee :

a) efficient and effective company operations (administration, production, distribution, etc.);
b) reliable, accurate, trustworthy and timely economic and financial information;
c) compliance with laws and regulations, as well as the corporate articles of associations, rules and company procedures;
d) safeguarding of the company's assets and protection, to the extent possible, from losses;.
e) identification, assessment, management and monitoring of the main risks.

The executive administrative bodies of the Parent Company De'Longhi S.p.A. (Board of Directors, the Risk and Control and Corporate Governance Committee, Director in Charge of the Internal Control and Risk Management System), the Board of Statutory Auditors, the Head of Internal Audit, the Supervisory Board, the Financial Reporting Officer and all De'Longhi personnel, as well as the Directors and Statutory Auditors of the Issuer's subsidiaries, are involved in the controls, with different roles and in function of their expertise and adhere to the recommendations and principles found in the guidelines.

The Internal Control System that is subject to examination and periodic audits, taking into account changes in the company's operations and reference context, makes it possible to address the main risks to which the Issuer and the Group are exposed to over time, in a timely manner, as well as to identify, assess and control the degree of the exposure of the Issuer and all the other companies of the De'Longhi Group – particularly the strategically important subsidiaries – to the different types of risk, and also makes it possible to manage the overall exposure taking into account:

(i) the possible correlations between the different risk factors;
(ii) the probability that the risk materializes;
(iii) the impact of the risk on the company's operations;
(iv) the overall impact of the risk.

The internal control and risk management system relating to the financial reporting process (administrative and accounting procedures used to draft the separate and consolidated annual financial statements and the other economic and/or financial reports and disclosures prepared in accordance with the law and/or regulations, as well as ensuring correct implementation) coordinated by the Financial Reporting Officer, is an integral and essential part of the De'Longhi Group's Internal Control and Risk Management System.

The Head of Internal Audit – who is in charge of verifying that the internal control and risk management system works efficiently and effectively – prepares a work plan each year that is presented to the Board of Directors for approval, subject to the positive opinion of the Risk and Control and Corporate Governance Committee and after having consulted with the Board of Statutory Auditors and the Director in Charge of the Internal Control and Risk Management System, based also on the comments made by the Financial Reporting Officer, as well as pursuant to Legislative Decree 262/05. Discusses the steps taken to resolve any problems, to make the improvements agreed upon, as well as the results of the testing activities with the Risk and Control and Corporate Governance Committee. Provides the Financial Reporting Officer, as well as the administrative body assigned, with a summary report based on which they can assess the adequacy and application of administrative procedures to be used to prepare the consolidated financial statements.

In order to identify and manage the Company's main risks, with regard particularly to corporate governance and compliance with the law and regulatory standards (including the Corporate Governance Code for Listed Companies), during 2013 the Issuer undertook a project designed to strengthen enterprise risk management (ERM) with the support of a premiere consulting company.

This project called for the development and monitoring of a structured ERM model in order to effectively manage the main risks to which the Issuer and the Group are exposed. The project was completed at the end of 2013 and

the results were shared with the Director in Charge of Internal Control and Risk Management, the Risk and Control and Corporate Governance Committee and the Board of Statutory Auditors.
It was possible, therefore, to map the main business risks based on the Group's value chain, identify inherent and residual risk with particular emphasis on what are potentially the biggest risks and proposing solutions; in 2015 follow-up on the monitoring and management of the highest risks continued.

The risk plan also calls for guidelines to be established for the control and risk management system using a top down approach, as well as the identification of the duties and responsibilities of the various individuals involved in the different levels of control:
(i) the recognition and identification by operations of the main risks and subsequent treatment;
(ii) control by the risk control department of the risks and definition of the instruments and methods to be used to managed the risks.

<u>Description of main characteristics</u>

The De'Longhi Group uses a system of risk management and internal control for the financial reporting process that is part of the wider system of internal controls as required under art. 123-bis par. 2.(b) of TUF. This system is designed to guarantee the reliability, accuracy, consistency and timeliness of financial reporting and has been defined in accordance with the framework established by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and with the Control Objectives for Information and Related Technology (COBIT).

For the purposes of ensuring reliable internal controls over its financial reporting, the Group has implemented a system of administrative and accounting procedures and operations that include an accounting policies manual, updating in order to comply with the law and changing accounting standard, rules for consolidation and interim financial reporting, as well as coordination with subsidiaries as needed.
The Group's central corporate functions are responsible for managing and communicating these procedures to other Group companies.
The assessment, monitoring and continuous updating of the internal control system relating specifically to financial reporting is carried out in accordance with the COSO model and, where applicable, Law 262/2005. Critical processes and sub-processes relating to the principal risks have been identified in order to establish the principal controls needed to reduce such risks. This has involved identifying the strategically important companies, based on quantitative and qualitative financial parameters (i.e. companies that are relevant in terms of size and companies that are relevant just in terms of certain processes and specific risks).
Having identified these companies, the risks have been mapped and assessed and the key manual and automatic controls have been identified and rated as high/medium/low priority accordingly; these controls have then been tested.
The perimeter of the companies included in the mapping for the purposes of Law 262/2005 has changed over the years to reflect the changes in the Group, both quantitative and qualitative, and to align this perimeter with perimeter of companies viewed as strategic.
The general managers and administrative heads of each Group company are responsible for maintaining an adequate internal control system and, given their roles, must certify that the internal control system works properly.
Internal Audit must also include verification of the internal controls through the use of a self-assessment check list in its Audit Plan.

With regard to compliance with Title VI of the Regulation implementing Legislative Decree n. 58 of 24 February 1998 relating to market regulations, De' Longhi S.p.A. controls, directly or indirectly, eight companies formed and regulated by the law of countries that are not part of the European Union considered relevant pursuant to art. 151 of the Issuer Regulations.

With reference to the requirements of art. 36 of the Market Regulations, it is reported as follows:
- in the issuer's opinion, these companies have suitable accounting and reporting systems for regularly providing management and the auditors of De'Longhi S.p.A. with all the financial information needed to prepare the consolidated financial statements and perform the audit of the accounts;
- these companies provide the auditors of De'Longhi S.p.A. with the information needed to audit the parent company's interim and annual financial statements;

- the issuer keeps the articles of association of the aforementioned companies and details of their company officers and related powers, which are constantly updated for any changes in the same;
- the financial statements of such companies, prepared for the purposes of the De'Longhi Group's consolidated financial statements, have been made available in the manner and terms established by existing law. Please note that the identification and analysis of the risk factors contained in this report were carried out including in light of the change in strategic companies as resolved by the Board of Directors.

RISK FACTORS FOR THE DE'LONGHI GROUP

The risk factors and uncertainties that could materially affect the De'Longhi Group's business are discussed below. These risk factors also take into account the above mentioned ERM project (completed in December 2013 with follow-up during 2015) and the assessments carried out in prior years including through more in depth analysis shared with the Risk and Control and Corporate Governance Committee and De'Longhi S.p.A.'s Board of Statutory Auditors.

They should also be noted that in addition to the risk factors and uncertainties identified in this report, other risks and uncertain events not currently foreseeable, or which are currently thought unlikely, could also influence the business, the economic and financial conditions and prospects of the De'Longhi Group.

1 - Risks relating to macroeconomic trends: the De'Longhi Group's economic performance and financial position are also affected by macroeconomic trends such as: trends in consumption, interest and exchange rates, as well as the cost of raw materials.

The economic environment already described in this report and the difficulties in preventing economic cycles, the prices of raw materials and energy, the crises in a few markets linked to ongoing conflicts, along with the other factors listed in this section, could have a significant impact on the Group's results and financial position.

2 - Socio-political risks relating to market trends and demand, and to the Group's presence in emerging markets. The De'Longhi Group does business in many foreign markets, primarily on a direct basis and through agreements in certain emerging countries like China.

The Group has therefore long had the characteristics typical of a multinational company and this inevitably exposes it to a number of risks relating to economic conditions and policies of the individual countries in which it operates.

These risks not only affect consumption trends in the various markets concerned, but may also be relevant in terms of concentration of the Group's production sites in foreign markets if polices were introduced that limit or restrict foreign investment, imports and exports or capital repatriation.

These are systemic risks, common to all businesses, for whom the ability to generate value depends first on the dynamics and size of the market and only second, on their ability to compete and consolidate/acquire the largest possible market share.

The Group, in the persons of the Chairman of the Board of Directors, the Chief Executive Officer, and the division and market managers, constantly monitors market trends in order to promptly seize opportunities to increase business and to assess the likelihood of any risks (and their potential effects on the Group's results).

The occurrence of adverse political and economic events in the markets in which the De'Longhi Group operates (and particularly in emerging markets), could have adverse economic and financial consequences for it.

3 - Risks relating to strong competition in the sectors in which the De'Longhi Group operates: the business in which the De'Longhi Group operates is highly competitive.

The Group competes with other major international industrial groups. The target markets are highly competitive in terms of product quality, innovation, price, energy saving, reliability, safety and assistance.

If the Group were unable to adapt effectively to the external context, this could have an adverse impact on the Group's business prospects, as well as on its economic performance and/or financial position.

4 - Risks involved in relation to supply agreements and strategic alliances: the Group also operates through agreements with strategic partners that foresee the development, production and marketing of products, particularly coffee makers sold in international markets.

Consequently, the Group's failure to maintain or renew these agreements could impact economic results and the financial position.

5 - Risks relating to the De'Longhi Group's ability to achieve continuous product innovation: the De'Longhi Group's ability to generate value also depends on the ability of its companies to offer technologically innovative products that respond to market trends.

In this respect, the Group has proved in the past to be a leader in technological innovation and in creating new in-vogue designer products, also thanks to the importance it places on those working in product development and design, which it intends to maintain in the future. By way of confirmation, market shares are increasing in the main markets and product lines in which the Group operates.

In particular, if the Group were unable to develop and continue to deliver innovative, competitive products relative to its major competitors in terms of price, quality and functionality, amongst others, or if there were delays in the market launch of models strategic to its business, the Group could lose market share, with an adverse impact on its business prospects, as well as on its economic performance and/or its financial position.

6 - Risks relating to patents and trademarks. Given the importance of developing products that are innovative in both technology and design (see point 5 above), the Group pursues a policy of protecting its research and development by registering patents for inventions, utility models and designs in the various markets concerned; similar protection must be assured for the Group's trademarks.

The Group's legal offices are responsible for the legal protection of industrial property rights (patents for inventions, utility models, designs and models as well as trademarks) and constantly monitor and control the situation around the world, using the services of specialist consultants in the various countries concerned.

Such actions cannot absolutely guarantee that the Group's products will not be imitated and furthermore, certain jurisdictions (such as China and the United Arab Emirates) do not protect property rights to the same extent as European law.

The Group's policy is nonetheless based on incurring the necessary costs to ensure that its property rights have the greatest possible global protection in the various markets where it operates.

Moreover, there is no guarantee that protection of the industrial property rights still in the registration process (and, in particular, patents for inventions and utility models) will be actually granted as filed, since the extent of protection may be reduced - even significantly – not only as a result of technical examination by the competent office but also as a result of opposition to the registration and licensing of the rights that might be presented by third parties.

Lastly, although the Group does not believe that its products infringe third-party property rights, it is not possible to exclude that third parties might successfully claim that such infringements exist, including through legal proceedings.

7 - Exchange rate fluctuation risks: The Group does business in many foreign markets and is exposed to the risk of fluctuations in currencies.

For the purposes of protecting its income statement and statement of financial position from such fluctuations, the Group adopts a suitable hedging policy and tools, free from speculative connotations.

Hedging is carried out centrally by a special team on the basis of information obtained from a detailed reporting system, using instruments and policies that comply with international accounting standards. Hedging activities are defined when the yearly budget is approved (or when the three-year plan is approved). The purpose of hedging is to protect - at individual company level - the future revenues/costs contained in budgets and/or long-term plans and trade and financial receivables/payables.

The level of coverage relative to revenues and costs is determined including based on market trends and cost/benefit analyses.

The principal currencies to which the Group is exposed are the US dollar (in which a part of the costs relative to raw materials, parts and finished products, as well as the bond loan issued by the parent company De'Longhi S.p.A. in 2012, are denominated) and the currencies of the main export markets (the British pound, the US dollar, the Japanese yen, the Australian dollar, the Ruble, etc.).

Despite such hedging transactions, sudden currency fluctuations could have an adverse impact on the Group's results and business prospects.

8 – Risks relating to commodity prices and supplier relationships: The Group's production costs are affected by the price of its principal raw materials, namely steel, plastic and copper.

The Group's production costs are influenced by the prices of the most important raw materials like steel, plastic and copper.

Most of the purchases are made in China; the related risks are associated with production by Chinese subsidiaries that serve as suppliers to the Group, by the network of third-party suppliers and by suppliers of parts to the Group's manufacturing subsidiaries (see point 2 for the strategic risks of manufacturing in China).
The Group manages these risks through:

- *(a)* a permanent evaluation system for the various suppliers, used for decision-making purposes and to identify the reliability of each recurrent supplier in terms of quality and price of the products supplied;
- *(b)* assessment of the risk of fluctuation by the Chinese currency against the US dollar, the Group's reference currency which is protected by the Group's hedging policies;
- *(c)* review of the financial status of suppliers and hence of the allocation of appropriate production volumes to each supplier;
- *(d)* evaluation of the services provided by suppliers in terms of logistics and timeliness of deliveries and of the consequent decisions adopted each time;
- *(e)* inspections, prior to product shipment by suppliers, intended to prevent any defects in the quality of products acquired.

In addition, with reference to steel, one of its principal raw materials, the Group has dealt for a long time with the same suppliers, selected for their reliability; up until now, these suppliers have always guaranteed the results of production expected. Lastly, the Group defends its reputation with suppliers in their dealings with employees. Such caution is duly reflected in contractual dealings and furthermore, every supplier is given a copy of the De'Longhi ethical code governing all its activities.
Nevertheless, it is conceivable that a breach of contract by one or more suppliers to Group companies could have adverse effects on the Group's operations, economic performance, assets and liabilities and financial position.
The price of these raw materials and parts can fluctuate significantly, depending on several factors, including the cyclical nature of the markets concerned, supply conditions and other factors beyond the Group's control and difficult to predict. The trend in the price of these raw materials and parts is constantly monitored in order to take necessary action to keep the Group competitive.
At the date of the present report, the Group does not have any contracts to hedge the risk of fluctuations in commodity prices. There is also a possible risk linked to the dependence on one supplier for a few types of strategic production; in order to address this risk the Group has begun searching for secondary suppliers and to define an alternative strategy for purchasing/production.

9 - Risks relating to human resources management: The Group's success largely depends on the ability of its executive directors and other members of management to effectively manage the Group and the individual areas of business and on the professionalism of the human resources that it has been able to attract and develop.

The principal risks relating to human resources are linked to the Group's ability to attract, develop, motivate, retain and empower staff who have the necessary talent, values, and specialist and/or managerial skills to satisfy the Group's changing needs.
The loss of such individuals or other key employees without adequate replacement, or the failure to attract and retain new qualified resources could therefore adversely affect the Group's business prospects, as well as its economic performance and/or financial position.
In terms of being able to attract quality resources, the Group's principal companies not only have specialist qualified professional human resources teams, but they also plan actions to improve the quality of working environment for its employees and staff as well as the Group's external image (communication, contact with schools and universities, testimonials, internships, etc.), in some cases using the services of specialist professional firms with a proven track record.
In terms of motivating and developing personnel, actions taken include the strengthening of managerial, specialist, business and regulative competencies, with initiatives that involve managers and staff from different areas of the business.
The salary review process also includes reward systems for employees at various levels in the organization - from the plant worker through to top management and key people - which are linked to the achievement of short-term and/or medium/long term targets.
As far as plant personnel is concerned, the Group operates in China and Italy and, beginning in 2013, in Romania, as well. A majority of the personnel is employed in China following the restructuring of the manufacturing activities begun in 2004 (previously the production plants were based in Europe, mainly in Italy). Having a production facility in Eastern Europe beginning in 2013 has made it possible to diversify the Group's industrial platform, so as to partly restore the balance in production between the currently dominant China and Europe. The current arrangement involves certain risks associated with high staff turnover within the Chinese manufacturing

workforce, combined with higher payroll costs following the Chinese government's decision to significantly raise minimum wages. These risks are managed through the development of incentive systems to foster staff retention (production bonuses and retention bonuses spread over time for workers, wage increases linked to length of service, and incentive schemes for management), investment in training and developing more qualified internal resources, improvements in living and working conditions within the various factories (canteens, recreational and leisure activities, internet access).

10 - Risks relating to product quality and product liability: The Group's products have to meet different quality standards according to the different jurisdictions in which they are marketed.

The main risk is that products do not meet the quality standards required by the different regulations in such jurisdictions. This could justify the return of such products, with increased costs of production and an impact on the Group's image that could harm its reputation.

The activities of the De'Longhi Group involve it assuming typical producer liability for damage caused by defective products: part of its sales take place in jurisdictions (like the USA) where the rules governing liability for damage caused by products to people or things are particularly strict.

The Group therefore applies strict standards of control to its products: it has a protocol for managing quality risk that involves a series of activities and procedures in defence of product quality; there is also a special team that controls quality directly in manufacturing units and at supplier locations.

In addition, the Group has product liability insurance that is deemed adequate to cover these risks.

Nonetheless, it is conceivable that such insurance coverage could be inadequate for manufacturing defects in some of the Group's products or in other circumstances. The initiation of significant product liability claims, or the identification of defects in the Group's products, could harm the Group, with adverse consequences for the management and development of its business.

11 - Risks relating to inventory levels and delivery punctuality: In view of the importance of inventory and supply chain management within the Group's organization, certain risks can be hypothesized: in fact, the Group is exposed to a stock level risk, associated with correctly predicting product quantities and assortment for subsequent sale.

In particular, if the Group did not have an adequate quantity of products it could run the risk of failing to adequately and promptly meet customer demand; if, however, the quantity of such products exceeded orders, the Group might face the risk of unsold stock.

Another risk is the efficient management of the supply chain that could affect the adequacy of customer service.

The Group currently has a logistics centre that ensures careful and timely planning and management of every stage of the supply chain.

As for the standard of customer service, the Group's procedures require that each customer's individual needs are taken into account.

If the Group is unable to predict and/or respond to issues that could give rise to these risks, there could be adverse consequences for the Group's business, economic performance, assets and liabilities and financial position.

12 - Risks relating to IT systems: The information systems of a complex international group are an important and delicate part of the company's processes.

The risks involved include events that could jeopardise the ability to provide continuous service, the safekeeping of data, obsolescence of telecommunications and data processing technologies.

The Group has taken the steps needed to limit the above mentioned risks which include the standard security devices used to protect systems and hardware (from the use of back-up devices to outsourcing with specialized companies). Continuous technological updates are assured by the prevalent use of the SAP platform. While the Group has taken all the steps needed to minimize these risks, catastrophic events that could compromise the information systems cannot be excluded.

13 - Credit risk: The Group is exposed to credit risk on its trading activities.

The socio-political (or country) risks discussed earlier (see point 2) could also have an impact on credit risk.

Trade credit risk is monitored using formal procedures for selecting and assessing customers, for defining credit limits, for monitoring expected receipts and for their recovery, and involves taking out insurance policies with major insurers, and in some cases requesting additional guarantees from customers, principally in the form of sureties.

However, these procedures might not be sufficient to prevent losses related to the the credit risk, that could affect the Group's result.

14 - Risks arising from the seasonality of sales: The De'Longhi Group's sells, amongst others, seasonal products as air conditioners and portable radiators.
These products, which represent approximately 11% of the total revenues (12% in 2014), are typically seasonal with their sales concentrated in a limited period of the year.
Seasonality of sales could adversely affect the Group's business prospects, as well as its economic performance and/or financial position.

15 - Risks relating to changes in the regulatory framework, particularly concerning environmental protection: The Group is subject, in the various jurisdictions in which it operates, to the national and international legal requirements and technical standards applicable to the type of products sold.
Particularly important are safety and energy consumption standards for domestic electrical appliances and regulations on consumer contracts, defective products, minimum warranty periods, recyclability and environmental compatibility.
Although De'Longhi S.p.A. considers that the Group's organization and production comply with current regulations and that the Group has demonstrated over time its ability to anticipate regulatory changes when designing new products, the enactment of additional regulatory requirements applicable to the Group or its products or changes to the legislation currently in force in the sectors in which the Group operates, including at an international level, could require it to adopt stricter standards or affect its freedom of action or strategic decisions in various areas of business.
This could result in compliance costs for its production facilities or products or even limit the Group's operations, with a consequently adverse effect on its business, economic performance, assets and liabilities and financial position.
In particular, any changes in environmental regulatory standards or requirements currently in force and the occurrence of unforeseen or exceptional circumstances, could require the Group to incur unanticipated costs. Such costs could therefore have an adverse impact on the Group's business, economic performance, assets and liabilities and financial position.

16 - Risks relating to environmental damage: The industrial production carried out by the Group with its factories and equipment could, in certain cases of serious faults or breakdown in such equipment, cause damage to third parties, accidents or environmental damage.
Such accidents and damage could also occur in view of the structural characteristics of certain production facilities for which assessments and work are in progress to make them comply with current laws and regulations.
Although the Group has taken the necessary safety precautions and complies with the applicable regulations for preventing these types of risks, if there was an accident or damage to the environment, the Group could be held liable, including criminally, by the people harmed and by the competent authorities, and its production activity could be disrupted, with consequent adverse effects on the company's and/or Group's economic performance, assets and liabilities and financial position.
Although Group companies have taken out insurance policies against environmental damage, with the related coverage considered reasonable in relation to the estimated risk in question, it is nonetheless not possible to exclude the occurrence of damage, in which the compensation payable exceeds the maximum coverage provided by such policies.

17 - Liquidity and financing risks – Interest rate risk: The liquidity risk possibly faced by the Group is the risk of not having the funds needed to fulfil payment obligations arising from operating and investment activities and from the maturity of financial instruments. The Group holds assets and liabilities that are sensitive to interest rate changes and that are necessary to manage its liquidity and financial needs.
It is the Group's policy to maintain a sufficiently large portfolio of counterparties of international repute for the purposes of satisfying its financing and hedging needs.
The Group uses specific policies and procedures for the purposes of monitoring and managing this risk, including the centralized management of financial debt and cash, the raising of medium and long-term finance on capital markets and the obtaining of short-term credit lines that allow wide room for manoeuvre when managing working capital and cash flows.
The Group has medium-term bank credit lines and short-term credit lines (typically renewed on an annual basis), which are used to finance working capital and other operating needs.
The Group has also entered a revolving agreement for the factoring of trade receivables without recourse, thus granting an optimization of receipt cash flows.

About the interest rate risk, at 31 December 2015 the Group's net financial position is positive and financial debt is mainly medium-long term.
This risk is managed centrally by the same team that manages currency risks. Nevertheless, sudden fluctuations in interest rates could have an adverse impact on the Group's business prospects, as well as on its economic performance and/or financial position.
In 2012, in order to have complete financial coverage of the Braun "Household" acquisition and to have enough financing in place should the credit markets worsen, the Group issued and placed a long term, fixed rate, unsecured bond in US dollars with US institutional investors worth USD 85 million which, due to the effect of a currency and interest rate hedge contract, is denominated in Euro at a fixed rate.
At the date of this report, the Group only has the above mentioned contract to hedge such risks.

18 - Compliance and corporate reporting risks:

A. Financial reporting: Risks associated with the reliability of financial reporting, particularly that the information contained in the annual and interim financial reports might not be correct, warrant particular attention, especially for a listed company.
In 2015, effective implementation of the system of managing financial reporting risks was monitored on a continuous basis and periodically evaluated under the guidance of the functions in charge.
For the purposes of ensuring reliable internal controls over its financial reporting, the Group has implemented a system of administrative and accounting procedures and operations that include:
- an accounting policies manual;
- accounting policy instructions and updates;
- other procedures for preparing the consolidated financial statements and periodic financial reports.

The Group's central "Corporate" functions are responsible for managing and communicating these procedures to other Group companies. The control bodies (internal and external) carry out the related audit within their own authority. Possible deficiencies in maintaining adequate processes and administrative-accounting and management checks may result in errors in Group corporate reporting.

B. Risks relating to the administrative liability of legal: In compliance with EU directives, Decree 231/2001 has introduced into Italian law special rules applying to the liability of entities for certain offences, where "entities" mean limited liability business enterprises, partnerships or associations, including those without legal status.
Under this legislation and amendments and additions thereto, the Group's main Italian companies have adopted, in accordance with art. 6 of Decree 231/2001, the "Model of organization, management and control" suitable for avoiding the occurrence of such liability at their own expense and the related "Ethical code", intended to apply not only to the Group's Italian companies but also, as far as applicable, to its foreign subsidiaries, since De'Longhi S.p.A. is also answerable, under art. 4 of Decree 231/2001, for offences committed abroad.
Therefore, the company's administrative liability under Decree 231/2001 could exist when this is effectively established as a result of an action brought against one of the Group companies, including the foreign subsidiaries; in such a case, it is not possible to exclude, in addition to the resulting application of penalties, adverse consequences for the company's and/or Group's operations, economic performance, assets and liabilities and financial position.

19 - Related parties: The Group has had and continues to have transactions of a commercial nature with related parties. Such transactions carry conditions that are in line with market ones.
The Company adopted a new set of procedures to govern the Group's transactions with related parties, in compliance with the standards set by the supervisory authorities in CONSOB Regulation 17221 dated 12 March 2010.
The procedures identify those related party transactions subject to specific examination and approval rules, which change according to whether such transactions are above or below defined thresholds. The procedures place particular importance on the role of the independent directors, who must always issue a prior opinion on the proposed transaction (if the transaction qualifies as material, this opinion is binding on the Board of Directors); the independent directors must also be involved in the preliminary examination of material transactions prior to their approval.
These procedures are considered to represent an additional guarantee of the transparency of the De'Longhi Group's operations.

Annual remuneration report

Please refer to the Annual Remuneration Report for all relevant information not contained in the present report.

Reconciliation of net equity and profit (loss) for the year

Below is a concise reconciliation between net equity and profit of the parent company, De'Longhi S.p.A., and the figures shown in the consolidated financial statements:

Figures in thousands of Euro	Net equity 31.12.2015	Profit for 2015	Net equity 31.12.2014	Profit for 2014
De'Longhi S.p.A. financial statements	**334,829**	**67,357**	**328,307**	**66,955**
Share of subsidiaries' equity and results for period attributable to the Group, after deducting carrying value of the investments	586,453	87,838	468,156	70,264
Allocation of goodwill arising on consolidation and related amortization and reversal of goodwill recognized for statutory purposes	24,878	(2,337)	27,265	(1,778)
Elimination of intercompany profits	(37,552)	(3,616)	(34,239)	(7,757)
Other adjustments	(2,752)	557	(3,342)	(460)
Consolidated financial statements	**905,856**	**149,799**	**786,147**	**127,224**
Minority interests	2,973	266	2,910	692
Group portion	**902,883**	**149,533**	**783,237**	**126,532**

Group tax election

During 2015 the Group's Italian companies filed for income tax on a group basis, as permitted by Chapter II Section II of Presidential Decree 917/86.

Related party transactions

Related party transactions fall within the normal course of business by Group companies.
Information on related party transactions is summarized in Appendix 3 to the Explanatory notes.

Alternative performance indicators

In addition to the information required by IFRS, this document presents other financial measures which provide further analysis of the Group's performance. These indicators must not be treated as alternatives to those required by IFRS.

More in detail, the non-GAAP measures used include:
- Net industrial margin and EBITDA: the Group uses these measures as financial targets in internal presentations (business plans) and in external presentations (to analysts and investors), since they are a useful way of measuring operating performance by the Group and its individual divisions besides EBIT.
Net industrial margin is calculated as total revenues minus the cost of materials consumed and of production-related services and payroll.
EBITDA is an intermediate measure that derives from EBIT after adding back depreciation, amortization and impairment of property, plant and equipment and intangible assets. EBITDA is also presented net of non-recurring items, which are reported separately on the face of the income statement.
- Net working capital: this measure is the sum of inventories, trade receivables, current tax assets and other receivables, minus trade payables, tax liabilities and other payables.
- Net operating working capital: this measure is the sum of inventories and trade receivables, minus trade payables.
- Net capital employed: this measure is the sum of net working capital, intangible assets, property, plant and equipment, equity investments, other non-current receivables, and deferred tax assets, minus deferred tax liabilities, employee severance indemnity and provisions for contingencies and other charges.
- Net financial position: this measure represents financial liabilities less cash and cash equivalents and other financial receivables. The individual line items in the statement of financial position used to determine this measure are analysed later in this report.

The figures contained in this report, including some of the percentages, have been rounded relative to their full euro amount. As a result, some of the totals in the tables may differ from the sum of the individual amounts presented.

Subsequent events

On 19 February 2016 De' Longhi S.p.A.'s Board of Directors approved the proposed 7-year stock option plan calling for the assignment of up to a maximum of 2,000,000 options, along with the relative regulations, to be submitted to shareholders for approval during the Annual General Meeting to be held on 14 April 2016, including in extraordinary session to resolve on approval of the Plan and the capital increase to service the Plan. Please refer to the Report on Remuneration for more information.

Other than the above, no other significant events took place after the close of the year.

Outlook

The macro-economic scenario and the dynamics of the international growth are still difficult to read, such that the current year will hardly mark a positive turning point in the markets.

Within such context, the Group is willing to tackle the possible adverse dynamics of the markets – such as the unfavourable development of some of the main currencies - by putting in place initiatives related to product innovation, organization and commercial expansion, with the aim at preserving organic growth and improving margins, thanks to the operating leverage, which in 2015 too allowed the Group to achieve more than satisfactory results.

Treviso, 3 march 2016

For the Board of Directors
Vice Chairman and Chief Executive Officer
Fabio de' Longhi

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CONSOLIDATED INCOME STATEMENT

(€/000)	Notes	2015	of which non-recurring	2014	of which non-recurring
Revenues from sales and services	1	1,866,750		1,704,479	
Other revenues	1	24,348		22,205	
Total consolidated revenues		*1,891,098*		*1,726,684*	
Raw and ancillary materials, consumables and goods	2	(829,148)		(786,286)	
Change in inventories of finished products and work in progress	3	(1,296)		21,056	
Change in inventories of raw and ancillary materials, consumables and goods	3	1,875		8,707	
Materials consumed		*(828,569)*		*(756,523)*	
Payroll costs	4-8	(228,707)		(207,003)	(916)
Services and other operating expenses	5	(522,151)		(489,547)	
Provisions	6-8	(26,508)	(2,644)	(14,695)	(285)
Amortization	9	(52,490)		(46,818)	
Other income (expenses)	7-8	-		643	643
EBIT		**232,673**	**(2,644)**	**212,741**	**(558)**
Financial income (expenses)	10	(33,551)		(41,705)	
PROFIT (LOSS) BEFORE TAXES		**199,122**		**171,036**	
Income taxes	11	(49,323)		(43,812)	
CONSOLIDATED PROFIT (LOSS) AFTER TAXES		**149,799**		**127,224**	
Profit (loss) pertaining to minority interests	28	266		692	
PROFIT (LOSS) PERTAINING TO THE GROUP		**149,533**		**126,532**	
EARNINGS PER SHARE (in Euro)					
- basic		**€ 1.00**		**€ 0.85**	
- diluted		**€ 1.00**		**€ 0.85**	

Appendix 3 reports the effect of related party transactions on the income statement, as required by CONSOB Resolution 15519 of 27 July 2006.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(€/000)	2015	2014
Consolidated profit (loss) after taxes	149,799	127,224
- Change in fair value of cash flow hedges and financial assets available for sale	(8,005)	19,496
- Tax effect on change in fair value of cash flow hedges and financial assets available for sale	936	(4,230)
- Differences from translating foreign companies' financial statements into Euro	38,340	37,506
Total other comprehensive income will subsequently reclassified to profit (loss) for the year	*31,271*	*52,772*
- Actuarial valuation funds	374	(5,187)
- Tax effect of actuarial valuation funds	(229)	1,452
Total other comprehensive income will not subsequently reclassified to profit (loss) for the year	*145*	*(3,735)*
Other components of comprehensive income	**31,416**	**49,037**
Total comprehensive income	**181,215**	**176,261**
Total comprehensive income attributables to:		
Owners of the parent	180,941	175,624
Minority interests	274	637

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

ASSETS (€/000)	Notes	31.12.2015	31.12.2014
NON-CURRENT ASSETS			
INTANGIBLE ASSETS		322,498	325,110
- Goodwill	12	92,400	92,400
- Other intangible assets	13	230,098	232,710
PROPERTY, PLANT AND EQUIPMENT		197,983	189,904
- Land, property, plant and machinery	14	113,513	103,876
- Other tangible assets	15	84,470	86,028
EQUITY INVESTMENTS AND OTHER FINANCIAL ASSETS		13,135	8,232
- Equity investments	16	5,454	5,197
- Receivables	17	2,901	2,509
- Other non-current financial assets	18	4,780	526
DEFERRED TAX ASSETS	19	39,772	42,515
TOTAL NON-CURRENT ASSETS		573,388	565,761
CURRENT ASSETS			
INVENTORIES	20	323,420	317,763
TRADE RECEIVABLES	21	372,072	366,159
CURRENT TAX ASSETS	22	10,024	7,250
OTHER RECEIVABLES	23	32,544	38,284
CURRENT FINANCIAL RECEIVABLES AND ASSETS	24	15,912	55,243
CASH AND CASH EQUIVALENTS	25	357,910	388,530
TOTAL CURRENT ASSETS		1,111,882	1,173,229
NON-CURRENT ASSETS HELD FOR SALE	26	1,107	1,235
TOTAL ASSETS		**1,686,377**	**1,740,225**

NET EQUITY AND LIABILITIES (€/000)		31.12.2015	31.12.2014
NET EQUITY			
GROUP PORTION OF NET EQUITY		902,883	783,237
- Share capital	27	224,250	224,250
- Reserves	28	529,100	432,455
- Profit (loss) pertaining to the group		149,533	126,532
MINORITY INTERESTS	28	2,973	2,910
TOTAL NET EQUITY		905,856	786,147
NON-CURRENT LIABILITIES			
FINANCIAL PAYABLES		118,248	123,311
- Bank loans and borrowings (long-term portion)	29	-	8,980
- Other financial payables (long-term portion)	30	118,248	114,331
DEFERRED TAX LIABILITIES	19	22,443	20,156
NON-CURRENT PROVISIONS FOR CONTINGENCIES AND OTHER CHARGES		80,709	85,345
- Employee benefits	31	30,443	39,313
- Other provisions	32	50,266	46,032
TOTAL NON-CURRENT LIABILITIES		221,400	228,812
CURRENT LIABILITIES			
TRADE PAYABLES	33	383,346	382,545
FINANCIAL PAYABLES		71,498	232,000
- Bank loans and borrowings (short-term portion)	29	27,273	203,131
- Other financial payables (short-term portion)	30	44,225	28,869
CURRENT TAX LIABILITIES	34	10,955	19,878
OTHER PAYABLES	35	93,322	90,843
TOTAL CURRENT LIABILITIES		559,121	725,266
TOTAL NET EQUITY AND LIABILITIES		**1,686,377**	**1,740,225**

Appendix 3 reports the effect of related party transactions on the income statement, as required by CONSOB Resolution 15519 of 27 July 2006.

CONSOLIDATED STATEMENT OF CASH FLOW

	Notes	2015	2014
Profit (loss) pertaining to the Group		149,533	126,532
Income taxes for the period		49,323	43,812
Amortization		52,490	46,818
Net change in provisions and other non-cash items		(8,004)	(1,862)
Cash flow generated by current operations (A)		**243,342**	**215,300**
Change in assets and liabilities for the period:			
Trade receivables		(22,608)	(8,456)
Inventories		(1,646)	(31,364)
Trade payables		4,983	20,261
Other changes in net working capital		19,989	5,084
Payment of income taxes		(52,234)	(32,193)
Cash flow absorbed by movements in working capital (B)		**(51,516)**	**(46,668)**
Cash flow generated by current operations and movements in working capital (A+B)		**191,826**	**168,632**
Investment activities:			
Investments in intangible assets		(10,670)	(9,556)
Other cash flows for intangible assets		98	(64)
Investments in property, plant and equipment		(43,702)	(52,738)
Other cash flows for property, plant and equipment		1,266	1,618
Net investments in equity investments and other financial assets		(247)	(44)
Cash flow absorbed by ordinary investment activities (C)		**(53,255)**	**(60,784)**
Dividends paid		(61,295)	(59,800)
Change in currency translation reserve		30,384	28,361
Increase in minority interests		63	379
New loans		1,618	-
Payment of interests on loans		(3,337)	(4,169)
Repayment of loans and other net changes in sources of finance		(136,624)	51,977
Cash flow generated (absorbed) by changes in net equity and by financing activities (D)		**(169,191)**	**16,748**
Cash flow for the period (A+B+C+D)		**(30,620)**	**124,596**
Opening cash and cash equivalents	*25*	**388,530**	**263,934**
Increase (decrease) in cash and cash equivalents (A+B+C+D)		(30,620)	124,596
Closing cash and cash equivalents	*25*	**357,910**	**388,530**

Appendix 2 reports the statement of cash flows in terms of net financial position.

CONSOLIDATED STATEMENT OF CHANGES IN NET EQUITY

(€/000)	SHARE CAPITAL	SHARE PREMIUM RESERVE	LEGAL RESERVE	EXTRAORDINARY RESERVE	FAIR VALUE AND CASH FLOW HEDGE RESERVES	CURRENCY TRANSLATION RESERVE	PROFIT (LOSS) CARRIED FORWARD	PROFIT (LOSS) PERTAINING TO GROUP	GROUP PORTION OF NET EQUITY	MINORITY INTERESTS	TOTAL NET EQUITY
Balance at 31 December 2013	**224,250**	**162**	**9,048**	**18,858**	**(3,404)**	**(30,194)**	**331,772**	**116,921**	**667,413**	**2,530**	**669,943**
Allocation of 2013 result as per AGM resolution of 15 April 2014											
- distribution of dividends							(59,800)		(59,800)		(59,800)
- allocation to reserves			3,177	563			113,181	(116,921)	-		-
Other changes in minority interests									-	(257)	(257)
Movements from transactions with shareholders	**-**	**-**	**3,177**	**563**	**-**	**-**	**53,381**	**(116,921)**	**(59,800)**	**(257)**	**(60,057)**
Profit (loss) after taxes								126,532	126,532	692	127,224
Other components of comprehensive income					15,266	37,506	(3,680)		49,092	(55)	49,037
Comprehensive income (loss)	**-**	**-**	**-**	**-**	**15,266**	**37,506**	**(3,680)**	**126,532**	**175,624**	**637**	**176,261**
Balance at 31 December 2014	**224,250**	**162**	**12,225**	**19,421**	**11,862**	**7,312**	**381,473**	**126,532**	**783,237**	**2,910**	**786,147**

(€/000)	SHARE CAPITAL	SHARE PREMIUM RESERVE	LEGAL RESERVE	EXTRAORDINARY RESERVE	FAIR VALUE AND CASH FLOW HEDGE RESERVES	CURRENCY TRANSLATION RESERVE	PROFIT (LOSS) CARRIED FORWARD	PROFIT (LOSS) PERTAINING TO GROUP	GROUP PORTION OF NET EQUITY	MINORITY INTERESTS	TOTAL NET EQUITY
Balance at 31 December 2014	**224,250**	**162**	**12,225**	**19,421**	**11,862**	**7,312**	**381,473**	**126,532**	**783,237**	**2,910**	**786,147**
Allocation of 2014 result as per AGM resolution of 14 April 2015											
- distribution of dividends							(61,295)		(61,295)		(61,295)
- allocation to reserves			3,348	2,312			120,872	(126,532)	-		-
Other changes in minority interests									-	(211)	(211)
Movements from transactions with shareholders	**-**	**-**	**3,348**	**2,312**	**-**	**-**	**59,577**	**(126,532)**	**(61,295)**	**(211)**	**(61,506)**
Profit (loss) after taxes								149,533	149,533	266	149,799
Other components of comprehensive income					(7,069)	38,340	137		31,408	8	31,416
Comprehensive income (loss)	**-**	**-**	**-**	**-**	**(7,069)**	**38,340**	**137**	**149,533**	**180,941**	**274**	**181,215**
Balance at 31 December 2015	**224,250**	**162**	**15,573**	**21,733**	**4,793**	**45,652**	**441,187**	**149,533**	**902,883**	**2,973**	**905,856**

EXPLANATORY NOTES

GROUP BUSINESS

The De'Longhi Group is headed up by the parent De'Longhi S.p.A., a company with its registered office in Treviso whose shares are listed on the Italian stock exchange run by Borsa Italiana.
The Group is active in the production and distribution of small appliances for food preparation and cooking, domestic cleaning and ironing, air conditioning and portable heaters; the companies included in the scope of consolidation are listed in Appendix 1 to the Explanatory notes.

ACCOUNTING STANDARDS

The De'Longhi Group's consolidated financial statements at 31 December 2015 have been prepared on the basis of the international accounting and financial reporting standards issued by the International Accounting Standards Board (IASB), including the SIC and IFRIC interpretations, as endorsed by the European Commission (at the date of 31 December 2015), pursuant to EC Regulation 1606 of 19 July 2002.
The following documents have been used for interpretation and application purposes even though not endorsed by the European Commission:
- Framework for the Preparation and Presentation of Financial Statements of the International Accounting Standards Board (issued by the IASB in 2001);
- Implementation Guidance, Basis for Conclusions, IFRIC and other documents issued by the IASB or IFRIC to complement the accounting standards;
- Interpretational documents on how to apply IAS/IFRS in Italy, prepared by the Italian Accounting Board.

The accounting policies and measurement bases used for preparing the financial statements at 31 December 2015 are the same as those used for preparing the consolidated financial statements at 31 December 2014, except for certain new amendments and accounting standards described below, as well as specific accounting policies relating to hedge accounting and the hedging of risk linked to the consolidation of foreign subsidiaries undertaken by the Group during 2015.

The consolidated financial statements at 31 December 2015 comprise the income statement, the statement of comprehensive income, the statement of financial position, the statement of cash flows, the statement of changes in net equity and these explanatory notes.
The statement of financial position has been prepared on a basis that distinguishes between current and non-current items.
The income statement has been presented on the basis of the nature of expense, being a suitable structure for faithfully representing the Group's performance.
The statement of cash flows has been prepared using the "indirect method" allowed by IAS 7.

The present financial statements and notes are presented in Euro, with all amounts rounded to thousands of Euro, unless otherwise indicated.

The present annual financial report was approved and authorized for publication by the Board of Directors on 3 March 2016. The financial statements used for consolidation purposes are the separate ones for the year ended 31 December 2015 prepared by the Boards of Directors of the individual companies, as adjusted if necessary for the Group's accounting policies and measurement bases.

The financial statements have been prepared on the historical cost basis, adjusted as required for the valuation of certain financial instruments, and under the assumption of going concern. The Group has verified that there are no material uncertainties that might cast significant doubt upon its ability to continue as a going concern, as defined in par. 25 of IAS 1.
The risks and uncertainties relating to the business are described in a specific section of the Report on operations. The methods used by the Group to manage financial risks are described in note *39. Risk management* of the present Explanatory notes.

Translation of balances in foreign currencies

The following exchange rates have been used:

Currency		31.12.2015		31.12.2014		% change	
		Period-end exchange rate (*)	Average exchange rate (*)	Period-end exchange rate (*)	Average exchange rate (*)	Period-end exchange rate	Average exchange rate
US dollar	USD	1.0887	1.10951	1.2141	1.3285	(10.33%)	(16.48%)
British pound	GBP	0.73395	0.72585	0.7789	0.80612	(5.77%)	(9.96%)
Hong Kong dollar	HKD	8.4376	8.60141	9.417	10.3025	(10.40%)	(16.51%)
Chinese renminbi (Yuan)	CNY	7.0608	6.97333	7.5358	8.18575	(6.30%)	(14.81%)
Australian dollar	AUD	1.4897	1.47766	1.4829	1.47188	0.46%	0.39%
Canadian dollar	CAD	1.5116	1.41856	1.4063	1.46614	7.49%	(3.25%)
Japanese yen	JPY	131.07	134.314	145.23	140.306	(9.75%)	(4.27%)
Malaysian ringgit	MYR	4.6959	4.33733	4.2473	4.34457	10.56%	(0.17%)
New Zealand dollar	NZD	1.5923	1.59305	1.5525	1.59954	2.56%	(0.41%)
Polish zloty	PLN	4.2639	4.18412	4.2732	4.18426	(0.22%)	(0.00%)
South African rand	ZAR	16.953	14.1723	14.0353	14.4037	20.79%	(1.61%)
Singapore dollar	SGD	1.5417	1.52549	1.6058	1.68232	(3.99%)	(9.32%)
Russian rouble	RUB	80.6736	68.072	72.337	50.9518	11.52%	33.60%
Turkish lira	TRY	3.1765	3.02546	2.832	2.9065	12.16%	4.09%
Czech koruna	CZK	27.023	27.2792	27.735	27.5359	(2.57%)	(0.93%)
Swiss franc	CHF	1.0835	1.06786	1.2024	1.21462	(9.89%)	(12.08%)
Brazilian real	BRL	4.3117	3.70044	3.2207	3.12113	33.87%	18.56%
Croatian kuna	HRK	7.638	7.6137	7.658	7.63442	(0.26%)	(0.27%)
Ukrainian hryvnia	UAH	26.1587	24.2814	19.206	15.8643	36.20%	53.06%
Indian rupee	INR	72.0215	71.1956	76.719	81.0406	(6.12%)	(12.15%)
Romanian leu	RON	4.524	4.44541	4.4828	4.44372	0.92%	0.04%
South Korean won	KRW	1,280.78	1,256.54	1,324.8	1,398.14	(3.32%)	(10.13%)
Chilean Peso	CLP	772.713	726.406	737.297	756.933	4.80%	(4.03%)
Swedish krona	SEK	9.1895	9.35346	9.393	9.09852	(2.17%)	2.80%
Mexican Peso	MXN	18.9145	17.6157	17.8679	17.655	5.86%	(0.22%)

(*) Source: Bank of Italy

New amendments and accounting standards applied for the first time by the Group

On 14 June 2014 the EC Regulation 634/2014 (issued by the Commission on 13 June 2014) was published in the Official Gazette which adopts the IFRIC Interpretation 21 *Levies*.
The Interpretation provides guidance on when to recognize a liability for a levy imposed by a government, both for levies that are accounted for in accordance with IAS 37 and those for which the timing and amount of the levy are uncertain.
The standard is not applicable to income tax (for which reference should be made to IAS 12), penalties or other sanctions resulting from violations of the law.

On 12 December 2013 the International Accounting Standards Board (IASB) published Annual Improvements to IFRSs 2010–2012 Cycle in order to resolve inconsistencies found in the IFRS or to provide clarifications with respect to terminology. The European Commission adopted the improvements in Regulation 2015/28 of 17 December 2014. With regard to IFRS 2 *Share-based payments*, the definitions of “vesting condition” and “market condition” were clarified and new definitions were added, namely “performance condition” and “service condition”. As for IFRS 3 *Business combinations*, clarification was provided relative to contingent consideration that is classified as an asset or liability which is to be measured at fair value at each reporting date and any changes in fair value are to be recognized in profit or loss. With regard to IFRS 8 *Operating Segments,* based on the changes, an entity must provide general information about how the entity identified its operating segments, the judgements made by management in applying the aggregation criteria to operating segments, and the types of products and services from which each operating segment derives its revenues. As for IAS 16 *Property, plant and equipment* and *IAS 38 Intangible assets,* improvements were made in order to clarify that when an item of property, plant and equipment or intangible asset is revalued the gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount. IAS 24 *Related party disclosures* was revised expanding the scope of the definition of "related party" to include those entities that provide key management personnel services to the reporting entity. Lastly, the text of IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* was changed in order to reiterate that the standard is not applicable in the event a specific type of provision, contingent liability or contingent asset is expressly governed by specific standards.

With a similar view to clarification and streamlining of the international accounting standards, on 12 December 2013 the International Accounting Standards Board (IASB) published Annual Improvements to IFRSs 2011-2013 Cycle adopted by the European Commission in Regulation n.1361/2014 of 18 December 2014.
The most relevant topics addressed by these amendments included: the exclusion from the scope of IFRS 3 of joint control agreements (as defined in IFRS 11 – Joint control), clarification as to the exceptions allowed under IFRS 13 –*Fair value measurement* and under IAS 40 *Investment property*.

In Regulation 2015/29, published on 17 December 2014, the European Commission introduced a few changes to IAS 19 *Employee benefits.* The amendments to IAS 19 permit certain contributions from employees or third parties (only those contributions that are independent of the number of years of service) to be recognized as a reduction in the service cost in the period in which the employee's services are rendered.

Application of these new standards did not have a material impact on the information found in this annual report.

International financial reporting standards and/or interpretations endorsed by the European Union in 2015 but not yet applicable

On 23 November 2015 the EC Regulation 2015/2113 was published in the Official Gazette which adopts the amendments to IAS 16 *Property, plant and equipment* and IAS 41 *Agriculture* relative to including bearer plants within the scope of IAS 16.

On 24 November 2015 EC Regulation 2015/2173 was published which introduces a few changes to IFRS 11 *Joint arrangements* relating to the acquisition of interests in joint arrangements; more in detail, the Regulation establishes that when an entity acquires an interest in a joint operation considered a business pursuant to and in accordance with IFRS, the interest held should be accounted for using the standards outlined in IFRS 3 *Business combinations.*

On 2 December 2015 the EC Regulation 2015/2231 was published in the Official Gazette which adopts some of the amendments made to IAS 16 *Property, plant and equipment* and IAS 38 *Intangible assets* relating, in particular, to amortization and depreciation. The Regulation clarifies that it is not appropriate to calculate amortization and depreciation for both property, plant and equipment and intangible assets based on the revenue generated by the asset.

In Regulation 2015/2343 of 15 December 2015 the European Commission adopted the changes introduced by IASB in the *Annual Improvements to International Financial Reporting Standards 2012-2014 Cycle*, ("the annual improvements"), as part of its regular improvement process which aims at streamlining and clarifying the international standards. Clarification was provided relative to terms found in IFRS 5 *Non-current assets held for sale,* IFRS 7 *Financial instruments*, IAS 19 *Employee benefits* and IAS 34 *Interim financial reporting.*

On 18 December 2015 Regulation 2015/2406 and Regulation 2015/2441 were published in the Official Gazette. The first introduces a few changes to IAS 1 *Presentation of financial statements* which seek to improve the efficacy of the information provided; the second adopts a few amendments made to IAS 27 *Separate financial statements* which will allow an entity to use the equity method, described in IAS 28 *Investments in associates and joint ventures*, to account for investments in subsidiaries, joint ventures and associates in their respective financial statements.

The changes introduced in the above mentioned Regulations will be applicable beginning on or after 1 January 2016.

The Group did not apply any new standards, interpretations or amendments endorsed, but not yet applicable, in advance; application of these revised standards is not, however, expected to have a material impact.

CONSOLIDATION PROCEDURES

The scope of consolidation includes the parent company, De'Longhi S.p.A., and its subsidiaries at 31 December 2015, meaning those companies in which the parent directly or indirectly owns the majority of share capital or shares with voting rights, or over which the parent has the power, including through contractual agreements, to govern their financial and operating policies.

Subsidiary companies
These are companies over which the Group exercises control. Such control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. The financial statements of subsidiaries are consolidated starting from the date that control is assumed.
Minority interests represent the portion of profit or loss and of net equity not held by the Group and are reported separately in the income statement and in the statement of financial position, where they are presented as part of equity but separately from the Group portion.
Subsidiary companies are consolidated on a line-by-line basis; all of the assets and liabilities, income and expenses of consolidated companies are combined on a line-by-line basis with those of the parent.
The book value of the related equity investments is eliminated against the parent's share of the subsidiary's net equity, with all assets, liabilities and contingent liabilities recognized at their acquisition date fair values. Any positive difference is recognized as "Goodwill" in non-current assets.
The portion of equity and results attributable to minority shareholders is shown separately in the consolidated statement of financial position and income statement respectively.
Any gains arising on the disposal of interests in consolidated companies, which do not result in a loss of control, are recognized in the income statement as the difference between the sale price and corresponding portion of equity sold (under the parent entity extension method).

Associated companies
These are companies in which the Group has a significant influence over their financial and operating policies and which are neither subsidiaries nor joint ventures. The consolidated financial statements show the Group's portion of results of the associated companies, accounted for using the equity method, starting from the date when the significant influence began.

Joint ventures
These are companies over whose activities the Group has joint control, as established by contract. The consolidated financial statements include the Group's share of the results of joint ventures, reported using the equity method as per IAS 28 - *Investment in associates and joint ventures* amended.

Consolidation of foreign companies
All the assets and liabilities of foreign companies that report in a currency other than the Euro and which fall within the scope of consolidation are translated into Euro using the exchange rate ruling at the end of the reporting period (current exchange rate method). Income and costs are translated using average rates for the reporting period. The exchange differences arising from this method are booked directly to the "currency translation reserve" under consolidated net equity.

Transactions eliminated upon consolidation
All transactions and balances between Group companies and all unrealized gains and losses arising on intercompany transactions are eliminated on consolidation.

Transactions in foreign currency
Transactions in foreign currency are recorded at the exchange rate in force on the transaction date. Monetary assets and liabilities in foreign currency are translated using the exchange rate ruling on the reporting date. Exchange differences arising on the extinguishment of monetary items or their translation at different rates to

those used for their translation upon initial recognition or in previous financial statements are recorded in the income statement.
Exchange differences arising on monetary items that are effectively part of the Group's net investment in foreign operations are classified in net equity until the investment’s disposal, at which time such differences are recognized in the income statement as income or expenses.

CHANGE IN THE SCOPE OF CONSOLIDATION – BUSINESS COMBINATIONS

In 2015 the scope of consolidation didn’t change significantly.

DISCLOSURE BY OPERATING SEGMENTS

Note *42. Operating segments* contains the required disclosures.
The report on operations contains comments on the economic results by geographical area.

PRINCIPAL ACCOUNTING POLICIES

Intangible assets

Goodwill
Business combinations, whereby control of a company/entity is acquired, are accounted for in accordance with the purchase method, meaning that the assets and liabilities acquired are initially measured at their market value on the acquisition date. The difference between the cost of acquisition and the Group's share of net assets acquired is attributed to specific assets and liabilities to the extent of their acquisition date fair value; any remaining difference is allocated to goodwill, if positive, and to the income statement if negative. The cost of acquisition is determined on the basis of the acquisition date fair value of the assets transferred, the liabilities assumed, the equity instruments issued and any other related amount.
Goodwill is not amortized but tested for impairment once a year or more often if specific events or changed circumstances indicate that its value may have been impaired. This procedure is in accordance with IAS 36 - *Impairment of assets*. After initial recognition, goodwill is carried at cost less any accumulated impairment losses.

Research and development costs
Developments costs for the production of new products or parts are recognized as assets only if the costs can be reliably determined, the Group has the intention and resources to complete them, the technical feasibility of completing them is such that they will be available for use, and the expected volumes and prices indicate that the costs incurred for development will generate future economic benefits.
Capitalized development costs include only those expenses that can be directly attributed to the development process.

Capitalized development costs are amortized on a systematic basis, starting from the commencement of production and lasting the length of the product or process's estimated life, generally ranging between three and five years. All other development costs are expensed to income as incurred.

Research costs are also expensed to income as incurred.

Trademarks
These are costs of long-term benefit incurred for the protection and dissemination of the Group's trademarks. Such costs are recognized as an asset when, in accordance with IAS 38 – *Intangible assets*, it is probable that the future economic benefits attributable to the asset’s use will flow to the Group and when its cost can be reliably measured.
These assets are valued at purchase or production cost and amortized, if they have a finite life, on a straight-line basis over their estimated useful life, generally between 10 and 20 years.
Trademarks with an indefinite useful life are not amortized but tested for impairment once a year or more often, any time there are signs that their value might be impaired.

Other intangible assets
Other intangible assets purchased or internally generated are recognized as assets in accordance with IAS 38 - *Intangible assets*, when it is probable that the future economic benefits attributable to their use will flow to the Group and when the cost of the asset can be reliably measured.
These assets are valued at purchase or production cost and amortized, if they have a finite life, on a straight-line basis over their estimated useful life, generally between 10 and 20 years.

Property, plant and equipment

Land, property, plant and machinery
Buildings, plant and equipment owned by the Group are recorded at purchase or production cost and systematically depreciated over their residual useful lives. The land pertaining to buildings is not depreciated. The cost of assets qualifying for capitalization also includes the borrowing costs directly attributable to the acquisition, construction or production of the asset itself.
Subsequent expenditure is capitalized only if it increases the future economic benefits flowing to the enterprise.
Ordinary and/or routine maintenance and repair costs are directly expensed to the income statement when incurred. Costs relating to the expansion, modernization or improvement of owned or leased assets are capitalized to the extent that they qualify for separate classification as an asset or part of an asset under the component approach, whereby every component whose useful life and related value can be autonomously assessed must be treated individually.
All other costs are expensed to income as incurred.

The useful lives, estimated by the Group for its various categories of property, plant and equipment, are as follows:

Industrial buildings	10 – 33 years
Plant and machinery	7 – 18 years
Industrial and commercial equipment	3 – 5 years
Other	4 – 8 years

Property, plant and equipment under finance lease
Assets held under finance lease, whereby all the risks and rewards incident to ownership are substantially transferred to the Group, are recognized among the Group's assets at the lower of the asset's fair value or the present value of the minimum lease payments. The corresponding liability due to the lessor is reported in the statement of financial position under financial payables.
Leases under which the lessor substantially retains all the risks and rewards incident to ownership of the asset are classified as operating leases. The costs relating to operating leases are recognized as an expense in the income statement on a straight-line basis over the lease term.

Impairment of non-financial assets

The Group tests, at least once a year, whether the book value of intangible assets and property, plant and equipment reported in the financial statements has suffered any impairment loss. If there is evidence of impairment, book value is written down to the related recoverable amount.
If it is not possible to estimate the recoverable amount of an individual asset, the Group assesses whether the cash-generating unit to which it belongs is impaired.
In the case of goodwill and other intangible assets with indefinite useful lives, the impairment test must be carried out at least once a year, and whenever there is an indication that an intangible asset may be impaired.

Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the non-current assets are available for immediate sale in their present condition.
Assets held for sale are measured at the lower of their carrying amounts and fair value less costs to sell.

Inventories

Inventories of raw materials, semi-finished and finished products are valued at the lower of cost and market value. Cost is determined using the weighted average cost method. The valuation of inventories includes the direct cost of materials and labour as well as indirect (variable and fixed) costs. Allowances for obsolete and slow-moving goods are calculated for materials and finished products, taking account of their future expected use and realizable value.

Financial instruments

Financial assets

All financial assets are initially recognized at fair value, corresponding to the consideration paid plus all directly attributable acquisition costs. They are recognized on the trade date, meaning the date when the Group makes a commitment to buy or sell the asset. Financial assets are derecognized only when all the associated risks and rewards are substantially transferred together with the assets; if such risks and rewards are not substantially transferred or retained, the Group derecognizes the assets when it no longer has control of them.

The Group reviews at every reporting date whether a financial asset or group of financial assets has suffered any impairment. If there is objective evidence of impairment, the related loss is recognized in the income statement.

The way financial assets are classified determines how they are subsequently measured:

Financial assets at fair value through profit or loss:
This category includes financial assets acquired mainly for the purpose of selling them in the near term, those designated at fair value upon initial recognition if so permitted, or those for which the fair value option may be exercised.

Financial assets in this category are measured at fair value (or at cost, if they are unlisted or if the fair value is not reliable or cannot be determined, as adjusted for any impairment losses calculated in accordance with IAS 39); the related changes in fair value during the period of ownership are recorded in the income statement. Financial instruments in this category are classified as current assets if they are held for trading or if they are expected to be sold within twelve months of the reporting date. Derivatives are treated as assets or liabilities depending on whether their fair value is positive or negative respectively; positive and negative fair values relating to transactions with the same counterparty are offset when contractually allowed.

Receivables:
These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are classified as current assets, except for those contractually due after more than twelve months from the reporting date, which are classified as non-current assets. The latter are measured at amortized cost using the effective interest method.
Receivables which are due after more than one year and which bear no interest or interest at a rate below the market one, are discounted to present value using market rates. Trade receivables are discounted to present value if their payment terms are longer than the average ones generally granted.

If there is objective evidence that an asset is impaired, its carrying amount is reduced to the present value of the estimated future cash flows. Impairment losses are recognized in the income statement. If, in a subsequent period, the amount of the impairment loss decreases, the carrying amount of the asset is reinstated but to no more than what its amortized cost would have been had the impairment not been recognized.

Available-for-sale financial assets:
This category includes non-derivative financial assets that are designated as available for sale and are not classified in any of the previous categories. Financial assets in this category are measured at fair value; the related changes in fair value during the period of ownership are recognized in the statement of comprehensive income.
If the fair value cannot be determined, these assets are carried at cost, as adjusted for any impairment.

The Group's financial assets are classified as both current and non-current assets.
Non-current equity investments and other financial assets include equity investments in other companies, non-current loans and receivables and other non-current available-for-sale financial assets.
Current financial assets include trade receivables, other current financial assets, the positive fair value of derivatives and cash and cash equivalents.
Cash and cash equivalents include short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Financial liabilities

Financial payables are initially recognized at fair value, less any transaction costs directly attributable to the issue of the liability itself. Subsequent to initial recognition, financial liabilities are valued on the basis of amortized cost, using the effective interest method.

Derivatives

Derivatives are used solely for hedging purposes, in order to reduce exposures to currency and interest rate risk.
As allowed by IAS 39, derivatives may qualify for special hedge accounting only when, at the inception of the hedge, the following conditions are satisfied:
- there is a formal designation that the instrument is a hedging one;
- there is formal documentation of the hedging relationship, which is expected to be highly effective;
- the effectiveness of the hedge can be reliably measured;
- the hedge is highly effective throughout the different financial reporting periods for which it was designated.

IAS 39 requires that all derivatives be measured at fair value.
If financial instruments qualify for hedge accounting, the following treatment applies:

Fair value hedge – If a derivative instrument is designated as a hedge of the exposure to changes in the fair value of a recognized asset or liability that is attributable to a particular risk that will affect profit or loss, the gain or loss from remeasuring the hedging instrument at fair value should be recognized in the income statement. The gain or loss on the hedged item attributable to the hedged risk adjusts the carrying amount of the hedged item and is recognized in the income statement.

Cash flow hedge – If a derivative instrument is designated as a hedge of the exposure to variability in cash flows attributable to a highly probable forecast transaction which could affect profit or loss, the effective portion of the gains or losses on the hedging instrument is recognized directly in the statement of comprehensive income. The effective portion of the cumulative gains or losses are reversed from net equity and reclassified to profit or loss in the same period in which the hedged transaction is reported in the income statement. Gains or losses associated with a hedge or part thereof that has become ineffective are reclassified to the income statement. If a hedging instrument or hedging relationship is terminated, but the transaction being hedged has not yet occurred, the cumulative gains and losses, recorded up until then in the statement of comprehensive income, are reported in the income statement at the same time that the hedged transaction occurs. If the hedged transaction is no longer expected to occur, the unrealized gains or losses reported directly in net equity are immediately reclassified to the income statement. If hedge accounting cannot be applied, the gains or losses arising from the fair value measurement of the derivatives are transferred immediately to the income statement.

Net investment hedges - Hedges of a net investment in a foreign operation, including a hedge of a monetary item that is accounted for as part of the net investment, are accounted for in a way similar to cash flow hedges. Gains or losses on the hedging instrument relating to the effective portion of the hedge are recognized in the statement of comprehensive income, while any gains or losses relating to the ineffective portion are recognized in the statement of profit or loss. On disposal of the foreign operation, the cumulative value of any such gains or losses recorded in equity is transferred to the statement of profit or loss.

Factoring of trade receivables

The Group factors some of its trade receivables. Trade receivables factored without recourse, resulting in the substantial transfer of the related risks and rewards, are derecognized from the financial statements at the time of their transfer. Receivables whose factoring does not result in the substantial transfer of the related risks and rewards, are retained in the statement of financial position.
The Group has entered a five-year agreement for the factoring of trade receivables, involving the revolving monthly transfer of a portfolio of trade receivables without recourse.
The receivables are assigned without recourse to a bank, which then transfers them to a special purpose entity which finances the purchase of the receivables by issuing asset-backed securities; the repayment of these securities, placed on the market and all subscribed by institutional investors, as well as the related interest, depends on the cash flow generated by the portfolio of securitized receivables. Receivables are sold at their face value, less a discount that reflects credit risk and the transaction's financial costs. The Group acts as servicer for the special purpose entity.
The contractual terms of this operation involve the substantial transfer of the risks and rewards relating to the securitized receivables and their consequent derecognition from the financial statements.

Employee benefits

Net obligations relating to employee benefit plans, chiefly the provision for severance indemnities (for the portion retained in Group companies) and pension funds, are recorded at the expected future value of the benefits that will be received and which have accrued at the reporting date. The Group's obligation to finance defined benefit pension funds and the annual cost reported in the income statement are determined by independent actuaries using the projected unit credit method.

Provisions for contingencies and other charges

The Group recognizes provisions for contingencies and charges when (i) it has a present obligation (legal or constructive) to third parties (ii) it is probable that the Group will need to employ resources to settle the obligation and (iii) a reliable estimate can be made of the amount of the obligation. Changes in these estimates are reflected in the income statement in the period in which they occur (also see the comments in the paragraph on "Estimates and assumptions".)
Where the effect of the time value of money is material and the date of extinguishing the liability can be reasonably estimated, provisions are stated at the present value of the expected expenditure, using a discount rate that reflects current market assessments of the time value of money and the risks specific to the liability. An increase in the amount of the provision for the time value of money is accounted for in interest expense. Contingencies for which the probability of a liability is remote are disclosed in the notes but no provision is recognized.

Revenue recognition

Revenues are recognized to the extent that it is probable that the economic rewards will flow to the Group and their amount can be measured reliably, in other words when the principal risks and rewards of ownership of the goods have been transferred to the buyer. Revenues are reported net of discounts, allowances and returns, including those estimated on the basis of past trends.

(a) Sale of goods
Revenues from the sale of goods are recognized when the risks and rewards of ownership of the goods have been transferred to the buyer, usually coinciding with the despatch of goods to customers and their acceptance of the same. Another condition for recognizing revenue is that the collection of the related receivable is reasonably certain.

(b) Sale of services
The sale of services is recognized in the accounting period in which the services are rendered, by reference to the stage of completion of the services at the end of the accounting period.

Costs and expenses

Costs and expenses are accounted for on an accrual basis.

Dividends

Dividend distributions represent a movement in net equity in the period in which they are declared by the shareholders in general meeting.
Dividends received are reported when the Group is entitled to receive the payment.

Income taxes

Income taxes include all the taxes calculated on the Group's taxable income. Income taxes are recorded in the income statement, except for those relating to items directly debited or credited to net equity, in which case the associated tax is recognized directly in net equity.

Deferred taxes are provided on the basis of global provision for the liability. They are calculated on all the temporary differences emerging between the tax base of an asset or liability and their book value in the consolidated financial statements, except for goodwill whose amortization cannot be deducted for tax purposes and those differences arising from investments in subsidiaries which are not expected to reverse in the foreseeable future. Deferred tax assets on the carryforward of unused tax losses and tax credits are recognized to the extent that it is probable that future taxable profit will be available against which these can be recovered. Current and deferred tax assets and liabilities may be offset when the income taxes are charged by the same tax authority and when there is a legal right of set-off. Deferred tax assets and liabilities are calculated at the tax

rates that are expected to apply to the period when the asset is realized or the liability settled, based on tax rates and laws applying in the countries where the Group operates.
Deferred taxes on reserves of distributable earnings in subsidiaries are recognized only if it is probable that such reserves will be distributed.

Earnings per share

Basic earnings per share are calculated by dividing the profit or loss pertaining to the Group attributable to ordinary shares by the weighted average number of ordinary shares outstanding during the period.

Estimates and assumptions

These financial statements, prepared in accordance with IFRS, contain estimates and assumptions made by the Group relating to assets and liabilities, costs, revenues and contingent liabilities at the reporting date. These estimates are based on past experience and assumptions considered to be reasonable and realistic, based on the information available at the time of making the estimate.
The assumptions relating to these estimates are periodically reviewed and the related effects reflected in the income statement in the same period: actual results could therefore differ from these estimates.

The following paragraphs discuss the principal assumptions used for estimation purposes and the principal sources of uncertainty, that have a risk of causing material adjustment to the book value of assets and liabilities in the future; details of book value can be found in the individual explanatory notes.

Allowance for doubtful accounts
The allowance for doubtful accounts reflects estimated expected losses on trade receivables recognized in the financial statements and not covered by insurance. It is determined on the basis of past experience, by analyzing current and previous past due amounts and the quality of credit.
Changes in the economic environment could cause the performance of some of the Group's customers to deteriorate, with an impact on the recoverability of trade receivables, to the extent uninsured.

Recoverable amount of non-current assets
The Group reviews all its non-financial assets at every reporting date for any evidence of impairment.
Goodwill and other intangible assets with an indefinite useful life are tested annually for impairment.
The recoverable amount of non-current assets is usually determined with reference to value in use, being the present value of the future cash flows expected from an asset's continuing use. The test also involves selecting a suitable discount rate for calculating the present value of the expected cash flows.

For the purposes of impairment testing, the Group's plans for 2015 and thereafter take account of the current economic and financial crisis and the new market conditions.

Employee benefits
The cost of defined benefit pension plans is determined using actuarial valuations, based on statistical assumptions regarding discount rates, expected returns on investments, future salary growth and mortality rates.
The Group believes the rates estimated by its actuaries to be reasonable for the year-end valuations, but cannot rule out that large future changes in rates could have a material impact on the liabilities recognized in the financial statements.

Recoverability of deferred tax assets

Deferred tax assets include those relating to carryforward tax losses to the extent that there is likely to be sufficient future taxable profit against which such losses can be recovered.

Management must use their discretion when determining the amount of deferred tax assets for recognition in the financial statements. They must estimate the likely timing of reversal and the amount of future taxable profit, as well as the future tax planning strategy.

Provisions for contingencies

The Group makes several provisions against disputes or risks of various kinds relating to different matters falling under the jurisdiction of different countries. The determination, probability and quantification of these liabilities involve estimation processes that are often very complex, for which management uses all the available information at the date of preparing the financial statements, including with the support of legal and tax advisors.

Product warranty provisions

The Group makes provisions for the estimated cost of product warranties. Management establishes the amount of these provisions on the basis of past trends relating to the frequency and average cost of under-warranty repairs and replacement.

COMMENTS ON THE INCOME STATEMENT

1. REVENUES

Revenues, comprising revenues from sales and services and other revenues, are broken down by geographical area by region of destination as follows:

	2015	% revenues	2014	% revenues	Change	% change
North East Europe	479,556	25.4%	466,104	27.0%	13,452	2.9%
South West Europe	802,910	42.5%	731,074	42.3%	71,836	9.8%
EUROPE	**1,282,466**	**67.8%**	**1,197,178**	**69.3%**	**85,288**	**7.1%**
MEIA (Middle East/India/Africa)	**179,902**	**9.5%**	**163,437**	**9.5%**	**16,465**	**10.1%**
United States and Canada	123,457	6.5%	97,637	5.7%	25,820	26.4%
Australia and New Zealand	105,140	5.6%	100,932	5.8%	4,208	4.2%
Japan	59,923	3.2%	58,011	3.4%	1,912	3.3%
Other countries area APA	140,210	7.4%	109,489	6.3%	30,721	28.1%
APA (Asia/Pacific/Americhe)	**428,730**	**22.7%**	**366,069**	**21.2%**	**62,661**	**17.1%**
Total revenues	**1,891,098**	**100.0%**	**1,726,684**	**100.0%**	**164,414**	**9.5%**

Comments on the most significant changes can be found in the "Markets" section of the report on operations.

"Other revenues" is broken down as follows:

	2015	2014	Change
Freight reimbursement	6,314	5,967	347
Commercial rights	3,249	1,906	1,343
Damages reimbursed	838	1,142	(304)
Out-of-period gains	444	1,582	(1,138)
Other income	13,503	11,608	1,895
Total	**24,348**	**22,205**	**2,143**

2. RAW AND ANCILLARY MATERIALS, CONSUMABLES AND GOODS

The breakdown is as follows:

	2015	2014	Change
Finished products	392,850	397,336	(4,486)
Parts	364,184	324,556	39,628
Raw materials	58,302	52,326	5,976
Other purchases	13,812	12,068	1,744
Total	**829,148**	**786,286**	**42,862**

3. CHANGE IN INVENTORIES

The difference between the overall change in inventories reported in the income statement and the change in balances reported in the statement of financial position is mainly due to differences arising on the translation of foreign company financial statements.

4. PAYROLL COSTS

These costs include €65,987 thousand in production-related payroll (€57,032 thousand at 31 December 2014).

	2015	2014	Change
Employee wages and salaries	217,324	203,249	14,075
Temporary workers	11,383	3,754	7,629
Total	**228,707**	**207,003**	**21,704**

The figures relating to the cost of employee benefits provided by certain Group companies in Italy and abroad are reported in note 31. *Employee Benefits*.

In 2014 the item included non-recurring expenses of €916 thousand incurred by the UK subsidiary relating to the discounting of guaranteed minimum pensions (GMP equalisation).

The average size of the Group's workforce during the year is analyzed as follows:

	2015	2014
Blue collar	3,799	3,782
White collar	2,802	2,676
Senior managers	97	96
Total	**6,698**	**6,554**

5. SERVICES AND OTHER OPERATING EXPENSES

These are detailed as follows:

	2015	2014	Change
Advertising and promotional expenses	177,630	168,223	9,407
Transport (for purchases and sales)	77,910	77,813	97
Subcontracted work	51,374	54,663	(3,289)
Rentals and leasing	34,275	32,422	1,853
Storage and warehousing	18,397	17,777	620
Travel	17,799	16,447	1,352
Technical support	16,205	16,063	142
Consulting services	15,648	11,790	3,858
Commissions	8,832	8,244	588
Power	8,165	7,357	808
Insurance	5,941	5,690	251
Product certification and product inspection fees	4,891	4,282	609
Maintenance	4,722	3,386	1,336
Credit insurance fees	4,279	3,762	517
Postage, telegraph and telephones	3,929	3,739	190
Directors' emoluments	2,983	2,297	686
Expenses for canteen meals	2,683	2,235	448
Other utilities and cleaning fees, security, waste collection	2,669	2,508	161
Statutory auditors' emoluments	305	322	(17)
Other sundry services	19,595	16,209	3,386
Total services	**478,232**	**455,229**	**23,003**
Sundry taxes	38,198	31,075	7,123
Out-of-period losses	42	264	(222)
Bad debts	11	200	(189)
Other	5,668	2,779	2,889
Total other operating expenses	**43,919**	**34,318**	**9,601**
Total services and other operating expenses	**522,151**	**489,547**	**32,604**

6. PROVISIONS

These include €22,621 thousand in provisions for contingencies and other charges; the main changes in this item are discussed in note 32. Other provisions for non-current contingencies and charges.

The figure at 31 December 2015 includes non-recurring provisions totaling €2,644 thousand. Please refer to note 8. Non-recurring income/(expenses).

This item also includes provisions for doubtful accounts of €3,887 thousand.

7. OTHER OPERATING INCOME

At 31 December 2014 this item referred to the adjustment made to the value of the call option on an equity investment held by a foreign subsidiary following renegotiation of the original agreements and execution of a new contract.

8. NON-RECURRING INCOME/(EXPENSES)

"Non-recurring expenses" of €2,644 thousand at 31 December 2015 are included in the provisions for contingencies and other charges and relate to the reorganization of a foreign subsidiary.

The principal components of non-recurring income/(expenses) are as follows:

	2015	2014	Change
Non-recurring income	-	643	(643)
Reorganization and restructuring costs	(2,644)	(285)	(2,359)
Other non-recurring expenses	-	(916)	916
Total	**(2,644)**	**(558)**	**(2,086)**

9. AMORTIZATION

The breakdown is as follows:

	2015	2014	Change
Amortization of intangible assets	13,608	12,047	1,561
Depreciation of property, plant and equipment	38,882	34,771	4,111
Total	**52,490**	**46,818**	**5,672**

More details about amortization and depreciation can be found in the tables reporting movements in intangible assets and property, plant and equipment.

10. FINANCIAL INCOME (EXPENSES)

Net financial income and expenses are broken down as follows:

	2015	2014	Change
Exchange differences and gains (losses) on currency hedges	**(7,388)**	**(11,150)**	**3,762**
Share of profit of equity investments consolidated by the equity method	**1,104**	**869**	**235**
Dividends from equity investments available for sale	**5**	**-**	**5**
Net interest expense	(6,880)	(10,819)	3,939
Financial discounts	(17,453)	(16,469)	(984)
Other financial income (expenses)	(2,939)	(4,136)	1,197
Other net financial income (expenses)	**(27,272)**	**(31,424)**	**4,152**
Financial income (expenses)	**(33,551)**	**(41,705)**	**8,154**

“Exchange differences and gains (losses) on hedges" include losses arising from exchange losses and fees on derivatives hedging currency risk.

"Net interest expense" includes bank interest on the Group's financial debt (recalculated using the amortized cost method) and the financial cost of factoring receivables without recourse.

No net gains or losses on financial instruments have been recognized in the year apart from interest and dividends which have been reported separately.

11. INCOME TAXES

These are analyzed as follows:

	2015	2014	Change
Current income taxes:			
- Income taxes	40,045	37,456	2,589
- IRAP (Italian regional business tax)	2,668	4,263	(1,595)
Deferred (advanced) taxes	6,610	2,093	4,517
Total	**49,323**	**43,812**	**5,511**

"Deferred income tax liabilities (assets)" include the taxes calculated on the temporary differences arising between the accounting values of assets and liabilities and the corresponding tax base (particularly for taxed provisions recognized by the parent company and its subsidiaries). They also include the benefit arising from the carryforward of unused tax losses which are likely to be used in the future.

The actual and theoretical tax charge are reconciled as follows:

	2015	%	2014	%
Profit before taxes	199,122	100.0%	171,036	100.0%
Theoretical taxes	54,759	27.5%	47,035	27.5%
Other (*)	(8,104)	(4.1%)	(7,486)	(4.4%)
Total income taxes	**46,655**	**23.4%**	**39,549**	**23.1%**
IRAP (Italian regional business tax)	2,668	1.3%	4,263	2.5%
Actual taxes	**49,323**	**24.8%**	**43,812**	**25.6%**

(*)Mostly refers to the net tax effect of permanent differences, of different tax rates applied abroad relative to the theoretical ones applied in Italy and of adjustments on prior years taxes.

COMMENTS ON THE STATEMENT OF FINANCIAL POSITION: ASSETS

NON-CURRENT ASSETS

12. GOODWILL

	31.12.2015		31.12.2014		
	Gross	Net	Gross	Net	Change
Goodwill	99,147	92,400	99,147	92,400	-

Goodwill is not amortized because it is considered to have an indefinite useful life. Instead, it is tested for impairment at least once a year to identify any evidence of loss in value. Goodwill was unchanged in the year.

The following table shows how goodwill is allocated by CGU (cash generating unit):

Cash-generating unit	31.12.2015
De'Longhi	26,444
Kenwood	17,120
Braun	48,836
Total	**92,400**

The objective of the impairment test is to determine the value in use of the CGU to which the goodwill refers, meaning the present value of the future cash flows expected to be derived from continuous use of the assets; any cash flows arising from extraordinary events are therefore ignored.
In particular, value in use is determined by applying the discounted cash flow method to forecast cash flows contained in three-year plans approved by management. These plans have been prepared assuming realistic scenarios based on the information available at the reporting date, also including the budget for 2016 and the 2015-2017 Business Plan, both which have already been approved.

Plan data was projected beyond the explicit planning period using a perpetuity growth rate that was no higher than those expected for the markets in which the individual CGUs operate. The growth rate in terminal values used for projecting beyond the planning period was 2% for all the CGUs.
The cash flows and discount rate were determined net of tax. The discount rate of 6.5%, used for all the CGUs, reflects current market assessments of the time value of money and takes account of the risks specific to the sector.

The impairment tests carried out at the end of 2015 have not revealed any other significant evidence of goodwill impairment.
The results obtained using the discounted cash flow method have been tested for their sensitivity to changes in certain key variables, within reasonable ranges and on the basis of mutually consistent assumptions. The variables altered were the discount rate (between 6.3% and 6.7%) and the growth rate in terminal value (in the range 1.8%-2.2%).
With regard to the CGUs De'Longhi and Kenwood, which represent the Group's traditional business, the impairment tests and sensitivity analyses showed that the estimated recoverable amounts were significantly higher than book value.
The estimated recoverable amount for the CGU Braun was found to be above book value even though the brand was acquired only recently and the potential in terms of earnings has yet to be fully expressed.

The estimated recoverable amounts for all the CGUs, however, were higher than book value and the sensitivity analyses point to relatively stable results; in fact, the minimum and maximum amounts diverged by around 10% from the central point when both variables were altered, while the divergence was considerably smaller when more reasonable assumptions regarding the change in variables were adopted.

No events of significance have occurred in the first few months of 2016 such as might indicate any further impairment in the carrying amount of goodwill.

However, estimating CGU recoverable amount requires management to make discretionary judgements and estimates. In fact, several factors also associated with developments in the difficult market context could make it necessary to reassess the value of goodwill. The Group will be constantly monitoring those events and circumstances that might make it necessary to perform new impairment tests.

13. OTHER INTANGIBLE ASSETS

These are analyzed as follows:

	31.12.2015		31.12.2014		
	Gross	**Net**	**Gross**	**Net**	**Change**
New product development costs	71,837	12,886	64,846	12,405	481
Patents	35,860	5,842	35,021	6,543	(701)
Trademarks and similar rights	280,717	191,788	280,483	195,805	(4,017)
Work in progress and advances	10,770	10,653	8,403	8,286	2,367
Other	21,975	8,929	21,410	9,671	(742)
Total	**421,159**	**230,098**	**410,163**	**232,710**	**(2,612)**

The following table reports movements in the main asset categories during 2015:

	New product development costs	Patents	Trademarks and similar rights	Work in progress and advances	Other	Total
Net opening balance	**12,405**	**6,543**	**195,805**	**8,286**	**9,671**	**232,710**
Additions	4,228	874	234	4,795	539	10,670
Amortization	(6,510)	(1,540)	(4,251)	-	(1,307)	(13,608)
Translation differences and other movements (*)	2,763	(35)	-	(2,428)	26	326
Net closing balance	**12,886**	**5,842**	**191,788**	**10,653**	**8,929**	**230,098**

(*)“Other movements” refers primarily to the reclassification of intangible assets.

The principal additions refer to the capitalization of new product development projects, based on detailed reporting and analysis of the costs incurred and the estimated future utility of such projects.
The Group has capitalized a total of €8,850 thousand in development costs as intangible assets in 2015, of which €4,228 thousand in "New product development costs" for projects already completed at the reporting date and €4,622 thousand in "Work in progress and advances" for projects still in progress.

"Patents" mostly refer to internal development costs and the subsequent cost of filing for patents and to costs for developing and integrating data processing systems.

"Trademarks and similar rights" include €79.8 million for the "De’Longhi" trademark, as well as €95 million for the perpetual license over the Braun brand, calculated based on an indefinite useful life in accordance with IAS 38, taking into account, above all, brand awareness, economic benefits, reference market characteristics, brand specific strategies and the amount of investments made to sustain the brands.

The impairment test carried out at the end of 2015 for both brands based on an indefinite useful life, did not reveal any evidence that these assets might have suffered an impairment loss.
No events of significance have occurred in the first few months of 2016 such as might suggest that the carrying amount of trademarks could have suffered any impairment loss.

The method used to test impairment involves discounting to present value the royalties that the Group would be able to earn from permanently granting third parties the right to use the trademarks in question.
This method, which is based on royalty receipts and reasonably estimated sales volumes, is the most commonly used for company valuation purposes since it is able to provide a suitable expression of the relationship between the strength of the trademark and business profitability.

The post-tax discount rate (7.2% net of tax) reflects current market assessments of the time value of money. The cash flows discounted to present value are stated net of tax (in keeping with the discount rate which is a post-tax one).

The results of the impairment test have been tested for their sensitivity to changes in certain key variables, within reasonable ranges and on the basis of mutually consistent assumptions. The variables alterned were the discount rate (between 7.0% and 7.4%) and the growth rate in terminal value (in the range 1.8%-2.2%).
The sensitivity analysis has revealed relatively stable results; in fact, the minimum and maximum amounts diverged by around 10% from the central point when both variables were changed, while the divergence was considerably smaller when more reasonable assumptions regarding the change in variables were adopted.

14. LAND, PROPERTY, PLANT AND MACHINERY

These are analyzed as follows:

	31.12.2015		31.12.2014		
	Gross	**Net**	**Gross**	**Net**	**Change**
Land and buildings	76,862	57,344	60,893	45,361	11,983
Plant and machinery	122,824	56,169	135,505	58,515	(2,346)
Total	**199,686**	**113,513**	**196,398**	**103,876**	**9,637**

The following table reports movements during 2015:

	Land and buildings	Plant and machinery	Total
Net opening balance	**45,361**	**58,515**	**103,876**
Additions	7,271	3,893	11,164
Disposals	-	(418)	(418)
Depreciation	(3,695)	(7,357)	(11,052)
Translation differences and other movements	8,407	1,536	9,943
Net closing balance	**57,344**	**56,169**	**113,513**

The increases refer mainly to the investments made in production in China, as well as the investments made in Italy in the coffee machine production lines.

The balance of property, plant and equipment includes the following assets purchased under finance lease (reported at their net book value):

	31.12.2015	31.12.2014	Change
Plant and equipment	4,537	4,911	(374)
Other	15	39	(24)
Total	**4,552**	**4,950**	**(398)**

Information on the financial liability arising under the related lease agreements can be found in note *30. Other financial payables*.

15. OTHER TANGIBLE ASSETS

Other tangible assets are analyzed as follows:

	31.12.2015		31.12.2014		
	Gross	Net	Gross	Net	Change
Industrial and commercial equipment	244,869	43,776	249,832	44,414	(638)
Other	82,039	24,837	68,432	25,420	(583)
Work in progress and advances	15,857	15,857	16,194	16,194	(337)
Total	**342,765**	**84,470**	**334,458**	**86,028**	**(1,558)**

The following table reports movements during 2015:

	Industrial and commercial equipment	Other	Work in progress and advances	Total
Net opening balance	**44,414**	**25,420**	**16,194**	**86,028**
Additions	15,909	7,190	9,439	32,538
Disposals	(455)	(210)	-	(665)
Depreciation	(19,773)	(8,057)	-	(27,830)
Translation differences and other movements	3,681	494	(9,776)	(5,601)
Net closing balance	**43,776**	**24,837**	**15,857**	**84,470**

The additions to "Industrial and commercial equipment" refer primarily to the purchase of molds for the manufacturing of new products.

The increase in “Work in progress” is explained primarily by the investments connected to the development of the Chinese and Romanian subsidiaries.

16. EQUITY INVESTMENTS

Details of equity investments are as follows:

	31.12.2015	31.12.2014	Change
Equity investments consolidated using the equity method	4,908	4,355	553
Other equity investments available-for-sale	546	842	(296)
Total	**5,454**	**5,197**	**257**

"Equity investments consolidated using the equity method" refers to the equity investments subject to joint control as per contractual agreements, accounted for using the equity method in accordance with IAS 28 – *Investments in associates and joint venture.* The changes in 2015 are shown below:

	31.12.2015
Opening net balance	**4,355**
Interest in net profit	1,104
Exchange differences	278
Payment of dividends	(829)
Closing net balance	**4,908**

17. NON-CURRENT RECEIVABLES

The balance at 31 December 2015 comprises €2,901 thousand in security deposits (€2,509 at 31 December 2014).

18. OTHER NON-CURRENT FINANCIAL ASSETS

At 31 December 2015, these refer, for €94 thousand, to bonds held by subsidiaries (€74 thousand at 31 December 2014) and, for €4,686 thousand, to the fair value measurement of derivatives.

19. DEFERRED TAX ASSETS AND DEFERRED TAX LIABILITIES

Deferred tax assets and deferred tax liabilities are analyzed as follows:

	31.12.2015	31.12.2014	Change
Deferred tax assets	39,772	42,515	(2,743)
Deferred tax liabilities	(22,443)	(20,156)	(2,287)
Net asset balance	**17,329**	**22,359**	**(5,030)**

"Deferred tax assets" and "Deferred tax liabilities" include the taxes calculated on temporary differences between the carrying amount of assets and liabilities and their corresponding tax base (particularly taxed provisions recognized by the parent company and its subsidiaries) and the tax effects associated with the allocation of higher values to fixed assets as a result of allocating consolidation differences based on the applicable tax rate. Deferred tax assets are calculated mainly on provisions and consolidation adjustments. They also include the benefit arising from the carryforward of unused tax losses which are likely to be used in the future.

The net balance is analyzed as follows:

	31.12.2015	31.12.2014	Change
Temporary differences	11,327	16,070	(4,743)
Tax losses	6,002	6,289	(287)
Net asset balance	**17,329**	**22,359**	**(5,030)**

The change in the net asset balance also reflects the increase in "Profit (loss) carried forward" recognized in net equity of €229 thousand relating to the recognition of actuarial gains/(losses) pursuant to the new IAS 19 – *Employee Benefits* in the comprehensive income statement and a decrease of €936 thousand in the "Fair value and cash flow hedge reserve".

CURRENT ASSETS

20. INVENTORIES

"Inventories", shown net of an allowance for obsolete and slow-moving goods, can be analyzed as follows:

	31.12.2015	31.12.2014	Change
Finished products and goods	278,750	274,785	3,965
Raw, ancillary and consumable materials	49,917	47,080	2,837
Work in progress and semi-finished products	26,783	25,795	988
Inventory writedown allowance	(32,030)	(29,897)	(2,133)
Total	**323,420**	**317,763**	**5,657**

The value of inventories is stated after deducting an allowance for obsolete or slow-moving goods totaling €32,030 thousand (€29,897 thousand at 31 December 2014) in relation to products and raw materials that are no longer of strategic interest to the Group.

21. TRADE RECEIVABLES

These are analyzed as follows:

	31.12.2015	31.12.2014	Change
Trade receivables			
- due within 12 months	386,837	382,967	3,870
- due beyond 12 months	20	94	(74)
Allowance for doubtful accounts	(14,785)	(16,902)	2,117
Total	**372,072**	**366,159**	**5,913**

Trade receivables are stated net of an allowance for doubtful accounts of €14,785 thousand, representing a reasonable estimate of the expected risk at the reporting date. The allowance refers to a number of disputed receivables or those whose collection is otherwise in doubt and takes account of the fact that a significant portion of the receivables are covered by insurance policies with major insurers.

In accordance with the disclosure required by Consob Circular 3369 of 9 April 1997, we report that the total amount of receivables factored without recourse and outstanding at 31 December 2015 is €117,898 thousand. The total amount of receivables factored by the Group during 2015 (under Law 52/1991 known as the Factoring Law) was €595,126 thousand.

Movements in the allowance for doubtful accounts are shown in the following table:

	31.12.2014	Net increases	Utilization	Translation differences and other movements	31.12.2015
Allowance for doubtful accounts	16,902	3,887	(6,460)	456	14,785

The Group has received guarantees from customers as collateral against trade balances; in addition, a significant portion of the receivables are covered by insurance policies with major insurers. More details can be found in note *39. Risk management*.

22. CURRENT TAX ASSETS

These are analyzed as follows:

	31.12.2015	31.12.2014	Change
Direct tax receivables	4,482	4,642	(160)
Tax payments on account	4,391	1,410	2,981
Tax refunds requested	1,151	1,198	(47)
Total	**10,024**	**7,250**	**2,774**

There are no current tax assets due beyond 12 months.

23. OTHER RECEIVABLES

"Other receivables" are analyzed as follows:

	31.12.2015	31.12.2014	Change
VAT	13,790	20,237	(6,447)
Advances to suppliers	4,949	5,492	(543)
Other tax receivables	4,283	3,992	291
Prepaid insurance costs	1,169	1,084	85
Employees	275	276	(1)
Other	8,078	7,203	875
Total	**32,544**	**38,284**	**(5,740)**

This item includes €8 thousand in amounts due beyond 12 months (€7 thousand at 31 December 2014).

24. CURRENT FINANCIAL RECEIVABLES AND ASSETS

"Current financial receivables and assets" are analyzed as follows:

	31.12.2015	31.12.2014	Change
Fair value of derivatives	15,509	23,160	(7,651)
Other financial receivables	403	32,083	(31,680)
Total	**15,912**	**55,243**	**(39,331)**

More details on the fair value of derivatives can be found in note *39. Risk management.*

25. CASH AND CASH EQUIVALENTS

This balance consists of surplus liquidity on bank current accounts, mostly relating to customer payments received at period end and temporary cash surpluses.
Some of the Group's foreign companies have a total of €518.5 million in cash on current accounts held at the same bank. These cash balances form part of the international cash pooling system and are partially offset by €517.5 million in overdrafts held at the same bank by other foreign companies. This bank therefore acts as a "clearing house" for the Group's positive and negative cash balances. Considering the substance of the transactions and technical workings of the international cash pooling system, the positive and negative cash balances have been netted against one another in the consolidated statement of financial position, as permitted by IAS 32. The bank in question has been given a lien over all the cash balances within the international cash pooling system in respect of this service.

The cash balances at 31 December 2015 include €569 thousand in current accounts of certain subsidiaries, that are restricted, having been given as collateral.

26. NON-CURRENT ASSETS HELD FOR SALE

The item refers to the value of a freehold property of a subsidiary that was classified under non-current assets held for sale, as required under IFRS 5 – *Non-current assets held for sale and discontinued operations,* insofar as the Group initiated a program to locate a buyer and complete the disposal.
The amount corresponds to the net carrying amount, insofar as it is not less than the fair value of the assets held for sale, net of the selling costs.

	31.12.2014	Translation differences	31.12.2015
Non-current assets held for sale	1,235	(128)	1,107

COMMENTS ON THE STATEMENT OF FINANCIAL POSITION: NET EQUITY

NET EQUITY

Net equity is made up as follows:

	31.12.2015	31.12.2014	Change
Group portion	902,883	783,237	119,646
Minority interests	2,973	2,910	63
Total	**905,856**	**786,147**	**119,709**

Movements in the equity accounts are reported in one of the earlier schedules forming part of the financial statements; comments on the main components and their changes are provided below.

The annual general meeting (AGM) of De'Longhi S.p.A. held on 14 April 2015 approved a dividend totalling €61,295 thousand, which was paid in full during the year.

27. SHARE CAPITAL

Share capital is made up of 149,500,000 ordinary shares of par value €1.5 each, for a total of €224,250 thousand.

28. RESERVES

These are analyzed as follows:

	31.12.2015	31.12.2014	Change
Share premium reserve	162	162	-
Legal reserve	15,573	12,225	3,348
Other reserves			
- Extraordinary reserve	21,733	19,421	2,312
- Fair value and cash flow hedge reserve	4,793	11,862	(7,069)
- Currency translation reserve	45,652	7,312	38,340
- Profit (loss) carried forward	441,187	381,473	59,714
Total	**529,100**	**432,455**	**96,645**

The "Share premium reserve" was set up following the public offering at the time of the parent company's listing on the Milan stock exchange on 23 July 2001 which was subsequently reduced following the demerger transaction in favour of DeLclima S.p.A. to €162 thousand.

The "Legal reserve" had a balance of €12,225 thousand at 31 December 2014. The increase of €3,348 thousand is explained by the allocation of profit for the year approved by shareholders during De'Longhi S.p.A.'s AGM held on 14 April 2015.

The "Extraordinary reserve" increased by €2,312 thousand due to the allocation of the profit for the year, as approved by shareholders of De'Longhi S.p.A. during the above AGM.

The "Fair value and cash flow hedge reserve" reports a positive balance of €4,793 thousand, net of €1,953 thousand in tax.
The change in the "Fair value and cash flow hedge" reserve in 2015, recognized in the statement of comprehensive income for the year, is attributable to the fair value of the cash flow hedge and available-for-sale securities of €7,069 thousand net of €936 thousand in tax.

"Profit (loss) carried forward" includes the retained earnings of the consolidated companies and the effects of consolidation adjustments and adjustments to comply with Group accounting policies. The net increase posted in the year reflects the profit carried forward from the previous year of €120,872 thousand, net of the dividends paid which amounted to €61,295 thousand and the negative change in fair value of €137 thousand explained by the net actuarial losses on provisions for employee benefits (recognized in the statement of comprehensive income for the year).

Minority interests in net equity, which amount to €2,973 (including the profit for the period of €266 thousand), refer to the minority interest (49%) held in E-Services S.r.l..

The net increase of €63 thousand in minority interests in net equity with respect to 31 December 2014 is explained by the increase in the profit for the period attributable to minority interests of €266 thousand and the overall decline of €203 thousand relating, for €211 thousand, to dividends paid to minorities and, for the remaining €8 thousand, other components of comprehensive income.

Below is a reconciliation between the net equity and profit reported by the parent company, De'Longhi S.p.A., and the figures shown in the consolidated financial statements:

	Net equity 31.12.2015	**Profit for 2015**	**Net equity 31.12.2014**	**Profit for 2014**
De'Longhi S.p.A. financial statements	**334,829**	**67,357**	**328,307**	**66,955**
Share of subsidiaries' equity and results for period attributable to the Group, after deducting carrying value of the investments	586,453	87,838	468,156	70,264
Allocation of goodwill arising on consolidation and related amortization and reversal of goodwill recognized for statutory purposes	24,878	(2,337)	27,265	(1,778)
Elimination of intercompany profits	(37,552)	(3,616)	(34,239)	(7,757)
Other adjustments	(2,752)	557	(3,342)	(460)
Consolidated financial statements	**905,856**	**149,799**	**786,147**	**127,224**
Minority interests	2,973	266	2,910	692
Group portion	**902,883**	**149,533**	**783,237**	**126,532**

NON-CURRENT LIABILITIES

29. BANK LOANS AND BORROWINGS

"Bank loans and borrowings" (including the current portion) are analyzed as follows:

	31.12.2015	31.12.2014	Change
Overdrafts	675	2,097	(1,422)
Short-term loans	26,598	195,077	(168,479)
Long-term loans (current portion)	-	5,957	(5,957)
Total short-term bank loans and borrowings	**27,273**	**203,131**	**(175,858)**
Long-term loans, one to five years	-	8,980	(8,980)
Total long term loans	**-**	**8,980**	**(8,980)**
Total bank loans and borrowings	**27,273**	**212,111**	**(184,838)**

This item at 31 December 2015 did not include long-term loans.
The loan granted by Centrobanca – Banca Popolare di Vicenza, still in place at 31 December 2014, was repaid in full.
Non new medium/long term loans were taken out in 2015.

30. OTHER FINANCIAL PAYABLES

This balance, inclusive of the current portion, is made up as follows:

	31.12.2015	31.12.2014	Change
Negative fair value of derivatives	3,749	6,493	(2,744)
Payables to lease companies (short-term portion)	880	976	(96)
Other short term financial payables	39,596	21,400	18,196
Total short-term payables	**44,225**	**28,869**	**15,356**
Private placement (one to five years)	28,435	19,059	9,376
Payables to lease companies (one to five years)	993	1,836	(843)
Other financial payables (one to five years)	38,188	37,865	323
Total long-term payables (one to five years)	**67,616**	**58,760**	**8,856**
Private placement (beyond five years)	50,135	51,344	(1,209)
Negative fair value CCIRS (hedging the bond loan – beyond five years)	-	4,227	(4,227)
Other financial payables (beyond five years)	497	-	497
Total long-term payables (beyond five years)	**50,632**	**55,571**	**(4,939)**
Total other financial payables	**162,473**	**143,200**	**19,273**

The short-term portion of "Negative fair value of derivatives" refers to hedges on currencies, foreign currency receivables and payables, as well as on future revenue streams.
Please refer to note *39. Risk management* for more information about the fair value of derivatives (currency risk hedges) at 31 December 2015.

"Other short-term financial payables" refer primarily to balances arising as part of without-recourse factoring of receivables.

The bond loan refers to the issue and placement of unsecured bonds with US institutional investors (the US Private Placement), completed in 2012 of USD 85,000 thousand (equal to, at 31 December 2015 €78,570 thousand based on the amortized cost method).
The securities were issued by De'Longhi S.p.A. in a single tranche and have a duration of 14 years. The bonds will accrue interest from the subscription date at a fixed rate of 4.25%. The bond loan will be repaid yearly in equal capital instalments beginning September 2017 and ending September 2027, without prejudice to the ability to repay the entire amount in advance, for an average life of 10 years.
The securities are unrated and are not intended to be listed on any regulated markets.
The bond loan is subject to half-yearly financial covenants in line with those contemplated in other existing loan transactions. At 31 December 2015 the covenants had not been breached. The issue is not secured by collateral of any kind.

"Other financial payables (one to five years)" refer primarily to the earn-out payable under the Braun sales agreement linked to the sales performance of the Braun brand over the first five years following the acquisition (measured at fair value at the end of the reporting period).
The item also includes the residual financial payable linked to the transfer of the pension fund liabilities pertaining to a few foreign companies to third parties.

All the principal other financial payables (with the exception of the bond) carry floating-rate interest, meaning that interest is based on a benchmark rate (usually 1 or 3-month Libor/Euribor) plus a spread, which depends on the nature of the payable and its due date. As a result, the fair value of loans, obtained by discounting expected future interest payments at current market rates, is not materially different from the value reported in the financial statements. This is based on the fact that forecasts of future interest payments use an interest rate which reflects current market conditions (in terms of benchmark interest rates).
The bond loan was issued at a fixed rate, however the change in fair value is hedged by a Cross Currency Interest Rate Swap.

Net financial position

Details of the net financial position are as follows:

	31.12.2015	31.12.2014	Change
A. Cash	134	132	2
B. Cash equivalents	357,776	388,398	(30,622)
C. Securities	-	-	-
D. Total liquidity (A+B+C)	**357,910**	**388,530**	**(30,620)**
E. Current financial receivables and other securities	**15,912**	**55,243**	**(39,331)**
of which:			
Fair value of derivatives	*15,509*	*23,160*	*(7,651)*
F. Current bank loans and borrowings	(27,273)	(197,174)	169,901
G. Current portion of non-current debt	-	(5,957)	5,957
H. Other current financial payables	(44,225)	(28,869)	(15,356)
of which:			
Fair value of derivatives and options on equità investments	*(3,749)*	*(7,493)*	*3,744*
I. Current financial debt (F+G+H)	**(71,498)**	**(232,000)**	**160,502**
J. Net current financial receivables (payables) (D+E+I)	**302,324**	**211,773**	**90,551**
Non-current financial receivables	4,780	526	4,254
of which:			
Fair value of derivatives	*4,686*	*452*	*4,234*
K. Non-current bank loans and borrowings	-	(8,980)	8,980
L. Bonds	(78,570)	(70,403)	(8,167)
M. Other non-current payables	(39,678)	(43,928)	4,250
of which:			
Fair value of derivatives and options on equity investment, residual payables due to pension fund transaction and residual payables for Braun acquisition (earn-out)	*(37,666)*	*(40,289)*	*2,623*
N. Non-current financial debt (K+L+M)	**(113,468)**	**(122,785)**	**9,317**
Total	**188,856**	**88,988**	**99,868**

For a better understanding of changes in the Group's net financial position, reference should be made to the full consolidated statement of cash flows, appended to these explanatory notes, and the condensed statement presented in the report on operations.

More details on the fair value of derivatives can be found in note *39. Risk management*.

Details of financial receivables and payables with related parties are reported in Appendix 3.

31. EMPLOYEE BENEFITS

These are made up as follows:

	31.12.2015	31.12.2014	Change
Provision for severance indemnities	11,195	11,663	(468)
Other defined benefit plans	14,915	15,977	(1,062)
Long term benefits	4,333	11,673	(7,340)
Total	**30,443**	**39,313**	**(8,870)**

The provision for severance indemnities includes amounts payable to employees of the Group's Italian companies and not transferred to supplementary pension schemes or the pension fund set up by INPS (Italy's national social security agency). This provision has been classified as a defined benefit plan, governed as such by IAS 19 - Employee benefits.

Some of the Group's foreign companies provide defined benefit plans for their employees.
Some of these plans have assets servicing them, but severance indemnities, as an unfunded obligation, do not.
These plans are valued on an actuarial basis to express the present value of the benefit payable at the end of service that employees have accrued at the reporting date.

The amounts of the obligations and assets to which they refer are set out below:

Provision for severance indemnities:

Movements in the year are summarized below:

Net cost charged to income	31.12.2015	31.12.2014	Change
Current service cost	204	175	29
Interest cost on defined benefit obligation	205	323	(118)
Total	**409**	**498**	**(89)**

Change in present value of obligations	31.12.2015	31.12.2014	Change
Present value at 1 January	**11,663**	**10,391**	**1,272**
Current service cost	204	175	29
Utilization of provision	(541)	(612)	71
Interest cost on obligation	205	323	(118)
Actuarial gains & losses recognized in the comprehensive income statement	(336)	1,386	(1,722)
Present value at reporting date	**11,195**	**11,663**	**(468)**

Other defined benefit plans:

Movements in the year are as follows:

Net cost charged to income	31.12.2015	31.12.2014	Change
Current service cost	886	2,119	(1,233)
Return on plan assets	(172)	(1,716)	1,544
Interest cost on obligations	342	2,211	(1,869)
Total	**1,056**	**2,614**	**(1,558)**

Change in present value of obligations	31.12.2015	31.12.2014	Change
Present value at 1 January	**15,977**	**10,706**	**5,271**
Net cost charged to income	1,056	2,614	(1,558)
Benefits paid	(939)	(154)	(785)
Translation difference	247	49	198
Changes in financial payable linked to transfer of liabilities to third parties	(1,388)	(1,039)	(349)
Actuarial gains & losses recognized in the comprehensive income statement	(38)	3,801	(3,839)
Present value at reporting date	**14,915**	**15,977**	**(1,062)**

The outstanding liability at 31 December 2015 of €14,915 thousand (€15,977 thousand at 31 December 2014) refers to a few subsidiaries (mainly in Germany and Japan).

The assumptions used for determining the obligations under the plans described are as follows:

Assumptions used	Severance indemnity 2015	Severance indemnity 2014	Other plans 2015	Other plans 2014
Discount rate	2.00%	3.20%	1.0%-3.5%	1%-3.47%
Future salary increases	1.8%-3.8%	3.50%	0%-3.2%	1.5%-3.2%
Inflation rate	1.80%	2.00%	0%-3.3%	0%-3.3%

The other employee benefits refer to an incentive plan 2015 – 2017 for which relative provisions were made. The plan, benefitting the Chief Executive Officer, as well as a few other executives of De'Longhi S.p.A. and other Group companies was approved by the Company's Board of Directors on 11 November 2015.
For more information please refer to the Annual Report on Remuneration.

32. OTHER PROVISIONS FOR NON-CURRENT CONTINGENCIES AND CHARGES

These are analyzed as follows:

	31.12.2015	31.12.2014	Change
Agents' leaving indemnity provision	1,884	2,094	(210)
Product warranty provision	31,555	29,411	2,144
Provision for contingencies and other charges	16,827	14,527	2,300
Total	**50,266**	**46,032**	**4,234**

Movements are as follows:

	31.12.2014	Utilization	Accrual	Translation difference and other movements	31.12.2015
Agents' leaving indemnity provision	2,094	(277)	67	-	1,884
Product warranty provision	29,411	(16,823)	19,003	(36)	31,555
Provision for contingencies and other charges (*)	14,527	(469)	3,551	(782)	16,827
Total	**46,032**	**(17,569)**	**22,621**	**(818)**	**50,266**

(*) "Other movements" refers to the reclassification of a few items as "Other payables".

The agents' leaving indemnity provision covers the payments that might be due to departing agents in accordance with art. 1751 of the Italian Civil Code, as applied by collective compensation agreements in force.

The product warranty provision has been established, for certain consolidated companies, on the basis of estimated under-warranty repair and replacement costs for sales taking place by 31 December 2015. It takes account of the provisions of Decree 24/2002 and of European Community law.

The "Provision for contingencies and other charges" includes the provision of €11,760 thousand (€12,466 thousand at 31 December 2014) for legal disputes and product complaint liabilities (limited to the Group's insurance deductible), the provision of €3,165 thousand (€755 thousand at 31 December 2014) for restructuring and reorganization, as well as the provisions made by the parent company, as well as a few subsidiaries, relating to commercial risks and other charges.

CURRENT LIABILITIES

33. TRADE PAYABLES

The balance represents the amount owed by the Group to third parties for the provision of goods and services.

The item does not include amounts due beyond 12 months.

34. CURRENT TAX LIABILITIES

The item "Tax liabilities" refers to the Group's direct tax and does not include tax due beyond 12 months.

35. OTHER PAYABLES

These are analyzed as follows:

	31.12.2015	31.12.2014	Change
Employees	31,538	28,044	3,494
Indirect taxes	17,747	19,418	(1,671)
Social security institutions	6,960	5,955	1,005
Withholdings payables	6,041	4,848	1,193
Advances	554	955	(401)
Other taxes	7,372	7,507	(135)
Other	23,110	24,116	(1,006)
Total	**93,322**	**90,843**	**2,479**

36. COMMITMENTS

These are detailed as follows:

	31.12.2015	31.12.2014	Change
Guarantees given to third parties	1,512	1,458	54
Other commitments	5,230	6,443	(1,213)
Total	**6,742**	**7,901**	**(1,159)**

"Other commitments" mainly consist of contractual obligations pertaining to the subsidiaries.

In addition De'Longhi S.p.A., as part of its factoring of trade receivables without recourse, the total exposure for which amounted to €117,898 at 31 December 2015, the Group issued a surety and a credit mandate.

37. IFRS 7 CLASSIFICATION OF FINANCIAL ASSETS AND LIABILITIES

Financial assets and liabilities are classified below in accordance with IFRS 7, using the categories identified in IAS 39.

		Assets		
31/12/2015	**Book value**	**Loans and receivables**	**Available for sale**	**Derivatives**
Non-current assets				
- Equity investments	5,454	*-*	*546*	*-*
- Receivables	2,901	*2,901*	*-*	*-*
- Other non-current financial assets	4,780	*-*	*94*	*4,686*
Current assets				
- Trade receivables	372,072	*372,072*		
- Current tax assets	10,024	*10,024*	*-*	*-*
- Other receivables	32,544	*32,544*	*-*	*-*
- Current financial receivables and assets	15,912	*403*	*-*	*15,509*
- Cash and cash equivalents	357,910	*357,910*	*-*	*-*

		Liabilities	
31/12/2015	**Book value**	**Loans**	**Derivatives**
Non-current liabilities			
- Bank loans and borrowings (long-term portion)	-	*-*	*-*
- Other financial payables (long-term portion)	(118,248)	*(118,248)*	*-*
Current liabilities			
- Trade payables	(383,346)	*(383,346)*	*-*
- Bank loans and borrowings (short-term portion)	(27,273)	*(27,273)*	*-*
- Other financial payables (short-term portion)	(44,225)	*(40,476)*	*(3,749)*
- Current tax liabilities	(10,955)	*(10,955)*	*-*
- Other payables	(93,322)	*(93,322)*	*-*

		Assets		
31/12/2014	**Book value**	**Loans and receivables**	**Available for sale**	**Derivatives**
Non-current assets				
- Equity investments	5,197		*842*	
- Receivables	2,509	*2,509*		
- Other non-current financial assets	526		*74*	*452*
Current assets				
- Trade receivables	366,159	*366,159*		
- Current tax assets	7,250	*7,250*		
- Other receivables	38,284	*38,284*		
- Current financial receivables and assets	55,243	*32,083*		*23,160*
- Cash and cash equivalents	388,530	*388,530*		

		Liabilities	
31/12/2014	**Book value**	**Loans**	**Derivatives**
Non-current liabilities			
- Bank loans and borrowings (long-term portion)	(8,980)	*(8,980)*	
- Other financial payables (long-term portion)	(114,331)	*(110,104)*	*(4,227)*
Current liabilities			
- Trade payables	(382,545)	*(382,545)*	
- Bank loans and borrowings (short-term portion)	(203,131)	*(203,131)*	
- Other financial payables (short-term portion)	(28,869)	*(22,376)*	*(6,493)*
- Current tax liabilities	(19,878)	*(19,878)*	
- Other payables	(90,843)	*(90,843)*	

38. HIERARCHICAL LEVELS OF FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE

The following table presents the hierarchical levels in which the fair value measurements of financial instruments have been classified at 31 December 2015. As required by IFRS 7, the hierarchy comprises the following levels:
- level 1: quoted prices in active markets for identical assets or liabilities;
- level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly;
- level 3: inputs for the asset or liability that are not based on observable market data.

Financial instruments measured at fair value	Level 1	Level 2	Level 3
Derivatives:			
- derivatives with positive fair value	-	20,195	-
- derivatives with negative fair value	-	3,749	-
Available for sale financial assets:			
- equity investments	546	-	-
- other non-current financial assets	94	-	-

There were no transfers between the levels during the year.

39. RISK MANAGEMENT

The Group is exposed to the following financial risks as part of its normal business activity:
- credit risk, arising from commercial activities and from the investment of surplus cash;
- liquidity risk, arising from the need to have adequate access to capital markets and sources of finance to fund its operations, investment activities and the settlement of financial liabilities;
- exchange rate risk, associated with the significant amount of purchases and sales in currencies other than the Group's functional currency;
- interest rate risk, relating to the cost of the Group's debt.

Credit risk

Credit risk consists of the Group's exposure to potential losses arising from failure by a counterparty to fulfil its obligations.
Trade credit risk is associated with the normal conduct of trade and is monitored using formal procedures for selecting and assessing customers, for defining credit limits, for monitoring expected receipts and for their recovery if necessary.
Credit risk is partly mitigated by insurance policies with major insurers, with the aim of insuring against the risk of default by a portfolio of customers selected together with the insurer, who then undertakes to pay an indemnity in the event of default.
In some cases customers are required to provide guarantees, principally in the form of sureties.
Although there is a certain concentration of risk associated with the size of some of the principal buying groups, this is counterbalanced by the fact that the exposure is spread across counterparties operating in different geographical areas.

Positions are written down when there is objective evidence that they will be partially or entirely uncollected; such writedowns are based on past data and information about the counterparty's solvency, taking account of insurance and any other guarantees as described above.

The Group's maximum exposure to credit risk is equal to the book value of trade receivables before the allowance for doubtful accounts, and amounts to €386,857 thousand at 31 December 2015 and €383,061 thousand at 31 December 2014.
This amount corresponds to the gross balance of trade receivables of €426,039 thousand at 31 December 2015 (€418,668 thousand at 31 December 2014), net of deductions and accounting offsets, which reduce the overall credit risk, mainly in the form of credit notes and other documents not yet issued to customers.

The following analysis of credit risk, carried out on the basis of receivables ageing and the reports used for credit management, refers to the trade balances before these deductions because the documents awaiting issue cannot be specifically allocated to the ageing categories.

Trade receivables of €426,039 thousand at 31 December 2015 comprise €387,741 thousand in current balances and €38,298 thousand in past due amounts, of which €30,122 thousand past due by less than 90 days and €8,176 thousand past due by more than 90 days.
The amount of insured or guaranteed receivables at 31 December 2015 is €346,093 thousand, of which €328,227 thousand is current, €17,289 thousand past due by less than 90 days and €577 thousand past due by more than 90 days.
The Group has recognized €14,785 thousand in allowances for doubtful accounts against unguaranteed receivables of €79,946 thousand (of which €12,833 thousand past due by less than 90 days and €7,599 thousand past due by more than 90 days).

Trade receivables of €418,668 thousand at 31 December 2014 comprise €369,578 thousand in current balances and €49,090 thousand in past due amounts, of which €39,758 thousand past due by less than 90 days and €9,332 thousand past due by more than 90 days.
The amount of insured or guaranteed receivables at 31 December 2014 is €300,725 thousand, of which €274,083 thousand is current, €25,469 thousand past due by less than 90 days and €1,173 thousand past due by more than 90 days.
The Group has recognized €16,902 thousand in allowances for doubtful accounts against unguaranteed receivables of €107,866 thousand (of which €4,219 thousand past due by less than 90 days and €8,152 thousand past due by more than 90 days).

As far as financial risk is concerned, it is the Group's policy to maintain a sufficiently large portfolio of counterparties of high international repute for the purposes of temporary investment of surplus resources or for the negotiation of derivatives.
The maximum credit risk in the event of counterparty default relating to the Group's other financial assets, whose classification is presented in note *37. IFRS 7 classification of financial assets and liabilities*, is equal to the book value of these assets.

Liquidity risk

Liquidity risk is the risk of not having the fund needed to fulfil payment obligations arising from operating and investment activities and from the maturity of financial instruments.
The Group uses specific policies and procedures for the purposes of monitoring and managing this risk, including:

- centralized management of financial payables and cash, supported by reporting and information systems and, where possible, cash pooling arrangements;
- raising of medium and long-term finance on capital markets;
- diversification of the type of financing instruments used;
- obtaining of short-term credit lines so as to ensure wide room for manoeuvre for the purposes of managing working capital and cash flows;
- monitoring of current and forecast financing needs and distribution within the Group.

The Group has both medium-term bank credit lines and short-term credit lines (typically renewed on an annual basis), for financing working capital and other operating needs (issue of guarantees, currency transactions etc.).
These credit lines, along with cash flow generated by operations, are considered sufficient to satisfy the Group’s annual funding requirements for working capital, investments and settlement of payables on their natural due dates.

Note *37. IFRS 7 classification of financial assets and liabilities* presents the book value of financial assets and liabilities, in accordance with the categories identified by IAS 39.

The following table summarizes the due dates of the Group's financial liabilities at 31 December 2015 and 31 December 2014 on the basis of undiscounted contractual payments.

	Undiscounted cash flows at 31.12.2015	*Within one year*	*One to five years*	*Beyond five years*	Undiscounted cash flows at 31.12.2014	*Within one year*	*One to five years*	*Beyond five years*
Bank loans and borrowings (*)	27,273	27,273	-	-	212,558	203,411	9,147	-
Other financial payables (**)	172,104	46,944	75,426	49,734	164,115	31,602	71,028	61,485
Trade payables	383,346	383,346	-	-	382,545	382,545	-	-
Current tax payables and other payables	104,277	104,216	61	-	110,721	110,670	51	-

(*)The corresponding balance in the accounts is €27,793 thousand at 31 December 2015 and €212,111 thousand at 31 December 2014.
(**)The corresponding balance in the accounts is €162,473 thousand at 31 December 2015 and €143,200 at 31 December 2014 refers to the short-term portion of long-term leases, the loans from the Ministry of Industry and the bond loan.

Exchange rate risk

The Group is exposed to the risk of fluctuations in currencies (other than its functional one) in which ordinary trade and financial transactions are denominated. For the purposes of protecting its income statement and statement of financial position from such fluctuations, the Group adopts a suitable hedging policy that eschews speculative ends.

Hedging policies
Hedging is carried out centrally by a special team on the basis of information obtained from a detailed reporting system, using instruments and policies that comply with international accounting standards. The purpose of hedging is to protect - at individual company level - the future revenues/costs contained in budgets and/or long-term plans, trade and financial receivables/payables and net investments in foreign operations.

Purpose of hedging
Hedging is carried out with three goals:
a) to hedge cash flows of budgeted or planned amounts up until the time of invoicing, with a time horizon that rarely goes beyond 24 months;
b) to hedge the monetary amounts of receivables and payables originating from invoicing and financing transactions;
c) to hedge interest rate and exchange rate risk relating to the medium/long term debt in currencies other than the Group's functional currency, with regard specifically to the unsecured bond loan issued by the parent company De'Longhi S.p.A. and placed with US institutional investors (the "US Private Placement");
d) to hedge exchange rate risk relating to net investments in foreign operations.

The principal currencies to which the Group is exposed are:
- the US dollar (mainly the EUR/USD and GBP/USD), being the currency in which a significant part of the cost of raw materials, parts and finished products, and the bond loan issued by De'Longhi S.p.A are denominated;
- the Japanese yen (JPY/HKD), for sales on the Japanese market;
- the Australian dollar (AUD/HKD) for sales on the Australian market;
- the Ruble (RUB/GBP), for sales on the Russian market;
- the Hyrvnia (UAH/GBP), for sales on the Ukrainian market.

Instruments used
Highly liquid instruments of a non-speculative nature are used, mostly forward purchase/sale agreements.
With regard to the bond loan a Cross Currency Interest Rate Swap (CCIRS) agreement was stipulated to hedge both interest rate and currency exchange risk.
The transactions are entered into with primary, well known counterparties of international standing.

Operating structure
Hedging activity is centralized (except for isolated, negligible cases) under De'Longhi Capital Services S.r.l., a Group company, which intervenes on the markets on the basis of information received from the individual operating companies. The terms and conditions thus negotiated are passed down in full to Group companies so that De'Longhi Capital Services S.r.l. does not directly carry derivatives for risks that are not its own.
With regard to the bond loan issued by De'Longhi S.p.A., the hedge agreement was stipulated by the parent company directly.

Sensitivity analysis

When assessing the potential impact, in terms of change in fair value, of a hypothetical, sudden +/-5% change in year-end exchange rates, it is necessary to distinguish between the risk associated with expected future revenues/costs and the risk associated with foreign currency assets and liabilities at 31 December 2015:

(a) the risk associated with expected future revenues/costs (as estimated in budgets and/or long-term plans or interest flows relating to the bond loan) is mitigated by related hedges at 31 December 2015, whose fair value, in accordance with IAS, is reported in equity, as described in the earlier section of these explanatory notes on Accounting policies – Financial instruments; a +/- 5% change in year-end exchange rates of the exposed currency is estimated to produce a change of around +/- €11.9 million before tax (+/- €8.8 million before tax at 31 December 2014). This amount would affect the income statement only in the year in which the hedged revenues/costs are reported in profit or loss;

(b) as for the risk associated with foreign currency assets and liabilities, the analysis considers only unhedged receivables/payables in currencies other than the functional currency of the individual companies, since the impact of any hedges is assumed to be equal and opposite to that of the hedged items. A +/- 5% change in year-end exchange rates of the principal exposed currencies (mainly the USD) against the principal functional currencies would produce a change in fair value of around +/- €0.8 million before tax (+/- €0.4 million before tax at 31 December 2014).

The hedging transactions at 31 December 2015 are described in the paragraph *"Interest rate and currency exchange hedges at 31 December 2015"*.

Interest rate risk

The Group is exposed to interest rate risk on floating rate loans and borrowings. This risk is managed centrally by the same team that manages currency risks.

Except for the private placement in the U.S. market, all of the Group's financial debt at 31 December 2015 was at floating rates following the decision to obtain the maximum benefit from the continued low level of interest rates.

The purpose of interest rate risk management is to fix in advance the maximum cost (in terms of the interbank rate, which represents the benchmark for these borrowings) for a part of the debt.

There was only one interest rate hedge, the Cross Currency Interest Rate Swap relating to the Private Placement, at 31 December 2015.

Sensitivity analysis

When estimating the potential impact of a hypothetical, sudden material change in interest rates (+/- 1% in market rates) on the cost of the Group's debt, only those items forming part of net financial position which earn/incur interest at floating rates have been considered and not any others (meaning total net assets of €285.9 million on a total of €188.9 million in net debt at 31 December 2015 and total net assets of €135.7 million on a total of €89.0 million in net debt in 2014).

The Group's debt is currently all at floating rates and, with the exception of the Private Placement completed by the parent company, therefore unhedged, so any change in market rates has a direct impact on its total cost, in terms of higher/lower interest payments.

A +/- 1% change in interest rates would have an impact of +/- €2.9 million before tax at 31 December 2015 recognized entirely in the income statement (+/- €1.4 million before tax at 31 December 2014).

With regard to the Private Placement, based on the hedge agreement the fixed rate US dollar debt is exchanged for fixed rate Euro denominated debt. Therefore, any change in interest rates would not have an impact on the income statement.

However, as the value of the hedge will be measured at fair value and the future interest flows will be reported in equity, a +/- 1% change in interest rates would have an impact on the cash flow hedge reserve of +/- €0.5 million before tax at 31 December 2015 (+/- €0.1 million before tax at 31 December 2014).

Interest rate and currency exchange hedges at 31 December 2015

At 31 December 2015 the Group has a number of derivatives, hedging both the fair value of underlying instruments and exposure to changes in cash flow.

For accounting purposes, derivatives that hedge changes in cash flow are treated in accordance with hedge accounting as called for in IAS 39.

Derivatives that hedge foreign currency payables and receivables are reported as financial assets and liabilities held for trading with changes in their fair value reported in the income statement. These instruments offset the risk on the hedged item (which is a recognized asset or liability).

The fair value of the outstanding derivatives at 31 December 2015 is provided below:

	***Fair Value* at 31/12/2015**
FX forward agreements	11,517
CCIRS on the bond loan issued by the parent company (in USD)	11,578
Derivatives hedging foreign currency receivables/payables	**23,095**
FX forward agreements	(347)
CCIRS on the bond loan issued by the parent company (in USD)	(6,302)
Derivatives covering expected cash flows	**(6,649)**
Total fair value of the derivatives	**16,446**

Forward agreements to hedge against a change in 2016 trade flows:

A list of the forward agreements hedging a change in 2016 trade flows at 31 December 2015:

	Notional amount *(in thousands)*			**Fair value** *(in €/000)*	
Currency	**Purchases**	**Sales**	**Total**	**Asset**	**Liability**
AUD/HKD	-	28,300	28,300	-	(271)
BRL/HKD	-	19,760	19,760	-	(37)
CAD/USD	-	12,800	12,800	335	-
CHF/EUR	-	11,600	11,600	-	(7)
PLN/GBP	-	53,200	53,200	-	(39)
USD/EUR	(300,000)	-	(300,000)	9,056	-
USD/GBP	(60,500)	-	(60,500)	2,073	-
JPY/HKD	-	4,011,000	4,011,000	292	-
ZAR/USD	-	70,300	70,300	115	-
				11,871	**(354)**

A positive cash flow hedge reserve of €9,868 thousand has been recorded in net equity at 31 December 2015 in relation to these hedges, after €3,468 thousand in related tax (at 31 December 2014 this same reserve was a positive €16,892 thousand at, after the related tax of €4,806 thousand).

During 2015 the Group reversed to the income statement a net amount of €16,892 thousand from the cash flow hedge reserve at 31 December 2014.
This amount was reported in the following lines of the income statement:

	2015	**2014**
Increase (reduction) in revenues	6,944	298
(Increase) reduction in materials consumed	13,743	(1,931)
Financial income (expenses)	1,011	850
Taxes	(4,806)	260
Total recognized in income statement	**16,892**	**(523)**

Hedges against foreign currency receivables and payables (other than the bond loan issued by the parent company):

	Notional amount *(in thousands)*			**Fair value** *(in €/000)*	
Currency	**Purchases**	**Sales**	**Total**	**Asset**	**Liability**
AUD/EUR	-	660	660	-	(6)
AUD/HKD	(6,001)	36,340	30,339	28	(377)
AUD/NZD	(5,533)	510	(5,023)	11	(122)
BRL/HKD	(1,078)	34,351	33,273	254	(17)
CAD/USD	(1,300)	6,008	4,708	74	(4)
CHF/EUR	(1,799)	2,600	801	16	(7)
CLP/HKD	(80,179)	4,044,885	3,964,706	7	(1)
CZK/EUR	(19,967)	-	(19,967)	-	(1)
CZK/GBP	(61,890)	276,648	214,758	3	(100)
DKK/GBP	-	22,017	22,017	-	(35)
EUR/GBP	(1,855)	38,387	36,532	12	(436)
EUR/HKD	(363)	2,930	2,567	20	(4)
EUR/JPY	(66)	84	18	1	(2)
EUR/USD	(371)	1,523	1,152	11	(2)
GBP/EUR	(30,865)	55,832	24,967	1,111	(16)
HKD/EUR	(7,768)	1,120	(6,648)	10	-
HUF/EUR	(99,582)	940,684	841,101	-	(14)
JPY/EUR	(21,693)	10,158	(11,535)	3	(1)
JPY/HKD	(1,170,375)	3,248,471	2,078,096	40	(464)
KRW/HKD	(3,645,157)	7,636,715	3,991,558	6	(28)
NOK/EUR	(519)	-	(519)	-	-
NOK/GBP	(399)	-	(399)	-	-
PLN/EUR	(2,222)	9,225	7,003	-	(51)
PLN/GBP	(799)	59,383	58,584	-	(497)
RMB/HKD	(252,775)	219,576	(33,199)	56	(252)
RON/EUR	(38,502)	93,739	55,238	82	(6)
RON/USD	(3,675)	-	(3,675)	32	-
RUB/GBP	(279,000)	1,083,028	804,028	68	(252)
SEK/GBP	(989)	17,503	16,515	-	(46)
SGD/HKD	(564)	1,927	1,363	7	(3)
TRY/EUR	(733)	46,509	45,776	2	(483)
TRY/GBP	-	3,410	3,410	-	(56)
USD/EUR	(57,597)	2,731	(54,866)	539	(14)
USD/GBP	(22,387)	11,500	(10,887)	516	(77)
USD/JPY	(153)	113	(40)	1	(1)
USD/CLP	(907)	241	(666)	1	(4)
ZAR/USD	(23,655)	47,611	23,956	136	(17)
				3,048	**(3,395)**

CCIRS (Cross Currency Interest Rate Swap) hedging currency exchange and interest rate risks on the bond loan issued by the parent company:

With regard to the bond issue, a CCIRS – Cross Currency Interest Rate Swap was entered into an hedging agreement for both exchange rate and interest rate risk with the same maturities and nominal value as the underlying debt. Based on the agreement the fixed rate (4.25%) USD dollar debt is exchanged for fixed rate (3.9775%) Euro denominated debt at the exchange rate indicated in the agreement.

This instrument hedges both future interest flows, for a nominal amount of USD 28,900 thousand, and the repayable amount (the nominal amount of the bond loan recognized, therefore, in the financial statements) of USD 85,000 thousand.

The fair value of the derivative at 31 December 2015, calculated using the exchange rate at the date of the financial statements and the discounted cash flow method based on the swap curve, not including the spread but taking into account counterparty risk in accordance with the new IFRS 13, was a positive €5,276 thousand.

As it qualifies as an effective hedge, the effects of the exchange and interest rate hedge on the nominal debt and the interest accrued in the period are reported in the income statement as income of €8,156 thousand (the loss on the hedged item amounts to €8,109 thousand).

As the hedge on interest flows qualifies as an effective hedge of both exchange rate and interest rate risk a negative cash flow hedge reserve of €6,337 thousand at 31 December 2015 was reported in net equity, after the related tax of €1,522 thousand.

Details are as follows (the figures are shown before tax):

Currency	Notional amount *(in USD/000)*	*Fair value* at 31.12.2014 (*)	Changes 2015			Total *fair value* at 31.12.2015 (*)
			Gains/(losses) on the hedging instrument (*)	Cash flow hedge reserve (exchange rate risk) (*)	Cash flow hedge reserve (interest rate risk) (*)	
USD v/EUR	113,900	(3,527)	8,156	2,056	(1,409)	5,276
				of which		
				Short-term positive fair value		*590*
				Long-term positive fair value		*4,686*

(*) In €/000.

40. TAX POSITION

The competent tax authorities have carried out the following inspections at companies within the De'Longhi Group as part of their program of periodic taxpayer audits, the status of which is described below:

- De'Longhi Appliances S.r.l.: Audit by the Treviso tax police of direct tax, VAT and other taxes for tax periods from 01/01/2007 to 29/05/2009, under the provisions of art. 27, par. 9 -11 of Decree 185/2008 (so-called tax tutorship). A preliminary notice of findings relating to tax year 2007 was issued on 23 December 2009. The company presented a tax settlement proposal which was finalized on 17 May 2013 and in which the objections to the direct taxation were duly noted.
  With regard to indirect taxation, the tax office for the Region of Veneto - Ufficio Grandi Contribuenti (the office for corporate taxpayers) on 30 January 2014 issued a notice stating that sanctions were going to be applied for violations relative to tax year 2007, and on 23 June 2014, for violations relative to tax year 2008.
  The company reserved the right to appeal the main findings referred to in the notice.

When preparing the present annual report, the Group evaluated, with the assistance of its tax advisors, the possible outcomes of the above proceedings which were still uncertain at the end of the reporting period.

41. TRANSACTIONS AND BALANCES WITH RELATED PARTIES

Appendix 3 contains the information concerning transactions and balances with related parties required by CONSOB Circulars 97001574 dated 20 February 1997, 98015375 dated 27 February 1998 and DEM/2064231 dated 30 September 2002 relating to related party transactions; all transactions fell within the Group's normal scope of operations and were settled under arm's-length terms and conditions.

Transactions and balances between the parent company and subsidiaries are not reported since these have been eliminated upon consolidation.

42. OPERATING SEGMENTS

As required under IFRS 8, following the demerger transaction the Group's activities were broken down into three operating segments (Europe, APA, MEIA) based on business region.
Each segment is responsible for all aspects of the Group's brands and services different markets; the revenues and the margins, therefore, generated by each operating segment (based on business region) may not coincide with the revenues and margins of the relative markets (based on geographic area) given the sales made by a few Group companies outside of their respective geographical areas and the intragroup transactions not allocated based on destination.

Information relating to operating segments is presented below:

Income Statement Data

	2015				
	Europe	*APA*	*MEIA*	Intersegment eliminations (**)	Total
Total revenues (*)	**1,427,562**	**977,124**	**162,494**	**(676,082)**	**1,891,098**
EBITDA	**186,854**	**81,322**	**18,143**	**(1,156)**	**285,163**
Amortization	(40,278)	(12,145)	(67)	-	(52,490)
EBIT	**146,576**	**69,177**	**18,076**	**(1,156)**	**232,673**
Financial income (expenses)					(33,551)
Profit (loss) before taxes					**199,122**
Income taxes					(49,323)
Profit (loss) after taxes					**149,799**
Profit (loss) pertaining to minority interests					266
Profit (loss) for the year					**149,533**

(*) The revenues for each segment include revenues generated by both third parties and other Group operating segments.
(**) Eliminations refer to intersegment revenues generated and eliminated on a consolidated basis.

Data from statement of financial position

	31 December 2015				
	Europe	*APA*	*MEIA*	Intersegment eliminations	Total
Total assets	1,019,367	756,890	61,145	(151,025)	1,686,377
Total liabilities	(647,463)	(267,725)	(16,358)	151,025	(780,521)

Income Statement Data

	2014				
	Europe	*APA*	*MEIA*	Intersegment eliminations (**)	Total
Total revenues (*)	**1,329,184**	**855,645**	**151,766**	**(609,911)**	**1,726,684**
EBITDA	**162,927**	**79,865**	**18,119**	**(1,352)**	**259,559**
Amortization	(37,723)	(9,026)	(69)	-	(46,818)
EBIT	**125,204**	**70,839**	**18,050**	**(1,352)**	**212,741**
Financial income (expenses)					(41,705)
Profit (loss) before taxes					**171,036**
Income taxes					(43,812)
Profit (loss) after taxes					**127,224**
Profit (loss) pertaining to minority interests					692
Profit (loss) for the year					**126,532**

(*) The revenues for each segment include revenues generated by both third parties and other Group operating segments.
(**) Eliminations refer to intersegment revenues generated and eliminated on a consolidated basis.

Data from statement of financial position

	31 December 2014				
	Europe	*APA*	*MEIA*	Intersegment eliminations	Total
Total assets	1,172,473	675,245	64,998	(172,491)	1,740,225
Total liabilities	(847,616)	(269,491)	(9,474)	172,503	(954,078)

43. SUBSEQUENT EVENTS

On 19 February 2016 De' Longhi S.p.A.'s Board of Directors approved the proposed 7-year stock option plan calling for the assignment of up to a maximum of 2,000,000 options, along with the relative regulations, to be submitted to shareholders for approval during the Annual General Meeting to be held on 14 April 2016, including in extraordinary session to resolve on approval of the Plan and the capital increase to service the Plan.

Other than the above, no other significant events took place after the close of the year.

Treviso, 3 March 2016

De'Longhi S.p.A.
Vice Chairman and Chief Executive Officer
Fabio de' Longhi

APPENDICES

These appendices contain additional information to that reported in the explanatory notes, of which they form an integral part.

This information is contained in the following appendices:

1. List of consolidated companies
2. Statement of consolidated cash flows in terms of net financial position
3. Transactions and balances with related parties:
    a) *Income statement and statement of financial position*
    b) *Summary by company*
4. Fees paid to the external auditors
5. Certification of the consolidated financial statements pursuant to art. 81-ter of CONSOB Regulation 11971 dated 14 May 1999 and subsequent amendments and additions.

List of consolidated companies
(Appendix 1 to the Explanatory notes)

Company name	Registered office	Currency	Share capital (1)	Interest held at 31/12/2015 (4)	
				Directly	Indirectly
LINE-BY-LINE METHOD:					
DE'LONGHI APPLIANCES S.R.L.	Treviso	EUR	200,000,000	100%	
DE'LONGHI AMERICA INC.	Upper Saddle River	USD	9,100,000		100%
DE'LONGHI FRANCE S.A.R.L.	Clichy	EUR	2,737,500		100%
DE'LONGHI CANADA INC.	Mississauga	CAD	1		100%
DE'LONGHI DEUTSCHLAND GMBH	Neu-Isenburg	EUR	2,100,000	100%	
DE'LONGHI BRAUN HOUSEHOLD GMBH	Neu-Isenburg	EUR	100,000		100%
DE'LONGHI ELECTRODOMESTICOS ESPANA S.L.	Barcellona	EUR	3,066		100%
DE'LONGHI CAPITAL SERVICES S.R.L. (2)	Treviso	EUR	53,000,000	11.32%	88.68%
E- SERVICES S.R.L.	Treviso	EUR	50,000	51%	
DE'LONGHI KENWOOD A.P.A. LTD	Hong Kong	HKD	73,010,000		100%
TRICOM INDUSTRIAL COMPANY LIMITED	Hong Kong	HKD	171,500,000		100%
PROMISED SUCCESS LIMITED	Hong Kong	HKD	28,000,000		100%
ON SHIU (ZHONGSHAN) ELECTRICAL APPLIANCE CO.LTD.	Zhongshan City	CNY	USD 6,900,000		100%
DE'LONGHI-KENWOOD APPLIANCES (DONG GUAN) CO.LTD.	Qing Xi Town	CNY	HKD 285,000,000		100%
DE LONGHI BENELUX S.A.	Luxembourg	EUR	181,730,990	100%	
DE'LONGHI JAPAN CORPORATION	Tokyo	JPY	450,000,000		100%
DE'LONGHI AUSTRALIA PTY LTD.	Prestons	AUD	28,800,001		100%
DE'LONGHI NEW ZEALAND LTD.	Auckland	NZD	16,007,143		100%
ZASS ALABUGA LLC	Elabuga	RUB	95,242,767		100%
DE'LONGHI LLC	Mosca	RUB	3,944,820,000		100%
KENWOOD APPLIANCES LTD.	Havant	GBP	30,586,001		100%
KENWOOD LIMITED	Havant	GBP	26,550,000		100%
KENWOOD INTERNATIONAL LTD.	Havant	GBP	20,000,000		100%
KENWOOD APPL. (SINGAPORE) PTE LTD.	Singapore	SGD	500,000		100%
KENWOOD APPL. (MALAYSIA) SDN.BHD.	Subang Jaya	MYR	1,000,000		100%
DE'LONGHI-KENWOOD GMBH	Wr Neudorf	EUR	36,336	100%	
DELONGHI SOUTH AFRICA PTY.LTD.	Maraisburg	ZAR	100,332,501		100%
DE'LONGHI KENWOOD HELLAS S.A.	Atene	EUR	452,520		100%
DE'LONGHI PORTUGAL UNIPESSOAL LDA	Maia	EUR	5,000		100%
ARIETE DEUTSCHLAND GMBH	Dusseldorf	EUR	25,000		100%
CLIM.RE. S.A.	Luxembourg	EUR	1,239,468	4%	96%
ELLE SRL	Treviso	EUR	10,000		100%
DE'LONGHI BOSPHORUS EV ALETLERI TICARET ANONIM SIRKETI	Istanbul	TRY	6,200,000		100%
DE'LONGHI PRAGA S.R.O.	Praga	CZK	200,000		100%
KENWOOD SWISS AG	Baar	CHF	1,000,000		100%
DL HRVATSKA D.O.O.	Zagabria	HRD	20,000		100%
DE'LONGHI BRASIL - COMÉRCIO E IMPORTAÇÃO Ltda	São Paulo	BRL	43,857,581		100%
DE'LONGHI POLSKA SP. Z.O.O.	Varsavia	PLN	50,000	0.1%	99.9%
DE'LONGHI APPLIANCES TECHNOLOGY SERVICES (Shenzen) Co. Ltd	Shenzen	CNY	USD 175,000		100%
DE'LONGHI UKRAINE LLC	Kiev	UAH	549,843		100%
DE'LONGHI TRADING (SHANGHAI) CO. LTD	Shanghai	CNY	USD 945,000		100%
DE'LONGHI KENWOOD MEIA F.ZE	Dubai	USD	AED 2,000,000		100%
DE'LONGHI ROMANIA S.R.L.	Cluj-Napoca	RON	47,482,500	10%	90%
DE'LONGHI KENWOOD KOREA LTD	Seoul	KRW	900,000,000		100%
DL CHILE S.A.	Santiago del Cile	CLP	3,079,066,844		100%
DE'LONGHI SCANDINAVIA AB	Stockholm	SEK	5,000,000		100%
DELONGHI MEXICO SA DE CV	Bosques de las Lomas	MXN	2,576,000		100%

INVESTMENTS VALUED IN ACCORDANCE WITH THE EQUITY METHOD

Company name	Registered office	Currency	Share capital (1)	Interest held at 31/12/2015	
				Directly	Indirectly
DL-TCL HOLDINGS (HK) LTD.	Hong Kong	HKD	USD 5,000,000		50%
TCL-DE’LONGHI HOME APPLIANCES (ZHONGSHAN) CO.LTD.	Zhongshan City	CNY	USD 5,000,000		50%

OTHER SUBSIDIARIES (IN LIQUIDATION OR DORMANT)

Company name	Registered office	Currency	Share capital
Controlled companies: (3)			
DE’LONGHI LTD.	Wellingborough	GBP	4,000,000

(1) Figures at 31 December 2015, unless otherwies specified.
(2) The articles of association, approved by the extraordinary shareholders' meeting held on 29 December 2004, give special rights to De'Longhi S.p.A. (holding 89% of the voting rights) for ordinary resolutions (approval of financial statements, declaration of dividends, nomination of directors and statutory auditors, purchase and sale of companies, grant of loans to third parties); voting rights are proportional as far as other resolutions are concerned, except for the preferential right to receive dividends held by the shareholder Kenwood Appliances Ltd.
(3) Dormant company, whose financial statement is unavailable.
(4) The amount includes options that can be exercised on minority interest .

Statement of consolidated cash flows in terms of net financial position

(Appendix 2 to the Explanatory notes)

	2015	**2014**
Profit (loss) pertaining to the Group	149,533	126,532
Income taxes for the period	49,323	43,812
Amortization	52,490	46,818
Net change in provisions and other non-cash items	(8,004)	(1,862)
Cash flow generated by current operations (A)	**243,342**	**215,300**
Change in assets and liabilities for the period:		
Trade receivables	(22,608)	(8,456)
Inventories	(1,646)	(31,364)
Trade payables	4,983	20,261
Other changes in net working capital	19,989	5,084
Payment of income taxes	(52,234)	(32,193)
Cash flow absorbed by movements in working capital (B)	**(51,516)**	**(46,668)**
Cash flow generated by current operations and movements in working capital (A+B)	**191,826**	**168,632**
Investment activities:		
Investments in intangible assets	(10,670)	(9,556)
Other cash flows for intangible assets	98	(64)
Investments in property, plant and equipment	(43,702)	(52,738)
Other cash flows for property, plant and equipment	1,266	1,618
Net investments in equity investments and other financial assets	(247)	(44)
Cash flow absorbed by ordinary investment activities (C)	**(53,255)**	**(60,784)**
Dividends paid	(61,295)	(59,800)
Fair value and cash flow reserves	(7,715)	19,439
Actuarial losses on pension fund operation	-	83
Change in currency translation reserve	30,243	30,073
Increase (decrease) in minority interests	63	379
Cash flow absorbed by changes in net equity and by financing activities (D)	**(38,704)**	**(9,826)**
Cash flow for the period (A+B+C+D)	**99,867**	**98,022**
Opening net financial position	**88,988**	**(9,034)**
Cash flow for the period (A+B+C+D)	99,867	98,022
Closing net financial position	**188,855**	**88,988**

Transactions and balances with related parties

(Appendix 3 to the Explanatory notes)

(€/000)	2015	of which with related parties	2014	of which with related parties
Revenues from sales and services	1,866,750	1,262	1,704,479	1,886
Other revenues	24,348	1,991	22,205	1,453
Total consolidated revenues	***1,891,098***		***1,726,684***	
Raw and ancillary materials, consumables and goods	(829,148)	(22,870)	(786,286)	(57)
Change in inventories of finished products and work in progress	(1,296)		21,056	
Change in inventories of raw and ancillary materials, consumables and goods	1,875		8,707	
Materials consumed	***(828,569)***		***(756,523)***	
Payroll costs	(228,707)		(207,003)	
Services and other operating expenses	(522,151)	(5,441)	(489,547)	(5,614)
Provisions	(26,508)		(14,695)	
Amortization	(52,490)		(46,818)	
Other income (expenses)	-		643	
EBIT	**232,673**		**212,741**	
Financial income (expenses)	(33,551)		(41,705)	
PROFIT (LOSS) BEFORE TAXES	**199,122**		**171,036**	
Income taxes	(49,323)		(43,812)	
CONSOLIDATED PROFIT	**149,799**		**127,224**	
Profit (loss) pertaining to minority interests	266		692	
PROFIT PERTAINING TO THE GROUP	**149,533**		**126,532**	

ASSETS (€/000)	**31.12.2015**	**of which with related parties**	**31.12.2014**	**of which with related parties**
NON-CURRENT ASSETS				
INTANGIBLE ASSETS	322,498		325,110	
- Goodwill	92,400		92,400	
- Other intangible assets	230,098		232,710	
PROPERTY, PLANT AND EQUIPMENT	197,983		189,904	
- Land, property, plant and machinery	113,513		103,876	
- Other tangible assets	84,470		86,028	
EQUITY INVESTMENTS AND OTHER FINANCIAL ASSETS	13,135		8,232	
- Equity investments	5,454		5,197	
- Receivables	2,901		2,509	
- Other non-current financial assets	4,780		526	
DEFERRED TAX ASSETS	39,772		42,515	
TOTAL NON-CURRENT ASSETS	573,388		565,761	
CURRENT ASSETS				
INVENTORIES	323,420		317,763	
TRADE RECEIVABLES	372,072	1,277	366,159	1,446
CURRENT TAX ASSETS	10,024		7,250	
OTHER RECEIVABLES	32,544	309	38,284	301
CURRENT FINANCIAL RECEIVABLES AND ASSETS	15,912		55,243	
CASH AND CASH EQUIVALENTS	357,910		388,530	
TOTAL CURRENT ASSETS	1,111,882		1,173,229	
NON-CURRENT ASSETS HELD FOR SALE	1,107		1,235	
TOTAL ASSETS	**1,686,377**		**1,740,225**	

NET EQUITY AND LIABILITIES (€/000)	**31.12.2015**	**of which with related parties**	**31.12.2014**	**of which with related parties**
NET EQUITY				
GROUP PORTION OF NET EQUITY	902,883		783,237	
- Share capital	224,250		224,250	
- Reserves	529,100		432,455	
- Profit (loss) pertaining to the group	149,533		126,532	
MINORITY INTERESTS	2,973		2,910	
TOTAL NET EQUITY	905,856		786,147	
NON-CURRENT LIABILITIES				
FINANCIAL PAYABLES	118,248		123,311	
- Bank loans and borrowings (long-term portion)	-		8,980	
- Other financial payables (long-term portion)	118,248		114,331	
DEFERRED TAX LIABILITIES	22,443		20,156	
NON-CURRENT PROVISIONS FOR CONTINGENCIES AND OTHER CHARGES	80,709		85,345	
- Employee benefits	30,443		39,313	
- Other provisions	50,266		46,032	
TOTAL NON-CURRENT LIABILITIES	221,400		228,812	
CURRENT LIABILITIES				
TRADE PAYABLES	383,346	757	382,545	232
FINANCIAL PAYABLES	71,498		232,000	
- Bank loans and borrowings (short-term portion)	27,273		203,131	
- Other financial payables (short-term portion)	44,225		28,869	1
CURRENT TAX LIABILITIES	10,955		19,878	
OTHER PAYABLES	93,322	500	90,843	1,165
TOTAL CURRENT LIABILITIES	559,121		725,266	
TOTAL NET EQUITY AND LIABILITIES	**1,686,377**		**1,740,225**	

Transactions and balances with related parties
Summary by company

In compliance with the guidelines and methods for identifying significant transactions, especially those with related parties covered by the De'Longhi S.p.A. rules on corporate governance, we shall now present the following information concerning related party transactions during 2015 and related balances with commercial nature at 31 December 2015:

(€/million)	**Revenues**	**Costs**	**Trade and other receivables**	**Trade and other payables**
Related companies (1)				
DeLclima S.p.A.	0.7	-	-	-
Climaveneta S.p.A.	0.6	-	-	-
DL Radiators S.p.A.	1.1	-	0.9	0.5
TCL-De'Longhi Home Appliances (Zhongshan) Co.Ltd.	0.1	22.9	-	0.7
Gamma S.r.l.	0.1	5.4	0.1	-
De' Longhi Industrial S.A.	0.6	-	0.6	-
TOTAL RELATED PARTIES	**3.3**	**28.3**	**1.6**	**1.3**

(1) Commercial relationships.

On 23 December 2015 Mitsubishi Electric Corporation finalized the purchase of the interest held by De' Longhi Industrial S.A. in DeLclima S.p.A., equal to 74.97% of the share capital, and a mandatory tender offer was launched on all ordinary shares of DeLclima.
Consequently, at 31 December 2015 DeLclima S.p.A. and its subsidiaries were no longer considered associates and, therefore, no outstanding balances are shown. Transactions relating to the administrative services provided by De'Longhi to DeLclima Group in 2015 (mainly payroll and IT services to DeLclima) are, rather, reported.

The acquisition by Mitsubishi Electric Corporation of the interests in DeLclima did not involve DL Radiators S.r.l., a company indirectly controlled by DeLclima, which continues to be controlled by De' Longhi Industrial S.A. and, consequently, is still considered a related party; the balances relating to the production/purchase (primarily in China) of semi-finished products resold at market conditions are reported, along with the tax receivables/payables from previous years when the company was part of De'Longhi S.p.A.'s tax Group.

Please refer to the "Report on Remuneration" for information relating to the compensation of directors and statutory auditors.

Fees paid to the external auditors Disclosure pursuant to art. 149-duodecies of the Consob Issuer Regulations

(Appendix 4 to the Explanatory notes - €/000)

Type of service	Party performing the service	Recipient	Fees earned in 2015
Auditing	Reconta Ernst & Young S.p.A.	De'Longhi SpA (parent company)	149
	Reconta Ernst & Young S.p.A.	Italian subsidiaries	220
	Network of parent company auditor	Foreign subsidiaries	770
Other services	Reconta Ernst & Young S.p.A.	De'Longhi SpA (parent company)	9
	Reconta Ernst & Young S.p.A.	Italian subsidiaries	35
	Reconta Ernst & Young S.p.A.	Foreign subsidiaries	25
	Other auditors	Foreign subsidiaries	71

Certification of the consolidated financial statements pursuant to art. 81-ter of CONSOB Regulation 11971 dated 14 May 1999 and subsequent amendments and additions.

(Appendix 5 to the Explanatory notes)

The undersigned Fabio de' Longhi, Chief Executive Officer, and Stefano Biella, Financial Reporting Officer of De'Longhi S.p.A., attest, also taking account of the provisions of paragraphs 2, 3 and 4, art. 154-bis of Decree 58 dated 24 February 1998:

that the accounting and administrative processes for preparing the consolidated financial statements during 2015:

- have been adequate in relation to the company's characteristics and
- have been effectively applied.

It is also certified that the consolidated financial statements at 31 December 2015:

- have been prepared in accordance with the International Financial Reporting Standards adopted by the European Union under Regulation (EC) 1606/2002 of the European Parliament and Council dated 19 July 2002 and with the measures implementing art. 9 of Decree 38/2005;
- correspond to the underlying accounting records and books of account;
- are able to provide a true and fair view of the issuer's statement of financial position and results of operations and of the Group of companies included in the consolidation.

The report on operations contains a reliable account of performance and of the results of operations and of the situation of the issuer and the Group of companies included in the consolidation, together with a description of the principal risks and uncertainties to which they are exposed.

Fabio de' Longhi	Stefano Biella
Chief Executive Officer	Financial Reporting Officer

Building a better
working world

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Independent auditor's report

in accordance with art. 14 and 16 of Legislative Decree n. 39, dated 27 January 2010
(Translation from the original Italian text)

To the Shareholders of De'Longhi S.p.A.

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of De'Longhi S.p.A. (De'Longhi Group) which comprise the consolidated statement of financial position as at December 31, 2015, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in net equity and the consolidated statement of cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the consolidated financial statements

The Directors of De'Longhi S.p.A. are responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union as well as with the regulations issued to implement art. 9 of Legislative Decree 38/05.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (ISA Italia) implemented in accordance with art. 11, paragraph 3 of Legislative Decree dated 27 January 2010. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's professional judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of De'Longhi Group as at December 31, 2015, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with art. 9 of Legislative Decree N. 38/05.

Report on other legal and regulatory requirements

We have performed the procedures required under audit standard SA Italia n. 720B in order to express an opinion on the consistency of the Report on Operations and of specific information of the Report on Corporate Governance and the Company's Ownership Structure provided for by art. 123-bis, paragraph

4 of Legislative Decree 58/98, with the consolidated financial statements, as required by the law. The Directors of De'Longhi S.p.A. are responsible for the preparation of the Report on Operations and of the Report on Corporate Governance and the Company's Ownership Structure in accordance with the applicable laws and regulations. In our opinion the Report on Operations and the specific information of the Report on Corporate Governance and the Company's Ownership Structure are consistent with the consolidated financial statements of De'Longhi Group as at December 31, 2015.

Treviso, March 21, 2016
Reconta Ernst & Young S.p.A.
Signed by: Stefano Marchesin, Partner

This report has been translated into the English language solely for the convenience of international readers.

De’Longhi S.p.A.

Report on operations to De’Longhi S.p.A. separate financial statements and Statutory Financial Statements at 31 December 2015

REPORT ON OPERATIONS TO THE SEPARATE FINANCIAL STATEMENTS

Review of the income statement

(€/million)	2015	% revenues	2014	% revenues
Revenues	**28.1**	**100.0%**	**22.5**	**100.0%**
Changes 2015/2014	*5.6*	*25.0%*		
Materials consumed	(0.1)	(0.3%)	(0.1)	(0.3%)
Other services and expenses	(32.3)	(114.9%)	(28.2)	(125.6%)
Payroll	(5.4)	(19.3%)	(0.3)	(1.1%)
EBITDA	**(9.7)**	**(34.6%)**	**(6.1)**	**(27.0%)**
Changes 2015/2014	*3.7*	*60,3%*		
Amortization and depreciation	(0.1)	(0.2%)	(0.1)	(0.3%)
EBIT	**(9.8)**	**(34.8%)**	**(6.1)**	**(27.2%)**
Changes 2015/2014	*(3.7)*	*59,8%*		
Dividends	78.6	279.2%	77.3	343.5%
Financial income (expenses)	(4.3)	(15.3%)	(6.2)	(27.4%)
Profit (loss) before taxes	**64.5**	**229.1%**	**65.0**	**288.8%**
Income taxes	2.9	10.2%	1.9	8.7%
Profit (loss) after taxes	**67.4**	**239.3%**	**67.0**	**297.5%**

De’Longhi S.p.A, the parent of the De’Longhi Group, performs holding company activities involving the management and supply of centralized services to its subsidiaries. The income statement, therefore, reflects the dividends received from the subsidiaries, other chargebacks for services provided, as well as operating (payroll costs and the cost of services) and financial expenses.
De’Longhi S.p.A., in its capacity as a holding company, carries out the centralized management of a few costs (amounts payable to clients - international commercial groups and global marketing costs relative to the Group’s brands) shared by several Group companies.
The relative costs are then allocated and charged back to the Group companies which had an impact of €19.2 million (€15.3 million in 2014) and €19 million (€15.1 million in 2014) on net revenues and operating expenses, respectively

The increase in “Payroll costs” is explained primarily by the lower costs recognized in 2014 following transfer of the amounts payable under the 2012 – 2014 LTI plan to the Group companies that employ the beneficiaries of this plan.

In 2014 dividends amounted to €78.6 million (€77.3 million in 2014) while net operating expenses came to €4.3 million (€6.2 million in 2014).

Net profit came to €67.4 million (€67 million in 2014).

Review of the statement of financial position

The reclassified statement of financial position is presented below:

(€/million)	31 December 2015	31 December 2014	Change	% change
- Tangible and intangibile assets	0.1	0.2	(0.1)	(29.8%)
- Financial assets	560.6	535.4	25.2	4.7%
- Deferred tax assets	1.9	3.7	(1.8)	(48.6%)
Non-current assets	**562.7**	**539.3**	**23.3**	**4.3%**
- Trade Receivables	31.3	24.1	7.2	29.7%
- Trade payables	(21.2)	(19.8)	(1.4)	6.9%
- Other current payables (net of other receivables)	(1.2)	(0.8)	(0.5)	(62.3%)
Net working capital	**8.9**	**3.6**	**5.3**	**149.3%**
Total non-current liabilities and provisions	**(1.9)**	**(4.5)**	**2.7**	**(58.9%)**
Net capital employed	**569.7**	**538.3**	**31.3**	**5.8%**
Net debt	**234.8**	**210.0**	**24.8**	**11.8%**
Total net equity	**334.8**	**328.3**	**6.5**	**2.0%**
Total net debt and equity	**569.7**	**538.3**	**31.3**	**5.8%**

The statement of cash flows, reclassified on the basis of net financial position, is summarized as follows:

(€/million)	2015	2014
Cash flow by current operations	(17.7)	(16.4)
Cash flow by other changes in working capital	(0.1)	1.9
Cash flow by current operations and changes in working capital	**(17.8)**	**(14.6)**
Cash flow by investment activities	53.6	76.4
Cash flow by operating activities	**35.8**	**61.9**
Cash flow by changes in net equity	(60.6)	(62.8)
Cash flow for the period	**(24.8)**	**(1.0)**
Opening net financial position	(210.0)	(209.0)
Closing net financial position	**(234.8)**	**(210.0)**

Net cash flow from operating activities amounted to €35.8 million (€61.9 million in 2014), a drop of €26.1 million with respect to the prior year. This change is attributable primarily to the capital contribution of €25.0 million made to the subsidiary De Longhi Benelux S.A., which had to recapitalize a few subsidiaries. Cash flow to net equity reached a negative €60.6 million (negative €62.8 million in 2014), explained primarily by dividend payments and the change in the cash flow hedge reserve relating to the fair value of derivatives.

Reconciliation of net equity and profit (loss) for the year

Below is a concise reconciliation between net equity and profit of the parent company, De'Longhi S.p.A., and the figures shown in the consolidated financial statements:

(€/thousands)	**Net equity 31.12.2015**	**Profit for 2015**	**Net equity 31.12.2014**	**Profit for 2014**
De'Longhi S.p.A. financial statements	**334,829**	**67,357**	**328,307**	**66,955**
Share of subsidiaries' equity and results for period attributable to the Group, after deducting carrying value of the investments	586,453	87,838	468,156	70,264
Allocation of goodwill arising on consolidation and related amortization and reversal of goodwill recognized for statutory purposes	24,878	(2,337)	27,265	(1,778)
Elimination of intercompany profits	(37,552)	(3,616)	(34,239)	(7,757)
Other adjustments	(2,752)	557	(3,342)	(460)
Consolidated financial statements	**905,856**	**149,799**	**786,147**	**127,224**
Minority interests	2,973	266	2,910	692
Group portion	**902,883**	**149,533**	**783,237**	**126,532**

Annual remuneration report

Please refer to the Annual Remuneration Report for all relevant information not contained in the present report.

Human resources and organization

The company had 42 employees at 31 December 2015 (40 at 31 December 2014).

The following table summarizes the average number of employees during 2015 compared with 2014:

	2015	**%**	**2014**	**%**	**Change**
White collar	32	78%	30	77%	2
Senior managers	9	22%	9	23%	-
Total	**41**	**100%**	**39**	**100%**	**2**

Research and development

As a holding company, the company does not directly carry out any research and development. Such activities are carried out by personnel within the individual subsidiary companies. More details can be found in the paragraph on "*Research and development*" in the Report on Operations accompanying the consolidated financial statements.

Report on corporate governance and ownership structure

In compliance with applicable laws and regulations, as well as the Italian Stock Market Regulations, information is herewith provided about the corporate governance system, also with reference to the principles of the Corporate Governance Code for Listed Companies (July 2014 edition), and about ownership structure, in compliance with the legislator's requirements as set out in art. 123-*bis* of Legislative Decree n. 58/98 ("TUF").

The Company has adopted and complies with the Corporate Governance Code for Listed Companies, published in July 2014.

In compliance with applicable laws and regulations, as well as the Italian Stock Market Regulations, the Company prepares an annual Report on Corporate Governance and Ownership Structure, which not only provides a general description of the system of corporate governance adopted, but also the information on ownership structure, required by art. 123-*bis* of TUF.
This report, to which this section now refers, has been prepared in accordance with the "*Format for the report on corporate governance and ownership structure"* published by the stock market management company in January 2015, and will be made available to the public at the same time as the Report on Operations and the full year financial statements. The report is also available at www.delonghi.com, in the section *" Investors > Governance > Shareholders' Meetings > 2016"*.

The key points relevant for the purposes of the Report on Operations are summarized below.

Direction and Co-ordination
De'Longhi S.p.A. is not subject to the direction and co-ordination of its parent De'Longhi Industrial S.A., or of any other party , as defined by articles 2497 *et seq*. of the Italian Civil Code, and directs and co-ordinates its subsidiaries.
In compliance with the principles of corporate governance, transactions of particular importance strategically, or for the statement of financial position and results of the Company, must be examined and approved solely by the Board of Directors of the Company, which contains four directors qualifying as non-executive and independent, based on the guidelines found in article 3 of the Corporate Governance Code, adopted by the Company as resolved by the Board of Directors on 23 April 2013 (please refer to paragraph 4.6 of the 2014 Report on Corporate Governance and Ownership Structure) and articles 147 *ter*, 4th paragraph, and 148, 3rd paragraph, of TUF .

Board of Directors
The Board of Directors currently in office was appointed by the shareholders' during the meeting of 23 April 2013, which set the total number of directors at ten. This Board will end its term in office at the shareholders' meeting called to approve the annual report and financial statements at 31 December 2015.
In compliance with art. 147-*ter* of TUF, the articles of association establish that the Board of Directors is elected using a list voting mechanism, with one director elected from the list obtaining the second highest number of votes (the other members all being taken from the majority list).

During the meeting held on 18 December 2012, the Board of Directors resolved to amend articles 9 and 14 of the articles of association, relating to the appointment and composition of boards and control bodies in order to comply with the new provisions of articles 147-*ter*, paragraph 1-*ter* and 148, paragraph 1-*bis* of TUF – as amended by Law n. 120/2011 "implementing provisions concerning gender equality in the composition of administrative and control bodies of companies listed on regulated markets". Shareholders who own an interest at least equal to that determined by CONSOB pursuant to law and regulations are entitled to present lists of candidates for the office of director.

In order to ensure that the Company's governance complies with the changes introduced in the December 2011 version of the Code, on 18 December 2012 the Board of Directors approved a new framework resolution reiterating its adhesion to the Corporate Governance Code (with a few exceptions, that will be detailed later in this Report explaining the related reason and the other information required by the Corporate Governance Code), applying the new recommendations and confirming the resolutions relating to corporate governance approved in the past.
Following the new edition of the Corporate Governance Code, issued on July 2014, the Board of Directors, in force since April 2013, adopted the changes amended by the new edition on the meeting dated 19 February 2015, thus changing the framework resolution adopted on 18 December 2012.

Pursuant to Article 1.C.1., lett. g) of the Corporate Governance Code, during the meeting on 3 March 2015 the Board of Directors resolved to begin a board review or self-assessment process in order to evaluate, among other things, the functioning, size and composition of the Board. The methods used and findings are discussed in the detail in the 2015 Report on Corporate Governance and Ownership Structure.

In 2015 the Board of Directors also:
- confirmed the list of the De'Longhi Group's "strategically important subsidiaries", identifying them as the Italian registered companies De'Longhi Capital Services S.r.l. and De'Longhi Appliances S.r.l., De'Longhi-Kenwood Appliances (Dongguan) Co. Ltd, Kenwood Ltd, De'Longhi Deutschland GmbH, De'Longhi Australia PTY Ltd., De'Longhi LLC, De' Longhi America Inc., De' Longhi Kenwood MEIA FZE, De'Longhi Japan Corporation and De'Longhi Kenwood A.P.A. Ltd;
- resolved, pursuant to art. 3 of Consob Resolution n. 18079 dated 20 January 2012, to exercise the opt-out clause found in articles 70, paragraph 8 and 71, paragraph 1-*bis* of Consob Regulation n. 11971/99 which grants the option to waive the mandatory publication of information documents relating to mergers, spin-offs, capital increases through in-kind transfers, acquisitions and disposals.

The Board of Directors periodically reviews whether its members qualify as executive/non-executive and independent/non-independent in compliance with the principles established by articles 2 and 3 of the Corporate Governance Code, and adopted by the Company in a framework resolution approved by the Board of Directors on 18 December 2012.
The Board has two executive directors - the Chairman and the Chief Executive Officer - and eight non-executive directors, who have no authority or managerial functions in the company or the Group, and four of whom satisfy the independence requirements established under art. 148, par. 3 of TUF and art. 3 of the Corporate Governance Code, and adopted by the Company in the above mentioned Board of Directors' resolution of 18 December 2012.
Lastly, during the meeting held on 3 March 2015, the Board confirmed that the directors Alberto Clò, Renato Corrada, Stefania Petruccioli and Cristina Pagni still qualify as independent as per the above.

Some of the current directors hold appointments in other listed or relevant companies. The most significant appointments are listed in the 2015 Report on Corporate Governance and Ownership Structure.

The Board of Directors has decided to adopt the recommendation relating to the appointment of a lead independent director with the functions suggested in the Corporate Governance Code.

<u>Committees set up by the Board of Directors</u>
During the meeting held on 23 April 2013, the Board of Directors voted to confirm the establishment of two Board committees, namely:
- the Risk & Control and Corporate Governance Committee;
- the Compensation and Nominations Committee.

During the same meeting held on 23 April 2013 the Board also decided to set up a committee solely comprising independent directors.

The Risk & Control and Corporate Governance Committee met six times in 2015. These meetings were also attended by the Board of Statutory Auditors, while the committee also extended invitations to the Head of Internal Audit, the Financial Reporting Officer, and the Group's Head of Corporate Affairs, who also acted as secretary.

The Compensation and Nominations Committee held eight meetings during 2015, all of which were attended by all its members; the Chairman also extended an invitation to the Group's Head of Human Resources, who also attended all the meetings.

Details of the powers and operation of these committees can be found in the 2015 Report on Corporate Governance and Ownership Structure and in the annual Remuneration Report prepared in accordance with art. 123-*ter* of TUF and art. 84-*quater* of the Issuer Regulations.

Board of Statutory Auditors
Following the resolutions adopted by the shareholders' meeting of 23 April 2013, the Board of Statutory Auditors comprises Gianluca Ponzellini, its chairman, and Paola Mignani and Alberto Villani, both standing members. Their term in office expires with the approval of the annual report and financial statements at 31 December 2015.
Art. 14 of the articles of association is designed to ensure that the Chairman of the Board of Statutory Auditors is appointed by the minority, by taking him/her from the list obtaining the second highest number of votes.

External Auditors
Reconta Ernst & Young S.p.A. has been engaged to audit the financial statements of De'Longhi S.p.A. and its subsidiaries, in accordance with the resolution adopted during the ordinary shareholders' meeting held on 21 April 2010. The assignment will expire with the approval of the annual report and financial statements for the year ended 31 December 2018.

Risk management and internal control system relating to the financial reporting process

Introduction
The Company's Internal Control System consists in the set of rules, procedures and organizational structures set in place to ensure that company strategies are adhered to and, based on the corporate governance standards and model included in the COSO report (Committee of Sponsoring Organizations of the Treadway Commission), to guarantee :

a) efficient and effective company operations (administration, production, distribution, etc.);
b) reliable, accurate, trustworthy and timely economic and financial information;
c) compliance with laws and regulations, as well as the corporate articles of associations, rules and company procedures;
d) safeguarding of the company's assets and protection, to the extent possible, from losses;.
e) identification, assessment, management and monitoring of the main risks.

The Company's executive administrative bodies (Board of Directors, the Risk and Control Committee, Director in Charge of the Internal Control and Risk Management System), the Board of Statutory Auditors, the Head of Internal Audit, the Supervisory Board, the Financial Reporting Officer and all the Company personnel, as well as the Directors and Statutory Auditors of the Company's subsidiaries, are involved in the controls, with different roles and in function of their expertise and adhere to the recommendations and principles found in the guidelines.

The Internal Control System that is subject to examination and periodic audits, taking into account changes in the company's operations and reference context, makes it possible to address the main risks to which the Company and the Group are exposed to over time, in a timely manner, as well as to identify, assess and control the degree of the exposure of the Company and all the other companies of the De'Longhi Group – particularly the strategically important subsidiaries – to the different types of risk, and also makes it possible to manage the overall exposure taking into account:

(i) the possible correlations between the different risk factors;
(ii) the probability that the risk materializes;
(iii) the impact of the risk on the company's operations;
(iv) the overall impact of the risk.

The internal control and risk management system relating to the financial reporting process (administrative and accounting procedures used to draft the separate and consolidated annual financial statements and the other economic and/or financial reports and disclosures prepared in accordance with the law and/or regulations, as well as ensuring correct implementation) coordinated by the Financial Reporting Officer, is an integral and essential part of the De'Longhi Group's Internal Control and Risk Management System.

The Head of Internal Audit – who is in charge of verifying that the internal control and risk management system works efficiently and effectively – prepares a work plan each year that is presented to the Board of Directors for approval, subject to the positive opinion of the Risk and Control Committee and after having consulted with the Board of Statutory Auditors and the Director in Charge of the Internal Control and Risk Management System, based also on the comments made by the Financial Reporting Officer, as well as pursuant to Legislative Decree 262/05. Discusses the steps taken to resolve any problems, to make the improvements agreed upon, as well as the results of the testing activities with the Internal Auditing Committee. Provides the Financial Reporting Officer, as well as the administrative body assigned, with a summary report based on which they can assess the adequacy and application of administrative procedures to be used to prepare the financial statements.

In order to identify and manage the Company's main risks, with regard particularly to corporate governance and compliance with the law and regulatory standards (including the Corporate Governance Code for Listed Companies), during 2013 the Company undertook a project designed to strengthen enterprise risk management (ERM) with the support of a premiere consulting company.

This project called for the development and monitoring of a structured ERM model in order to effectively manage the main risks to which the Company and the Group are exposed. The project was completed at the end of 2013 and the results were shared with the Director in Charge of Internal Control and Risk Management, the Risk and Control Committee and the Board of Statutory Auditors.
It was possible, therefore, to map the main risks based on the Group's value chain, identify inherent and residual risk, while emphasizing the biggest risk and proposing solutions; in 2015 follow-up on the monitoring and management of the highest risks continued.

The risk plan also calls for guidelines to be established for the control and risk management system using a top down approach, as well as the identification of the duties and responsibilities of the various individuals involved in the different levels of control:

(i) the recognition and identification by operations of the main risks and subsequent treatment;
(ii) control by the risk control department of the risks and definition of the instruments and methods to be used to managed the risks.

<u>Description of main characteristics</u>

The Company uses a system of risk management and internal control for the financial reporting process that is part of the wider system of internal controls as required under art. 123-bis par. 2.(b) of TUF. This system is designed to guarantee the reliability, accuracy, consistency and timeliness of financial reporting and has been defined in accordance with the framework established by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and with the Control Objectives for Information and Related Technology (COBIT).

For the purposes of ensuring reliable internal controls over its financial reporting, the Company has implemented a system of administrative and accounting procedures and operations that include an accounting policies manual, updating in order to comply with the law and changing accounting standard, rules for consolidation and interim financial reporting, as well as coordination with subsidiaries as needed.
The central corporate functions are responsible for managing and communicating these procedures to other Group companies.

The assessment, monitoring and continuous updating of the internal control system relating specifically to financial reporting is carried out in accordance with the COSO model and, where applicable, Law 262/2005. Critical processes and sub-processes relating to the principal risks have been identified in order to establish the principal controls needed to reduce such risks. This has involved identifying the strategically important companies, based on quantitative and qualitative financial parameters (i.e. companies that are relevant in terms of size and companies that are relevant just in terms of certain processes and specific risks).

Having identified these companies, the risks have been mapped and assessed and the key manual and automatic controls have been identified and rated as high/medium/low priority accordingly; these controls have then been tested.

The perimeter of the companies included in the mapping for the purposes of Law 262/2005 has changed over the years to reflect the changes in the Group, both quantitative and qualitative, and to align this perimeter with perimeter of companies viewed as strategic.
The general managers and administrative heads of each Group company are responsible for maintaining an adequate internal control system and, given their roles, must certify that the internal control system works properly.
Internal Audit must also include verification of the internal controls through the use of a self-assessment check list in its Audit Plan.

With regard to compliance with Title VI of the Regulation implementing Legislative Decree n. 58 of 24 February l 1998 relating to market regulations, De' Longhi S.p.A. controls, directly or indirectly, eight companies formed and regulated by the law of countries that are not part of the European Union considered relevant pursuant to art. 151 of the Issuer Regulations.

With reference to the requirements of art. 36 of the Market Regulations, it is reported as follows:
- in the Company's opinion, these companies have suitable accounting and reporting systems for regularly providing management and the auditors of De'Longhi S.p.A. with all the financial information needed to prepare the consolidated financial statements and perform the audit of the accounts;
- these companies provide the auditors of De'Longhi S.p.A. with the information needed to audit the parent company's interim and annual financial statements;
- the Company keeps the articles of association of the aforementioned companies and details of their company officers and related powers, which are constantly updated for any changes in the same;
- the financial statements of such companies, prepared for the purposes of the De'Longhi Group's consolidated financial statements, have been made available in the manner and terms established by existing law. Please note that the identification and analysis of the risk factors contained in this report were carried out including in light of the change in strategic companies as resolved by the Board of Directors.

RISK FACTORS

The risk factors and uncertainties that could materially affect the Company's business are discussed below.
These risk factors also take in to account the above mentioned ERM project (completed in December 2013 with follow-up during 2015) and the assessments carried out in prior years, including through more in depth analysis shared with the Risk and Control Committee and Company's Board of Statutory Auditors.

It should also be noted that in addition to the risk factors and uncertainties identified in this report, other risks and uncertain events not currently foreseeable, or which are currently thought unlikely, could also influence the business, the economic and financial conditions and prospects of the Company.

Risks relating to macroeconomic trends: the Company's economic performance and financial position are also affected by macroeconomic trends.
The global economy grew in 2015, albeit at a pace that differed from country to country.
In the advanced economies trade continued to grow at a robust pace, sustained by the low price of oil, funding at conditions that are still favorable, improved labor markets and a more positive sentiment; in the United States the Federal Reserve decided to raise the federal funds rate in December which, moreover, did not have negative repercussions for the global financial and currency markets.

In the emerging markets, rather, the trends continued to be weaker overall and more heterogeneous: the drop in the costs of raw materials and presence of structural obstacles, exacerbated by the tensions of the Chinese financial market, slowed the expansion of global trade and contributed to lowering inflation worldwide.
Growth continued in the Euro zone, thanks to internal demand and the accommodative monetary policies of the Euro system, but, however, remains fragile due to the gradual slowing of exports.

Looking forward, the recent forecasts call for a gradual increase in economic activity in 2016, driven by prospects that growth will hold well in most of the advanced economies. That said, the weak growth prospects for the emerging markets, volatile financial markets and uncertainty about the economic and international geopolitical environment will continue to weigh on the economic recovery.
(Source: Bank of Italy/ECB).

Exchange rate fluctuation risks: the Company does business in many foreign markets and is exposed to the risk of fluctuations in currencies.
For the purposes of protecting its income statement and statement of financial position from such fluctuations, the Company adopts a suitable hedging policy and tools, free from speculative connotations.
Hedging is carried out centrally by a special team on the basis of information obtained from a detailed reporting system, using instruments and policies that comply with international accounting standards. The principal currency to which the Company is exposed is the US dollar (in which the bond loan issued by Company in 2012 is denominated).

Despite the Company’s effort to minimize the abovementioned risk, sudden currency fluctuations could have an adverse impact on the Company’s results and business prospects.

Risks relating to human resources management: the Company's success largely depends on the ability of its executive directors and other members of management to effectively manage the Company and the individual areas of business and on the professionalism of the human resources that it has been able to attract and develop.
The principal risks relating to human resources are linked to the Company's ability to attract, develop, motivate, retain and empower staff who have the necessary talent, values, and specialist and/or managerial skills to satisfy the Company's changing needs.

The loss of such individuals or other key employees without adequate replacement, or the failure to attract and retain new qualified resources could therefore adversely affect the Company's business prospects, as well as its economic performance and/or financial position.

In terms of being able to attract quality resources, the Company not only have specialist qualified professional human resources teams, but they also plan actions to improve the quality of working environment for its employees and staff as well as the Company's external image (communication, contact with schools and universities, testimonials, internships, etc.), in some cases using the services of specialist professional firms with a proven track record.

In terms of motivating and developing personnel, actions taken include the strengthening of managerial, specialist, business and regulative competencies, with initiatives that involve managers and staff from different areas of the business.
The salary review process also includes reward systems for employees at various levels in the organization - from the staff through to top management and key people - which are linked to the achievement of short-term and/or medium/long term targets.

Risks relating to IT systems: the information systems of a complex international group are an important and delicate part of the company's processes.
The risks involved include events that could jeopardise the ability to provide continuous service, the safekeeping of data, obsolescence of telecommunications and data processing technologies.

The Company has taken the steps needed to limit the above mentioned risks which include the standard security devices used to protect systems and hardware (from the use of back-up devices to outsourcing with specialized companies). Continuous technological updates are assured by the prevalent use of the SAP platform.
While the Company has taken all the steps needed to minimize these risks, catastrophic events that could compromise the information systems cannot be excluded.

Liquidity, financing and interest rate risks: the liquidity risk possibly faced by the Company is the risk of not having the funds needed to fulfil payment obligations arising from operating and investment activities and from the maturity of financial instruments. The Company holds assets and liabilities that are sensitive to interest rate changes and that are necessary to manage its liquidity and financial needs.
It is the Company's policy to maintain a sufficiently large portfolio of counterparties of international repute for the purposes of satisfying its financing and hedging needs.
The Company uses specific policies and procedures for the purposes of monitoring and managing this risk, including the centralized management of financial debt and cash, the raising of medium and long-term finance on capital markets and the obtaining of short-term credit lines that allow wide room for manoeuvre when managing working capital and cash flows.

The Company has short-term bank credit lines (typically renewed on an annual basis), which are used to finance working capital and other operating needs.
As for interest rate risk, at 31 December 2015 the Company's net financial position is negative and exposure is primarily short-term.
This risk is managed centrally by the same team that manages currency risks. Nevertheless, sudden fluctuations in interest rates could have an adverse impact on the Company's business prospects, as well as on its economic performance and/or financial position.

In 2012, in order to have complete financial coverage of the Braun “Household” acquisition and to have enough financing in place should the credit markets worsen, the Company issued and placed a long term, fixed rate, unsecured bond in US dollars with US institutional investors worth USD 85 million which, due to the effect of a currency and interest rate hedge contract, is denominated in Euro at a fixed rate.

At the date of this report, the Company only has the above mentioned contract to hedge such risks.

Compliance and corporate reporting risks:

A. Financial reporting: risks associated with the reliability of financial reporting, particularly that the information contained in the annual and interim financial reports might not be correct, warrant particular attention, especially for a listed company.

In 2015, effective implementation of the system of managing financial reporting risks was monitored on a continuous basis and periodically evaluated under the guidance of the functions in charge.
For the purposes of ensuring reliable internal controls over its financial reporting, the Group has implemented a system of administrative and accounting procedures and operations that include:
- an accounting policies manual;
- accounting policy instructions and updates;
- other procedures for preparing the consolidated financial statements and periodic financial reports.

The Company's central "Corporate" functions are responsible for managing and communicating these procedures to other Group companies. The control bodies (internal and external) carry out the related audit within their own authority.
Possible deficiencies in maintaining adequate processes and administrative-accounting and management checks may result in errors in Company’s corporate reporting.

B. Risks relating to the administrative liability of legal: In compliance with EU directives, Decree 231/2001 has introduced into Italian law special rules applying to the liability of entities for certain offences, where "entities" mean limited liability business enterprises, partnerships or associations, including those without legal status.

Under this legislation and amendments and additions thereto, the Company has adopted, in accordance with art. 6 of Decree 231/2001, the "Model of organization, management and control" suitable for avoiding the occurrence of such liability at their own expense and the related "Ethical code", intended to apply not only to the Group's Italian companies but also, as far as applicable, to its foreign subsidiaries, since the Company is also answerable, under art. 4 of Decree 231/2001, for offences committed abroad.
Therefore, the company's administrative liability under Decree 231/2001 could exist when this is effectively established as a result of an action brought against one of the Group companies, including the foreign subsidiaries; in such a case, it is not possible to exclude, in addition to the resulting application of penalties, adverse consequences for the Company’s operations, economic performance, assets and liabilities and financial position.

Related parties: The Company has had and continues to have transactions of a commercial nature with related parties. Such transactions carry conditions that are in line with market ones.
The Company adopted a new set of procedures to govern transactions with related parties, in compliance with the standards set by the supervisory authorities in CONSOB Regulation 17221 dated 12 March 2010.
The procedures identify those related party transactions subject to specific examination and approval rules, which change according to whether such transactions are above or below defined thresholds. The procedures place particular importance on the role of the independent directors, who must always issue a prior opinion on the proposed transaction (if the transaction qualifies as material, this opinion is binding on the Board of Directors); the independent directors must also be involved in the preliminary examination of material transactions prior to their approval.
These procedures are considered to represent an additional guarantee of the transparency of the Company's operations.
Information on related party transactions is summarized in Appendix 4 to the Explanatory Notes.

The present annual report and financial statements have been prepared on a going concern basis. The uncertainties associated with the current macroeconomic context and the problems relating to the risks described above have been judged not significant and in any case not such as to cast significant doubt on the business's ability to continue as a going concern.

More information about the company's risk management can be found in the Explanatory notes.

Number and value of shares

Share capital is made up of 149,500,000 ordinary shares of par value €1.5 each, for a total of €224,250,000.

Group tax election

During 2014 the company filed for income tax on a group basis, as permitted by Chapter II Section II of Presidential Decree 917/86.

Related party transactions

Related party transactions fall within the normal course of the company business.
Information on related party transactions is summarized in Appendix 4 to the Explanatory notes.

Alternative performance indicators

In addition to the information required by IFRS, this document presents other financial measures which provide further analysis of the Group's performance. These indicators must not be treated as alternatives to those required by IFRS.

- EBITDA: the Group uses these measure as financial targets in internal presentations (business plans) and in external presentations (to analysts and investors), since it is a useful way of measuring operating performance besides EBIT.
EBITDA is an intermediate measure that derives from EBIT after adding back depreciation, amortization and impairment of property, plant and equipment and intangible assets. EBITDA is also presented net of non-recurring items, which are reported separately on the face of the income statement.
- Net working capital: this measure is the sum of inventories, trade receivables, current tax assets and other receivables, minus trade payables, current tax liabilities and other payables.
- Net capital employed: this measure is the sum of net working capital, intangible assets, property, plant and equipment, equity investments, other non-current receivables, and deferred tax assets, minus deferred tax liabilities, employee severance indemnity and provisions for contingencies and other charges.
- Net debt/(Positive net financial position): this measure represents gross financial liabilities less cash and cash equivalents and other financial receivables. The individual line items in the statement of financial position used to determine this measure are analysed later in this report.

The figures contained in the present document, including some of the percentages, have been rounded relative to their full Euro amount. As a result, some of the totals in the tables may differ from the sum of the individual amounts presented.

Subsequent events

On 19 February 2016 De' Longhi S.p.A.'s Board of Directors approved the proposed 7-year stock option plan calling for the assignment of up to a maximum of 2,000,000 options, along with the relative regulations, to be submitted to shareholders for approval during the Annual General Meeting to be held on 14 April 2016, including in extraordinary session to resolve on approval of the Plan and the capital increase to service the Plan. Please refer to the Report on Remuneration for more information.

Other than the above, no other significant events took place after the close of the year.

Proposed allocation of profit

Dear Shareholders,

In submitting for your approval the financial statements for 2015, which report a net profit of €67,356,982, we propose:

- to approve the Directors' Report on Operations and the financial statements at 31 December 2015;
- to allocate €3,367,849 from this net profit to the legal reserve;
- to distribute a gross dividend to shareholders of €0.44 on each of the 149,500,000 outstanding shares for a total of €65,780,000, of which €63,989,133 from the net profit for the year, with the remainder allocated to the legal reserve, and €1,790,867 from the Extraordinary Reserve;
- to pay the dividend of €0.44 as of 20 April 2016, with shares going ex-coupon on 18 April 2016 and with the record date, pursuant to art. 83-*terdecies* of Legislative Decree n. 58/98, as at 19 April 2016.

Treviso, 3 March 2016

For the Board of Directors
Vice Chairman and Chief Executive Officer
Fabio de'Longhi

INCOME STATEMENT

(Amounts in Euro)	*Notes*	2015	2014
Revenues	*1*	28,145,432	22,508,322
Total revenues		**28,145,432**	**22,508,322**
Raw and ancillary materials, consumables and goods	*2*	(97,094)	(64,803)
Materials consumed		**(97,094)**	**(64,803)**
Payroll costs	*3*	(5,445,267)	(253,035)
Services and other operating expenses	*4*	(32,441,007)	(28,258,549)
Provisions	*5*	110,492	(727)
Amortization and depreciation	*6*	(60,118)	(57,688)
EBIT		**(9,787,562)**	**(6,126,480)**
Financial income (expenses)	*7*	74,263,697	71,133,485
PROFIT (LOSS) BEFORE TAXES		**64,476,135**	**65,007,005**
Income taxes	*8*	2,880,847	1,947,857
NET PROFIT (LOSS)		**67,356,982**	**66,954,862**

STATEMENT OF COMPREHENSIVE INCOME

(Amounts in Euro)	2015	2014
Net profit (loss)	**67,356,982**	**66,954,862**
- Change in fair value of cash flow hedges and financial assets available for sale	850,033	(2,987,083)
- Tax effect on change in fair value of cash flow hedges and financial assets available for sale	(399,591)	837,156
Total other comprehensive income will subsequently reclassified to profit (loss) for the year	*450,442*	*(2,149,927)*
- Actuarial valuation funds	20,397	(64,761)
- Tax effect of actuarial valuation funds	(10,434)	17,809
Total other comprehensive income will not subsequently reclassified to profit (loss) for the year	*9,963*	*(46,952)*
Other components of comprehensive income	**460,405**	**(2,196,879)**
Total comprehensive income	**67,817,387**	**64,757,983**

Appendix 4 reports the effect of related-party transactions on the income statement, as required by CONSOB resolution 15519 of 27 July 2006.

STATEMENT OF FINANCIAL POSITION

ASSETS (Amounts in Euro)	Notes	31.12.2015	31.12.2014
NON-CURRENT ASSETS			
INTANGIBLE ASSETS		25,188	29,807
- Other intangible assets	9	25,188	29,807
TANGIBLE ASSETS		81,307	121,807
- Other tangible assets	10	81,307	121,807
EQUITY INVESTMENTS AND OTHER FINANCIAL ASSETS		566,266,753	536,780,740
- Equity investments	11	560,627,588	535,424,220
- Receivables	12	952,366	904,342
- Other financial assets	13	4,686,799	452,178
DEFERRED TAX ASSETS	14	1,920,039	3,735,306
TOTAL NON-CURRENT ASSETS		568,293,287	540,667,660
CURRENT ASSETS			
INVENTORIES		-	-
TRADE RECEIVABLES	15	31,276,210	24,117,740
CURRENT TAX ASSETS	16	3,736,106	3,736,106
OTHER RECEIVABLES	17	4,219,050	8,218,072
CURRENT FINANCIAL RECEIVABLES AND ASSETS	18	35,608,758	2,255,633
CASH AND CASH EQUIVALENTS	19	26,117	27,468
TOTAL CURRENT ASSETS		74,866,241	38,355,019
TOTAL ASSETS		643,159,528	579,022,679

NET EQUITY AND LIABILITIES (Amounts in Euro)		31.12.2015	31.12.2014
NET EQUITY			
NET EQUITY		334,829,100	328,306,713
- Share capital	20	224,250,000	224,250,000
- Reserves	21	43,222,118	37,101,851
- Net profit (loss)		67,356,982	66,954,862
TOTAL NET EQUITY		334,829,100	328,306,713
NON-CURRENT LIABILITIES			
FINANCIAL PAYABLES		78,570,165	85,413,385
- Bank loans and borrowings (long-term portion)	22	-	8,979,635
- Other financial payables (long-term portion)	23	78,570,165	76,433,750
NON-CURRENT PROVISIONS FOR CONTINGENCIES AND OTHER CHARGES		1,868,071	4,542,577
- Employee benefits	24	1,368,421	3,929,927
- Other provisions	25	499,650	612,650
TOTAL NON-CURRENT LIABILITIES		80,438,236	89,955,962
CURRENT LIABILITIES			
TRADE PAYABLES	26	21,176,990	19,803,560
FINANCIAL PAYABLES		197,538,617	128,249,512
- Bank loans and borrowings (short-term portion)	22	92,947	117,424,476
- Other financial payables (short-term portion)	23	197,445,670	10,825,036
CURRENT TAX LIABILITIES	27	77,939	8,383,066
OTHER PAYABLES	28	9,098,646	4,323,866
TOTAL CURRENT LIABILITIES		227,892,192	160,760,004
TOTAL NET EQUITY AND LIABILITIES		643,159,528	579,022,679

Appendix 4 reports the effect of related-party transactions on the statement of financial position, as required by CONSOB resolution 15519 of 27 July 2006.

STATEMENT OF CASH FLOW

(Amounts in Euro)	*Notes*	**2015**	**2014**
Net profit (loss)		67,356,982	66,954,862
Income taxes for the period		(2,880,847)	(1,947,857)
Income for dividends receipt		(78,580,883)	(77,307,634)
Amortization and depreciation		60,118	57,688
Net change in provisions		(3,638,635)	(4,170,343)
Cash flow absorbed by current operations (A)		**(17,683,265)**	**(16,413,284)**
Change in assets and liabilities for the period:			
Trade receivables		(6,174,167)	(16,673,969)
Trade payables		1,373,430	16,083,733
Other current assets and liabilities		19,521,375	6,063,148
Payment of income taxes		(14,767,387)	(3,611,120)
Cash flow generated (absorbed) by changes in working capital (B)		**(46,749)**	**1,861,792**
Cash flow absorbed by current operations and changes in working capital (A+B)		**(17,730,014)**	**(14,551,492)**
Investment activities:			
Investments in intangible assets		(14,000)	(27,876)
Investments in tangible assets		-	(119,004)
Net investments in equity investments and other financial assets		(25,000,000)	(758,312)
Dividends receipt		45,580,883	86,307,634
Cash flow generated by investment activities (C)		**20,566,883**	**85,402,442**
Dividends paid		(61,295,000)	(59,800,000)
Payment of interests on loans		(3,333,353)	(4,138,675)
Repayment of loans and other net changes in source of finance		61,790,133	(6,913,512)
Cash flow absorbed by changes in net equity and by financing activities (D)		**(2,838,220)**	**(70,852,187)**
Decrease in cash and cash equivalents (A+B+C+D)		**(1,351)**	**(1,237)**
Opening cash and cash equivalents	*19*	**27,468**	**28,705**
Decrease in cash and cash equivalents (A+B+C+D)		(1,351)	(1,237)
Closing cash and cash equivalents	*19*	**26,117**	**27,468**

Appendix 2 presents the statement of cash flows at 31 December 2014 in terms of net financial position, that represents gross financial liabilities less cash and cash equivalents and other financial receivables. The individual items in the statement of financial position are analysed later in the paragraph *Detail of net financial position* .

STATEMENT OF CHANGES IN NET EQUITY

(Amounts in Euro)	SHARE CAPITAL	SHARE PREMIUM RESERVE	LEGAL RESERVE	EXTARORDINARY RESERVE	FAIR VALUE AND CASH FLOW HEDGE RESERVE	ACTUARIAL EVALUATION RESERVE	PROFIT (LOSS) CARRIED FORWARD	PROFIT (LOSS) FOR THE PERIOD	TOTAL
Balance at 31 December 2013	**224,250,000**	**162,545**	**9,048, 406**	**18,858,105**	**(2,883,668)**	**(67,777)**	**10,441,324**	**63,539,79 4**	**323,348,729**
Allocation of 2013 result as per AGM resolution of 15 April 2014									
- distribution of dividends								(59,800,000)	(59,800,000)
- allocation to reserves			3,176,990	562,804				(3,739,794)	-
Movements from transactions with shareholders	**-**	**-**	**3,17 6,990**	**562,804**	**-**	**-**	**-**	**(63,539,794)**	**(59,800,000)**
Profit (loss) after taxes								66,954,862	66,954,862
Other components of comprehensive income					(2,149,927)	(46,951)			(2,196,878)
Comprehensive income (loss)	**-**	**-**	**-**	**-**	**(2,149,927)**	**(46,951)**	**-**	**66,954,862**	**64,757,984**
Balance at 31 December 2014	**224,250,000**	**162,545**	**12,225 ,396**	**19,420,909**	**(5,033,595)**	**(114,728)**	**10,441,324**	**66,954, 862**	**328,306,713**

(Amounts in Euro)	SHARE CAPITAL	SHARE PREMIUM RESERVE	LEGAL RESERVE	EXTARORDINARY RESERVE	FAIR VALUE AND CASH FLOW HEDGE RESERVE	ACTUARIAL EVALUATION RESERVE	PROFIT (LOSS) CARRIED FORWARD	PROFIT (LOSS) FOR THE PERIOD	TOTAL
Balance at 31 December 2014	**224,250,000**	**162,545**	**12,225 ,396**	**19,420,909**	**(5,033,595)**	**(114,728)**	**10,441,324**	**66,954, 862**	**328,306,713**
Allocation of 2014 result as per AGM resolution of 14 April 2015									
- distribution of dividends								(61,295,000)	(61,295,000)
- allocation to reserves			3,347,743	2,312,119				(5,659,862)	-
Movements from transactions with shareholders	**-**	**-**	**3,34 7,743**	**2,312,119**	**-**	**-**	**-**	**(66,954,862)**	**(61,295,000)**
Profit (loss) after taxes								67,356,982	67,356,982
Other components of comprehensive income					450,442	9,963			460,405
Comprehensive income (loss)	**-**	**-**	**-**	**-**	**450,442**	**9,963**	**-**	**67,356,982**	**67,817,387**
Balance at 31 December 2015	**224,250,000**	**162,545**	**15,573 ,139**	**21,733,028**	**(4,583,153)**	**(104,765)**	**10,441,324**	**67,356, 982**	**334,829,100**

EXPLANATORY NOTES

COMPANY BUSINESS

De’Longhi S.p.A., a company with its registered office in Treviso whose shares are listed on the Italian stock exchange run by Borsa Italiana, is the parent company of the De’Longhi Group and performs holding company activities involving the management and supply of centralized services to its subsidiaries and the management of subsidiary undertakings.

ACCOUNTING STANDARDS

The financial statements of De'Longhi S.p.A. at 31 December 2015 have been prepared on the basis of the international accounting and financial reporting standards issued by the International Accounting Standards Board (IASB), including the SIC and IFRIC interpretations, as endorsed by the European Commission (at the date of 31 December 2014), pursuant to EC Regulation 1606 of 19 July 2002. The following documents have been used for interpretation and application purposes even though not endorsed by the European Commission:
- Framework for the Preparation and Presentation of Financial Statements (issued by the IASB in 2001);
- Implementation Guidance, Basis for Conclusions, IFRIC and other documents issued by the IASB or IFRIC to complement the accounting standards;
- Interpretational documents on how to apply IAS/IFRS in Italy, prepared by the Italian Accounting Board.

The accounting policies and measurement bases used for preparing the financial statements at 31 December 2015 are the same as those used for preparing the financial statements at 31 December 2014, except for certain new amendments and accounting standards described below.

The financial statements at 31 December 2015 comprise the income statement, the statement of comprehensive income, the statement of financial position, the statement of cash flows, the statement of changes in net equity and these explanatory notes.
The statement of financial position has been prepared on a basis that distinguishes between current and non-current items.
The income statement has been presented on the basis of the nature of expense, being a suitable structure for faithfully representing the company's performance.
The statement of cash flows has been prepared using the "indirect method" allowed by IAS 7.

The present financial statements and notes are presented in Euro (the company's functional currency) with all amounts in financial statements presented in Euro, as required by the Italian Civil Code, while amounts in explanatory notes are rounded to thousands of Euro, unless otherwise indicated.

The financial statements have been prepared on the historical cost basis, adjusted as required for the valuation of certain financial instruments, and under the assumption of going concern. In fact, despite the difficult economic and financial context, the company has assessed that there are no material uncertainties that cast significant doubt upon its ability to continue as a going concern, as defined in par. 25 of IAS 1.

The risks and uncertainties relating to the business are described in a specific section of the Report on operations. The methods used by the company to manage financial risks are described in *note 32. Risk management* of the present Explanatory notes.

The amendments to international financial reporting standards that apply as from the financial statements at 31 December 2015 are described below:

New amendments and accounting standards applied for the first time by the Company

On 14 June 2014 the EC Regulation 634/2014 was published in the Official Gazette which adopts the IFRIC Interpretation 21 *Levies*.
The Interpretation provides guidance on when to recognize a liability for a levy imposed by a government, both for levies that are accounted for in accordance with IAS 37 and those for which the timing and amount of the levy are uncertain.
The standard is not applicable to income tax (for which reference should be made to IAS 12), penalties or other sanctions resulting from violations of the law.

On 12 December 2013 the International Accounting Standards Board (IASB) published Annual Improvements to IFRSs 2010–2012 Cycle in order to resolve inconsistencies found in the IFRS or to provide clarifications with respect to terminology. The European Commission adopted the improvements in Regulation 2015/28 of 17 December 2014.
With regard to IFRS 2 *Share-based payments*, the definitions of “vesting condition” and “market condition” were clarified and new definitions were added, namely “performance condition” and “service condition”. As for IFRS 3 *Business combinations*, clarification was provided relative to contingent consideration that is classified as an asset or liability which is to be measured at fair value at each reporting date and any changes in fair value are to be recognized in profit or loss. With regard to IFRS 8 *Operating Segments,* based on the changes, an entity must provide general information about how the entity identified its operating segments, the judgements made by management in applying the aggregation criteria to operating segments, and the types of products and services from which each operating segment derives its revenues. As for IAS 16 *Property, plant and equipment* and *IAS 38 Intangible assets,* improvements were made in order to clarify that when an item of property, plant and equipment or intangible asset is revalued the gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount. IAS 24 *Related party disclosures* was revised expanding the scope of the definition of “related party” to include those entities that provide key management personnel services to the reporting entity. Lastly, the text of IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* was changed in order to reiterate that the standard is not applicable in the event a specific type of provision, contingent liability or contingent asset is expressly governed by specific standards.

With a similar view to clarification and streamlining of the international accounting standards, on 12 December 2013 the International Accounting Standards Board (IASB) published Annual Improvements to IFRSs 2011-2013 Cycle adopted by the European Commission in Regulation n.1361/2014 of 18 December 2014.
The most relevant topics addressed by these amendments included: the exclusion from the scope of IFRS 3 of joint control agreements (as defined in IFRS 11 – Joint control), clarification as to the exceptions allowed under IFRS 13 –*Fair value measurement* and under IAS 40 *Investment property*.

In Regulation 2015/29, published on 17 December 2014, the European Commission introduced a few changes to IAS 19 *Employee benefits.* The amendments to IAS 19 permit certain contributions from employees or third parties (only those contributions that are independent of the number of years of service) to be recognized as a reduction in the service cost in the period in which the employee’s services are rendered.

Application of these new standards did not have a material impact on the information found in this annual report.

International financial reporting standards and/or interpretations endorsed by the European Union in 2015 but not yet applicable

On 23 November 2015 the EC Regulation 2015/2113 was published in the Official Gazette which adopts the amendments to IAS 16 *Property, plant and equipment* and IAS 41 *Agriculture* relative to including bearer plants within the scope of IAS 16.

On 24 November 2015 EC Regulation 2015/2173 was published which introduces a few changes to IFRS 11 *Joint arrangements* relating to the acquisition of interests in joint arrangements; more in detail, the Regulation establishes that when an entity acquires an interest in a joint operation considered a business pursuant to and in accordance with IFRS, the interest held should be accounted for using the standards outlined in IFRS 3 *Business combinations.*

On 2 December 2015 the EC Regulation 2015/2231 was published in the Official Gazette which adopts some of the amendments made to IAS 16 *Property, plant and equipment* and IAS 38 *Intangible assets* relating, in particular, to amortization and depreciation. The Regulation clarifies that it is not appropriate to calculate amortization and depreciation for both property, plant and equipment and intangible assets based on the revenue generated by the asset.

In Regulation 2015/2343 of 15 December 2015 the European Commission adopted the changes introduced by IASB in the *Annual Improvements to International Financial Reporting Standards 2012-2014 Cycle*, ("the annual improvements"), as part of its regular improvement process which aims at streamlining and clarifying the international standards. Clarification was provided relative to terms found in IFRS 5 *Non-current assets held for sale,* IFRS 7 *Financial instruments* , IAS 19 *Employee benefits* and IAS 34 *Interim financial reporting.*
On 18 December 2015 Regulation 2015/2406 and Regulation 2015/2441 were published in the Official Gazette. The first introduces a few changes to IAS 1 *Presentation of financial statements* which seek to improve the efficacy of the information provided; the second adopts a few amendments made to IAS 27 *Separate financial statements* which will allow an entity to use the equity method, described in IAS 28 *Investments in associates and joint ventures*, to account for investments in subsidiaries, joint ventures and associates in their respective financial statements.

The changes introduced in the above mentioned Regulations will be applicable beginning on or after 1 January 2016.

The Company did not apply any new standards, interpretations or amendments endorsed, but not yet applicable, in advance; application of these revised standards is not, however, expected to have a material impact.

Disclosure by operating segments

Segment information is reported only with reference to the consolidated financial statements, as allowed by IFRS 8.

PRINCIPAL ACCOUNTING POLICIES

Intangible assets

Other intangible assets
Other intangible assets purchased or internally generated are recognized as assets in accordance with *IAS 38 - Intangible assets*, when it is probable that the future economic benefits attributable to their use will flow to the company and when the cost of the asset can be reliably measured.
These assets are valued at purchase or production cost and amortized, if they have a finite life, on a straight-line basis over their useful life, generally estimated in 4 years.

Property, plant and equipment

Property, plant and equipment owned by the company are recorded at purchase or production cost and systematically depreciated over their residual useful lives.
The cost of assets qualifying for capitalization also includes the borrowing costs directly attributable to the acquisition, construction or production of the asset itself.
Subsequent expenditure is capitalized only if it increases the future economic benefits flowing to the enterprise. All other costs are expensed to income as incurred.

The useful lives, estimated by the company for its various categories of property, plant and equipment, are as follows:

Industrial and commercial equipment	1 year
Other	4 – 8 years

Impairment of non-financial assets

The company tests, at least once a year, whether the book value of intangible assets and property, plant and equipment reported in the financial statements has suffered any impairment loss. If there is evidence of impairment, book value is written down to the related recoverable amount.
If it is not possible to estimate the recoverable amount of an individual asset, the company assesses whether the cash-generating unit to which it belongs is impaired.

Assets and liabilities held for sale and Discontinued Operations

Non-current assets and disposal groups are classified as held for sale or Discontinued operations if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the non-current asset (or disposal group) is available for immediate sale in its present condition.
When the Company is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Company will retain a non-controlling interest in its former subsidiary after the sale.
Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amounts and fair value less costs to sell.

Financial instruments

Financial assets

All financial assets are initially recognized at fair value, corresponding to the consideration paid plus all directly attributable acquisition costs. They are recognized on the trade date, meaning the date when the company makes a commitment to buy or sell the asset. Financial assets are derecognized only when all the associated risks and rewards are substantially transferred together with the assets; if such risks and rewards are not substantially transferred or retained, the company derecognizes the assets when it no longer has control of them.
The company reviews at every reporting date whether a financial asset or group of financial assets has suffered any impairment. If there is objective evidence of impairment, the related loss is recognized in the income statement.

The way financial assets are classified determines how they are subsequently measured:

Financial assets at fair value through profit or loss:
This category includes financial assets acquired mainly for the purpose of selling them in the near term, those designated at fair value upon initial recognition if so permitted, or those for which the fair value option may be exercised.

Financial assets in this category are measured at fair value (or at cost, if they are unlisted or if the fair value is not reliable or cannot be determined, as adjusted for any impairment losses calculated in accordance with IAS 39); the related changes in fair value during the period of ownership are recorded in the income statement. Financial instruments in this category are classified as current assets if they are "held for trading" or if they are expected to be sold within twelve months of the reporting date. Derivatives are treated as assets or liabilities depending on whether their fair value is positive or negative respectively; positive and negative fair values relating to transactions with the same counterparty are offset when contractually allowed.

Receivables:
These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are classified as current assets, except for those contractually due after more than twelve months from the reporting date, which are classified as non-current assets. The latter are measured at amortized cost using the effective interest method.
Receivables which are due after more than one year and which bear no interest or interest at a rate below the market one, are discounted to present value using market rates.
If there is objective evidence that an asset is impaired, its carrying amount is reduced to the present value of the estimated future cash flows. Impairment losses are recognized in the income statement. If, in a subsequent period, the amount of the impairment loss decreases, the carrying amount of the asset is reinstated but to no more than what its amortized cost would have been had the impairment not been recognized.

Available-for-sale financial assets:
This category includes non-derivative financial assets that are designated as available for sale and are not classified in any of the previous categories. Financial assets in this category are measured at fair value; the related changes in fair value during the period of ownership are recognized in the statement of comprehensive income.
If the fair value cannot be determined, these assets are carried at cost, as adjusted for any impairment.

Equity investments in subsidiary and associated companies:
Equity investments in subsidiary and associated companies are carried at cost less any impairment losses. These equity investments are tested for impairment once a year, or more often if specific events or circumstances indicate evidence of possible impairment. If there is evidence that these equity investments are impaired, the impairment loss is recognized in the income statement. If the company's share of losses in an equity investment exceeds the book value of the investment, and the company has an obligation to answer for them, the value of the equity investment is reduced to zero and the company's share of additional losses is recognized as a provision classified under liabilities. If the impairment loss subsequently disappears or is reduced, the value of the equity investment is reinstated through the income statement but to no more than its original cost.

The company's financial assets are classified as both current and non-current assets.
"Non-current equity investments and other financial assets" include equity investments and non-current loans and receivables.

Current financial assets include trade receivables, other current financial assets, the positive fair value of derivatives and cash and cash equivalents.

Cash and cash equivalents include short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Financial liabilities

Financial payables are initially recognized at fair value, less any transaction costs directly attributable to the issue of the liability itself. Subsequent to initial recognition, financial liabilities are valued on the basis of amortized cost, using the effective interest method.

Derivatives

Derivatives are used solely for hedging purposes, in order to reduce exposures to currency and interest rate risk. As allowed by IAS 39, derivatives may qualify for special hedge accounting only when, at the inception of the hedge, the following conditions are satisfied:
- there is a formal designation that the instrument is a hedging one;
- there is formal documentation of the hedging relationship, which is expected to be highly effective;
- the effectiveness of the hedge can be reliably measured;
- the hedge is highly effective throughout the different financial reporting periods for which it was designated.

IAS 39 requires that all derivatives be measured at fair value.

If financial instruments qualify for hedge accounting, the following treatment applies:

Fair value hedge – If a derivative instrument is designated as a hedge of the exposure to changes in the fair value of a recognized asset or liability that is attributable to a particular risk that will affect profit or loss, the gain or loss from remeasuring the hedging instrument at fair value should be recognized in the income statement. The gain or loss on the hedged item attributable to the hedged risk adjusts the carrying amount of the hedged item and is recognized in the income statement.

Cash flow hedge – If a derivative instrument is designated as a hedge of the exposure to variability in cash flows attributable to a highly probable forecast transaction which will affect profit or loss, the effective portion of the gains or losses on the hedging instrument is recognized directly in the statement of comprehensive income. The effective portion of the cumulative gains or losses are reversed from net equity and reclassified to profit or loss in the same period in which the hedged transaction is reported in the income statement. Gains or losses associated with a hedge or part thereof that has become ineffective are reclassified to the income statement.

If a hedging instrument or hedging relationship is terminated, but the transaction being hedged has not yet occurred, the cumulative gains and losses, recorded up until then in the statement of comprehensive income, are reported in the income statement at the same time that the hedged transaction occurs. If the hedged transaction is no longer expected to occur, the unrealized gains or losses reported directly in net equity are immediately reclassified to the income statement. If hedge accounting cannot be applied, the gains or losses arising from the fair value measurement of the derivatives are transferred immediately to the income statement.

Employee benefits

Net obligations relating to employee benefit plans, chiefly the provision for severance indemnities (for the portion retained in the company following the 2007 reform), are recorded at the expected future value of the benefits that will be received and which have accrued at the reporting date. The company's obligation to finance the defined benefit pension funds and the annual cost reported in the income statement are determined by independent actuaries using the projected unit credit method.

Provisions for contingencies and other charges

The company recognizes provisions for contingencies and charges when (i) it has a present obligation (legal or constructive) to third parties (ii) it is probable that the company will need to employ resources to settle the obligation and (iii) a reliable estimate can be made of the amount of the obligation. Changes in these estimates are reflected in the income statement in the period in which they occur (also see the comments in the paragraph on "Estimates and assumptions".)
Where the effect of the time value of money is material and the date of extinguishing the liability can be reasonably estimated, provisions are stated at the present value of the expected expenditure, using a discount rate that reflects current market assessments of the time value of money and the risks specific to the liability.
An increase in the amount of the provision for the time value of money is accounted for in interest expense.
Contingencies for which the probability of a liability is remote are disclosed in the notes but no provision is recognized.

Revenue recognition

Revenues are recognized to the extent that it is probable that the economic rewards will flow to the company and their amount can be measured reliably, in other words when the principal risks and rewards of ownership of the goods have been transferred to the buyer. Revenues are reported net of discounts, allowances and returns, including those estimated on the basis of past trends.
Revenues from services are recognized when the service is rendered.

Costs and expenses

Costs and expenses are accounted for on an accrual basis.

Dividends

Dividend distributions represent a movement in net equity in the period in which they are declared by the shareholders in general meeting.
Dividends received are recognized in the income statement when the shareholder's right to receive payment is established.

Income taxes

Income taxes include all the taxes calculated on the company's taxable income. Income taxes are recorded in the income statement, except for those relating to items directly debited or credited to net equity, in which case the associated tax is recognized directly in net equity.
Deferred taxes are provided on the basis of global provision for the liability. They are calculated on all the temporary differences emerging between the tax base of an asset or liability and their book value, except for differences arising from investments in subsidiaries which are not expected to reverse in the foreseeable future.
Deferred tax assets on the carryforward of unused tax losses and tax credits are recognized to the extent that it is probable that future taxable profit will be available against which these can be recovered. Current and deferred tax assets and liabilities may be offset when the income taxes are charged by the same tax authority and when there is a legal right of set-off.
Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realized or the liability settled.

Estimates and assumptions

These financial statements, prepared in accordance with IFRS, contain estimates and assumptions made by the company relating to assets and liabilities, costs, revenues and contingent liabilities at the reporting date. These estimates are based on past experience and assumptions considered to be reasonable and realistic, based on the information available at the time of making the estimate.
The assumptions relating to these estimates are periodically reviewed and the related effects reflected in the income statement in the same period; actual results could therefore differ from these estimates.

The following paragraphs discuss the principal assumptions used for estimation purposes and the principal sources of uncertainty, that have a risk of causing material adjustment to the book value of assets and liabilities in the future; details of book value can be found in the individual explanatory notes.

<u>Employee benefits</u>
The cost of defined benefit pension plans is determined using actuarial valuations, based on statistical assumptions regarding discount rates, expected returns on investments, future salary growth and mortality rates.
The company believes the rates estimated by its actuaries to be reasonable for the year-end valuations, but cannot rule out that large future changes in rates could have a material impact on the liabilities recognized in the financial statements.

<u>Recoverability of deferred tax assets</u>
Deferred tax assets could include those relating to carryforward tax losses to the extent that there is likely to be sufficient future taxable profit against which such losses can be recovered.
Management must use their discretion when determining the amount of deferred tax assets for recognition in the financial statements. They must estimate the likely timing of reversal and the amount of future taxable profit, as well as the future tax planning strategy.

<u>Provisions for contingencies</u>
The company makes several provisions against disputes or risks of various kinds relating to different matters falling under the jurisdiction of different countries. The determination, probability and quantification of these liabilities involve estimation processes that are often very complex, for which management uses all the available information at the date of preparing the financial statements, including with the support of legal and tax advisors.

COMMENTS ON THE INCOME STATEMENT

1. REVENUES

These are analyzed as follows:

	2015	2014	Change
Out-of-period gains	191	81	110
Damages reimbursed	-	100	(100)
Gain on fixed assets disposal	-	23	(23)
Other income	27,954	22,304	5,650
Total	**28,145**	**22,508**	**5,637**

"Other income" include €26,629 thousand in revenue from related parties, as reported in Appendix 4.
These revenues refer primarily to costs charged back to Group companies relating to commissions/incentives paid to clients – international commercial Groups.

2. RAW AND ANCILLARY MATERIALS, CONSUMABLES AND GOODS

These are analyzed as follows:

	2015	2014	Change
Other purchases	97	65	32
Total	**97**	**65**	**32**

3. PAYROLL COSTS

The figures relating to the provisions made by the Company relative to defined and long-term benefits are summarized in the section on provisions.

4. SERVICES AND OTHER OPERATING EXPENSES

These are analyzed as follows:

	2015	2014	Change
Incentives paid to clients – international commercial groups - global marketing costs	18,961	15,121	3,840
Travel and entertaining	4,033	4,758	(725)
Insurance	3,879	3,952	(73)
Directors' emoluments	2,454	1,765	689
Consulting services	1,662	1,285	377
Rentals and leasing	311	316	(5)
Statutory auditors' emoluments	146	146	-
Telecommunication costs	77	90	(13)
Advertising and promotional activities	20	17	3
Other sundry services	567	497	70
Total services	**32,110**	**27,947**	**4,163**
Sundry taxes	180	209	(29)
Other	151	103	48
Total other operating expenses	**331**	**312**	**19**
Total services and other operating expenses	**32,441**	**28,259**	**4,182**

"Cost of services" includes the costs incurred by the Company to carry out its activities as a holding company and a few centralized costs shared by several Group companies (payment of international commercial Groups and global marketing costs) that are subsequently charged back to the subsidiaries.

"Services and other operating expenses" include €7,744 thousand in costs from related parties, as reported in Appendix 4.

5. PROVISIONS

These reflect the release of provisions for uninsured liabilities as a result of disputes settled in the year (see note *25.Other provisions*).

6. AMORTIZATION AND DEPRECIATION

These are analyzed as follows:

	2015	2014	Change
Depreciation of property, plant and equipment	41	41	-
Amortization of intangible assets	19	16	3
Total	**60**	**57**	**3**

7. FINANCIAL INCOME (EXPENSES)

Net financial income and expenses are broken down as follows:

	2015	2014	Change
Dividends	78,581	77,307	1,274
Financial income (expenses) from equity investments	**78,581**	**77,307**	**1,274**
Gains (losses) on currency hedging transactions	8,089	8,411	(322)
Exchange gains (losses)	(7,558)	(8,466)	908
Exchange gains (losses)	**531**	**(55)**	**586**
Bank interest income	4	12	(8)
Financial income	**4**	**12**	**(8)**
Interest expense on long-term loans and borrowings	(155)	(1,880)	1,725
Interest expenses on bonds	(2,659)	(2,670)	11
Interest expense on short-term loans and borrowings	(2,737)	(1,925)	(812)
Financial expenses	**(5,551)**	**(6,475)**	**924**
Other sundry income (expenses)	699	344	355
Other financial income (expenses)	**699**	**344**	**355**
Financial income (expenses)	**74,264**	**71,133**	**3,131**

"Financial income (expenses)" includes €76,755 thousand in income from group companies, as reported in Appendix 4.

Dividends relate primarily to amounts declared by the subsidiaries De Longhi Benelux S.A., De'Longhi Appliances S.r.l., De'Longhi Deutschland Gmbh, De'Longhi Kenwood Gmbh, E-Services S.r.l., De'Longhi Capital Services S.r.l., DeLclima S.p.a. and De'Longhi Polska S.r.l..

8. INCOME TAXES

These are analyzed as follows:

	2015	2014	Change
Current tax assets	4,286	3,171	1,115
Advanced (deferred) taxes	(1,405)	(1,223)	(182)
Total	**2,881**	**1,948**	**933**

The company has made an election to file for income tax on a group basis for companies based in Italy, as allowed by art. 117 *et seq* of the Income Tax Consolidation Act (Presidential Decree 917/86).

"Deferred income tax liabilities (assets)" report the taxes calculated on the temporary differences arising between the accounting values of assets and liabilities and the corresponding tax base (particularly for taxed provisions). More details on deferred taxes can be found in *note "14.Deferred tax assets".*

The actual and theoretical tax charge are reconciled as follows:

	2015	%	2014	%
Profit before taxes	64,476	100%	65,007	100%
Theoretical taxes	(17,731)	27,5%	(17,877)	27,5%
Permanent tax differences (dividends, net of disallowable costs) and other effects	20,612	32,0%	19,825	30,5%
Actual taxes	**2,881**	**4,5%**	**1,948**	**3,0%**

COMMENTS ON THE STATEMENT OF FINANCIAL POSITION: ASSETS

NON-CURRENT ASSETS

9. INTANGIBLE ASSETS

These are analyzed as follows:

	31 December 2015		31 December 2014		
	Gross	**Net**	**Gross**	**Net**	**Change**
Patents	130	25	115	30	(5)

The following table reports movements during 2015:

	Patents
Net opening balance	**30**
Additions	14
Amortization	(19)
Net closing balance	**25**

10. PROPERTY, PLANT AND EQUIPMENT

These are analyzed as follows:

	31 December 2015		31 December 2014		
	Gross	**Net**	**Gross**	**Net**	**Change**
Industrial and commercial equipment	17	-	17	-	-
Other	203	81	203	122	(41)
Total	**220**	**81**	**220**	**122**	**(41)**

The following table reports movements during 2015:

	Other
Net opening balance	**122**
Additions	-
Depreciation	(41)
Net closing balance	**81**

11. EQUITY INVESTMENTS

These are analyzed as follows:

	31 December 2015	31 December 2014	Change
De'Longhi Appliances S.r.l.	242,678	242,678	-
De Longhi Benelux S.A.	266,737	241,737	25,000
De'Longhi Deutschland GmbH	40,800	40,800	-
De'Longhi Capital Services S.r.l.	6,005	6,005	-
De'Longhi Kenwood GmbH	2,900	2,900	-
De'Longhi Romania S.r.l.	1,065	1,065	-
Clim.Re S.A.	54	54	-
E-Services S.r.l.	26	26	-
De'Longhi Polska Sp.Zo.o.	-	-	-
Total subsidiaries	**560,265**	**535,265**	**25,000**
DeLclima S.p.A.	362	159	203
Total other equity investments	**362**	**159**	**203**
Total equity investments	**560,627**	**535,424**	**25,203**

The list of equity investments and the related movements during 2015 can be found in Appendix 3.

The most relevant change in the year refers to the capital contribution made to the subsidiary De Longhi Benelux S.A. of € 25,000 thousand.

In February 2016 the Company adhered to the mandatory tender offer launched by Mitsubishi Electric Corporation and disposed of all its shares in DeLclima S.p.A..

The recoverability of the value of the equity investments has been tested for impairment by applying the Discounted Cash Flow method to cash flow forecasts contained in the three-year plans approved by management. These plans have been prepared assuming realistic scenarios based on the information available at the reporting date, also taking account of the budget approved for 2016 in respect of the subsidiaries. Plan data was projected beyond the explicit planning period using a perpetuity growth rate that was no higher than those expected for the markets in which the individual cash-generating units (CGUs) operate. The growth rate in terminal values used for projecting beyond the planning period was 2% for all the CGUs. The cash flows and discount rate were determined net of tax. The discount rate of 6.5%, used for all the CGUs and so also for the equity investments, reflects current market assessments of the time value of money and takes account of the risks specific to the sector.
The impairment tests carried out at the end of 2015 have not revealed any significant evidence that equity investments are impaired. The results obtained using the discounted cash flow method have been tested for their sensitivity to changes in certain key variables, within reasonable ranges and on the basis of mutually consistent assumptions. The variables altered were the discount rate (between 6.3% and 6.7%) and the growth rate in terminal value (in the range 1.8%-2.2%). The sensitivity analysis has revealed relatively stable results; in fact, the minimum and maximum amounts diverged by around 10% from the central point when both variables were altered, while the divergence was considerably smaller when more reasonable assumptions regarding the change in variables were adopted.

12. NON-CURRENT RECEIVABLES

This balance is analyzed as follows:

	31 December 2015	31 December 2014	Change
Receivables from subsidiary companies	952	904	48
Total	**952**	**904**	**48**

Appendix 4 contains details of "Receivables from subsidiary companies".

13. OTHER NON-CURRENT FINANCIAL ASSETS

Details are as follows:

	31 December 2015	31 December 2014	Change
Fair value of derivatives	4,687	452	4,235
Total	**4,687**	**452**	**4,235**

14. DEFERRED TAX ASSETS

"Deferred tax assets" reflect the recognition of taxes calculated on temporary differences arising between the accounting values of assets and liabilities and the corresponding tax base (particularly for taxed provisions).

Details are as follows:

	31 December 2015			31 December 2014			Effect on income statement
	Taxable amount	Tax rate	Total tax	Taxable amount	Tax rate	Total tax	
Provisions for contingencies and other charges	1,430	24,0%-27,5%	343	5,025	27,5%	1,382	(1,039)
Other temporary differences	180	24,0%-27,5%	23	1,418	27,5%	389	(366)
Total deferred tax assets booked to income statement	**1,610**		**366**	**6,443**		**1,771**	**(1,405)**
Deferred tax assets on tax losses	-	-	-	-	-	-	-
Fair value of cash flow hedge derivatives	6,336	24,0%	1,521	6,983	27,5%	1,920	-
Actuarial valuation of provision according to IAS 19	138	24,0%	33	158	27,5%	44	-
Total temporary differences booked to net equity	**6,474**		**1,554**	**7,141**		**1,964**	-
Net total	**8,084**		**1,920**	**13,584**		**3,735**	**(1,405)**

There are no temporary differences or carryforward tax losses for which deferred tax assets have not been recognized.

CURRENT ASSETS

15. TRADE RECEIVABLES

These are analyzed as follows:

	31 December 2015	31 December 2014	Change
Trade receivables due within 12 months	31,302	25,128	6,174
Allowance for bad debts	(26)	(1,010)	984
Total	**31,276**	**24,118**	**7,158**

Trade receivables are stated net of an allowance for doubtful accounts of €26 thousand, representing the estimated risk at the reporting date.

"Trade receivables" include €29,366 thousand in receivables from related parties, as reported in Appendix 4.

Movements in the allowance for doubtful accounts are shown in the following table:

	31 December 2014	Increases	Utilization	31 December 2015
Allowance for bad debts	1,010	-	(984)	26

Trade receivables do not include any amounts due beyond 12 months.

16. CURRENT TAX ASSETS

These are detailed as follows:

	31 December 2015	31 December 2014	Change
Direct taxes	3,736	3,736	-
Total	**3,736**	**3,736**	**-**

For the purposes of optimizing the financial management of its tax affairs, the company has filed for income tax on a group basis in 2015 as allowed by Chapter II Section II of Presidential Decree 917/86, and also settled VAT on a group basis, as allowed by the Ministerial Decree dated 13 December 1979.

This item refers to credits for which a refund has been requested.

17. OTHER RECEIVABLES

These are analyzed as follows:

	31 December 2015	31 December 2014	Change
VAT receivables	1,323	331	992
Advances to suppliers	253	-	253
Prepaid costs	17	520	(503)
Employees	3	21	(18)
Other	2,623	7,346	(4,723)
Total	**4,219**	**8,218**	**(3,999)**

"Prepaid costs" mainly refer to the payment of insurance premiums relating to the following year.

Other receivables include €682 thousand in amounts due from related parties, as reported in Appendix 4.

None of the other receivables is due beyond 12 months.

18. CURRENT FINANCIAL RECEIVABLES AND ASSETS

These are analyzed as follows:

	31 December 2015	31 December 2014	Change
Financial receivables	35,000	2,000	33,000
Fair value of derivatives	609	256	353
Total	**35,609**	**2,256**	**33,353**

"Current financial receivables and assets" include €35,020 thousand in amounts due from related parties, as reported in Appendix 4.

More details on the fair value of derivatives can be found in *note 32. Risk management.*

None of the current financial receivables is due beyond 12 months.

19. CASH AND CASH EQUIVALENTS

This balance consists of surplus liquidity on bank current accounts.

COMMENTS ON THE STATEMENT OF FINANCIAL POSITION: NET EQUITY

NET EQUITY

The primary objective of the company's capital management is to maintain a solid credit rating and adequate capital ratios in order to support its business and maximize value for shareholders.

The annual general meeting (AGM) of De'Longhi S.p.A. held on 14 April 2015 declared a dividend totalling €61,295 thousand.

Changes in net equity are reported as part of the financial statements; comments on the main components and their changes are provided below.

20. SHARE CAPITAL

Share capital is made up of 149,500,000 ordinary shares of par value €1.5 each, for a total of €224,250 thousand.

21. RESERVES

These are analyzed as follows:

	31 December 2015	31 December 2014	Change
Share premium reserve	163	163	-
Legal reserve	15,573	12,225	3,348
Other reserves:			
- Extraordinary reserve	21,733	19,421	2,312
- Fair value and cash flow hedge reserve	(4,583)	(5,033)	450
- Actuarial valuation reserve	(105)	(115)	10
- Profit (loss) carried forward	10,441	10,441	-
Total	**43,222**	**37,102**	**6,120**

The "Share premium reserve" was set up following the public offering at the time of the parent company's flotation on the Milan stock exchange on 23 July 2001. The residual amount of this reserve was €325 thousand at 31 December 2011; following the demerger transaction in favour of DeLclima S.p.A. the share premium reserve was reduced to €163 thousand.
The "Legal reserve" has a balance of €15,573 thousand at 31 December 2015. The increase of €3,348 thousand with respect to 31 December 2014 follows the allocation of profit for 2014, as approved by the AGM on 14 April 2015.
The "Extraordinary reserve" has a balance of €21,733 thousand; the of €2,312 thousand with respect to 31 December 2014 follows the allocation of profit for 2014, as approved by the AGM on 14 April 2015.
The "Fair value and cash flow hedge reserve" reports a negative balance of €4,583 thousand, net of €1,521 thousand in tax. This figure reflects the negative fair value of the cash flow hedge derivatives of €4,815 thousand (net of €1,521 thousand in tax) and the positive fair value of the equity investment in DeLclima S.p.A. of €232 thousand.

More details on the fair value of derivatives can be found in note 32. Risk management.

The following table provides information on the permitted distribution of reserves:

Nature / Description:	**Amount**	**Permitted use**	**Available amount**
Share capital	224,250 [(1)]		
Capital reserves:			
- Share premium reserve	163 [(2)]	A, B	
Earnings reserves:			
- Legal reserve	15,573	B	
- Extraordinary reserve	21,733	A, B, C	21,733
- Fair value and cash flow hedge reserve	(4,583)		
- Actuarial valuation reserve	(105)		
- Profit (loss) carried forward	10,441	A, B, C	1,866
Total	**267,472** [(3)]		**23,599**
Undistributable amount			4,688
Distributable amount			**18,911**

[(1)] There is a tax restriction over €2,853 thousand following a bonus increase in capital in 1997 using tax-suspended reserves. The restriction was updated based on the figures from the 2015 tax return.

[(2)] As allowed by art. 2431 of the Italian Civil Code, the full amount of this reserve may be distributed only if the legal reserve has reached the amount established by art. 2430 of the Italian Civil Code.

[(3)] There are tax restrictions relating to the realignment of tax and accounting values carried out in 2000 and 2005 as follows: €54,031 thousand relating to share capital, €1,256 thousand relating to the legal reserve and €18,722 thousand relating to the extraordinary reserve. The restriction was updated based on the figures from the 2015 tax return.

Key:
A: to increase share capital
B: to cover losses
C: distribution to shareholders

COMMENTS ON THE STATEMENT OF FINANCIAL POSITION: LIABILITIES

NON-CURRENT LIABILITIES

22. BANK LOANS AND BORROWINGS

Bank loans and borrowings (including the current portion) are analyzed as follows:

	Within one year	One to five years	Beyond five years	Balance 31.12.2015	Within one year	One to five years	Beyond five years	Balance 31.12.2014	Change
Overdrafts	93	-	-	93	111,466	-	-	111,466	(111,373)
Long-term loans (current portion)	-	-	-	-	5,958	-	-	5,958	(5,958)
Total short-term bank loans and borrowings	**93**	**-**	**-**	**93**	**117,424**	**-**	**-**	**117,424**	**(117,331)**
Long-term loans	-	-	-	-	-	8,980	-	8,980	(8,980)
Total bank loans and borrowings	**93**	**-**	**-**	**93**	**117,424**	**8,980**	**-**	**126,404**	**(126,311)**

In 2015 the loan granted by Centrobanca-Banca di Credito Finanziario e Mobiliare S.p.A. was repaid in advance and no other new loans were taken out.

Loans (including short-term portion)	31.12.2015	31.12.2014	Change
Centrobanca S.p.A. (*club* loan with Banca Popolare di Vicenza S.C.p.A.)	-	14,938	(14,938)
Total long-term loans	**-**	**14,938**	**(14,938)**

23. OTHER FINANCIAL PAYABLES

This balance, inclusive of the current portion, is made up as follows:

	31 December 2015	31 December 2014	Change
Financial loans (short-term portion)	-	1,000	(1,000)
Negative fair value of derivatives (short-term portion)	10	-	10
Other short-term financial payables	197,436	9,825	187,611
Total short-term payables	**197,446**	**10,825**	**186,621**
Financial loans (one to five years)	-	1,803	(1,803)
Private placement (one to five years)	28,435	19,059	9,376
Total long-term payables (one to five years)	**28,435**	**20,862**	**7,573**
Negative fair value of CCIRSS (hedging the private placement - beyond five years)	-	4,227	(4,227)
Private placement (beyond five years)	50,135	51,345	(1,210)
Total long-term payables (beyond five years)	**50,135**	**55,572**	**(5,437)**
Total	**276,016**	**87,259**	**188,757**

"Other short term financial payables" include €197,345 thousand owed to De'Longhi Capital Services S.r.l. for financial services rendered in connection with the centralized treasury service, and €91 thousand for financial services rendered.

Private placement refers to the issue and placement of unsecured bonds with US institutional investors (the US Private Placement), completed in the 2012 of USD 85,000 thousand (equal to, at 31 December 2015, €78,570 thousand based on the amortized cost method).
The securities were issued by De'Longhi S.p.A. in a single tranche and have a residual duration of 12 years. The bonds will accrue interest from the subscription date at a fixed rate of 4.25%.
The bond loan will be repaid yearly in equal capital instalments beginning September 2017 and ending September 2027, without prejudice to the ability to repay the entire amount in advance, for an average life of 10 years.

The securities are unrated and are not intended to be listed on any regulated markets.
The bond loan is subject to half-yearly financial covenants. At 31 December 2015 the covenants had not been breached.
The issue is not secured by collateral of any kind.

As a hedge to the bond loan, the Group stipulated a Cross Currency Interest Rate Swap agreement which covers both interest rate and exchange risk and calls for the exchange, on the same maturities as those of the bond loan, of interest payments and principal. An exchange rate for the principal and interest was, therefore, determined along with an interest rate for the amounts in Euro of 3.9775%.

All the principal other financial payables carry floating-rate interest, meaning that interest is based on a benchmark rate (usually 1 or 3-month Libor/Euribor) plus a spread, which depends on the nature of the payable and its due date. As a result, the fair value of loans, obtained by discounting expected future interest payments at current market rates, is not materially different from the value reported in the financial statements. This is based on the fact that forecasts of future interest payments use an interest rate which reflects current market conditions (in terms of benchmark interest rates).

The bond loan was issued at a fixed rate but, the change in its fair value is compensated by the change in fair value of the derivative contract hedging both interest rate and exchange risk (*Cross Currency Interest Rate Swap*).

More details on the fair value of derivatives, hedging both exchange rate and interest rate risk, can be found in *note 32. Risk management.*

The balance includes €197,446 thousand in payables to Group companies, as reported in Appendix 4.

Net financial position

Details of the net financial position are as follows:

	31 December 2015	31 December 2014	Change
A. Cash	19	18	1
B. Cash equivalents	7	9	(2)
C. Securities	-	-	-
D. Total liquidity (A+B+C)	**26**	**27**	**(1)**
E. Current financial receivables and other securities	**35,609**	**2,256**	**33,353**
of which:			
Fair value of derivatives	*609*	*256*	*353*
F. Current bank loans and borrowings	(93)	(1,457)	1,364
G. Current portion of non-current debt	-	(115,968)	115,968
H. Other current financial payables	(197,446)	(10,825)	(186,621)
of which:			
Fair value of derivatives	*(10)*	*-*	*(10)*
I. Current financial debt (F+G+H)	**(197,539)**	**(128,250)**	**(69,289)**
J. Net current financial debt (D+E+I)	**(161,904)**	**(125,967)**	**(35,937)**
Non-current financial receivables and other securities	5,639	1,357	4,282
of which:			
Fair value of derivatives	*4,687*	*452*	*4,235*
K. Non-current bank loans and borrowings	-	(8,980)	8,980
L. Bonds	(78,570)	(70,404)	(8,166)
M. Other non-current payables	-	(6,029)	6,029
of which:			
Fair value of derivatives	*-*	*(4,227)*	*4,227*
N. Non-current financial debt (K+L+M)	**(72,931)**	**(84,056)**	**11,125**
Total net financial debt (J+N)	**(234,835)**	**(210,023)**	**(24,812)**

Details of financial receivables and payables with related parties are reported in Appendix 4.

For a better understanding of changes in the company's net financial position, reference should be made to the full statement of cash flows and the reclassified table in the report on operations.

24. EMPLOYEE BENEFITS

These are analyzed as follows:

	31 December 2015	31 December 2014	Change
Provision for severance indemnities	452	508	(56)
Long term benefits	916	3,422	(2,506)
Total	**1,368**	**3,930**	**(2,562)**

The composition of the company's workforce is analyzed in the following table:

	31 December 2015	Average 2015	31 December 2014	Average 2014
White collar	33	32	31	30
Senior managers	9	9	9	9
Total	**42**	**41**	**40**	**39**

Provision for severance indemnities

The provision for severance indemnities includes amounts payable to the company's employees and not transferred to alternative pension schemes or the pension fund set up by INPS (Italy's national social security agency). This provision has been classified as a defined benefit plan, governed as such by *IAS 19 - Employee benefits*. Severance indemnity, as an unfunded obligation, does not have any assets servicing it.

This plan is valued on an actuarial basis to express the present value of the benefit payable at the end of service that employees have accrued at the reporting date.

Movements in the year are summarized below:

Severance indemnity obligations	31 December 2015	31 December 2014	Change
Defined benefit obligations	452	508	(56)

Net cost charged to income statement	31 December 2015	31 December 2014	Change
Current service cost	-	-	-
Interest cost on obligations	8	12	(4)
Total	**8**	**12**	**(4)**

Change in present value of obligations	31 December 2015	31 December 2014	Change
Present value at 1 January	**508**	**431**	**77**
Current service cost	-	-	-
Utilization of provision	(44)	-	(44)
Interest cost on obligations	8	12	(4)
Actuarial gain losses booked in the statement of comprehensive income	(20)	65	(85)
Present value at reporting date	**452**	**508**	**(56)**

The principal assumptions used for determining the obligations under the plan described are as follows:

Assumptions used	TFR 2015	TFR 2014
Discount rate	2,0%	1,8%
Future salary increases	1,8% – 3,8%	1,8% – 3,8%
Inflation rate	1,8%	1,8%

The long term benefits refer to an incentive plan 2015 – 2017 for which relative provisions were made on accrual basis. This plan, benefitting the Company's Chief Executive Officer as well as a few other executives of De'Longhi S.p.A., which were approved by the Company's Board of Directors on 11 November 2015; for more information please refer to the Annual Report on Remuneration.

25. OTHER PROVISIONS

Movements are as follows:

	31 December 2014	Utilization	Accrual	31 December 2015
Provision for uninsured liabilities	220	(200)	90	110
Other provisions for contingencies	393	(3)	-	390
Total	**613**	**(203)**	**90**	**500**

"Provisions for uninsured liabilities" include provisions made for disputes and potential liabilities, as well as the insurance deductibles payable relating to submitted claims.

The decrease in "Other provisions" relates to the resolution of a few disputes.

CURRENT LIABILITIES

26. TRADE PAYABLES

This balance of €21,177 thousand represents the amount owed by the company to third parties and Group companies for the supply of services. Details of amounts owed to Group companies are reported in Appendix 4.

Trade payables do not include any amounts due beyond 12 months.

27. CURRENT TAX LIABILITIES

These are analyzed as follows:

	31 December 2015	31 December 2014	Change
Direct taxes	78	5,436	(5,358)
Other taxes	-	2,947	(2,947)
Total	**78**	**8,383**	**(8,305)**

Current tax liabilities do not include any amounts due beyond 12 months.

28. OTHER PAYABLES

These are analyzed as follows:

	31 December 2015	31 December 2014	Change
Payables towards Group companies	2,490	1,165	1,325
Withholdings payable	1,732	960	772
Employees	1,677	967	710
Social security institutions	701	319	382
Other	2,499	913	1,586
Total	**9,099**	**4,324**	**4,775**

"Payables towards Group companies" mostly refer to amounts owed as a result of the company's decision to adopt a group tax election, under Chapter II Section II of Presidential Decree 917/86, and to pay VAT on a group basis, under the Ministerial Decree dated 13 December 1979, as described in *note 16. Current tax assets*.

"Withholdings payable" relate to withholdings made by the company and payable to the tax authorities after the reporting date.

"Social security institutions" include €609 thousand in payables to Italy's principal social security agency (INPS), €47 thousand in payables to pension funds and €45 thousand in amounts owed to other welfare agencies.

There are no other payables due beyond 12 months.

29. COMMITMENTS

These are detailed as follows:

	31 December 2015	31 December 2014	Change
Guarantees given for the benefit of:			
De’Longhi Capital Services S.r.l.	288,997	421,797	(132,800)
DL Kenwood A.P.A. Ltd.	96,436	93,681	2,755
De’Longhi Australia PTY Ltd.	16,077	18,210	(2,133)
De’Longhi Japan Corp.	12,284	11,086	1,198
Dong Guan De’Longhi Kenwood Appliances Co. Ltd.	9,185	8,237	948
De’Longhi Brasil Ltda.	4,268	5,713	(1,445)
De’Longhi Kenwood Korea Ltd.	1,582	854	728
Elle S.r.l.	470	470	-
De’Longhi Appliances S.r.l.	169	189	(20)
DeLonghi South Africa Pty Ltd.	98	104	(6)
De’Longhi Ukraine LLC	92	82	10
De’Longhi Scandinavia A.B.	89	32	57
De’Longhi Romania S.r.l.	49	5,403	(5,354)
De’Longhi LLC	37	-	37
De’Longhi New Zeland Ltd.	31	32	(1)
De’Longhi Polska Sp.Zo.o.	23	23	-
DL Chile S.A.	14	12	2
E-Services S.r.l.	11	13	(2)
De’Longhi America Inc.	-	2,471	(2,471)
De’Longhi Kenwood MEIA FZE	-	824	(824)
Kenwood Appliances Singapore Pte. Ltd.	-	12	(12)
Kenwood Appliances Malaysia Sdn. Bhd.	-	4	(4)
Total De’Longhi Group companies	**429,912**	**569,249**	**(139,337)**

The guarantees given in the interest of Group companies refer primarily to credit lines which have been partially drawn down and to short-term loans.

In addition to the above:
- as part of its factoring of trade receivables without recourse, the total exposure for which amounted to €117,898 at 31 December 2015 (€124,653 at 31 December 2014), the Company issued a surety and a credit mandate in the interest of its subsidiaries involved;
- the Company also issued a guarantee in the interest of subsidiaries relative to currency hedging, the fair value of which amounted to €11,170 thousand at 31 December 2015 (€16,419 at 31 December 2014);
- the Company also issued third party guarantees totalling €31 thousand.

No elements of risk as defined by IAS 37 have been noted to date.

30. CLASSIFICATION OF FINANCIAL ASSETS AND LIABILITIES

Financial assets and liabilities are classified below in accordance with IFRS 7, using the categories identified in IAS 39.

		Assets		
31/12/2015	**Book value**	**Loans and receivables**	**Available for sale**	**Derivatives**
Non-current assets				
- Equity investments (other)	362		*362*	
- Receivables	952	*952*		
- Other non-current financial assets	4,687			*4,687*
Current assets				
- Trade receivables	31,276	*31,276*		
- Current tax assets	3,736	*3,736*		
- Other receivables	4,219	*4,219*		
- Current financial receivables and assets	35,609	*35,000*		*609*
- Cash and cash equivalents	26	*26*		

		Liabilities	
31/12/2015	**Book value**	**Loans**	**Derivatives**
Non-current liabilities			
- Bank loans and borrowings (long-term portion)	-		
- Other financial payables (long-term portion)	(78,570)	*(78,570)*	
Current liabilities			
- Trade payables	(21,177)	*(21,177)*	
- Bank loans and borrowings (short-term portion)	(93)	*(93)*	
- Other financial payables (short-term portion)	(197,446)	*(197,436)*	*(10)*
- Current tax liabilities	(78)	*(78)*	
- Other payables	(9,099)	*(9,099)*	

		Assets		
31/12/2014	**Book value**	**Loans and receivables**	**Available for sale**	**Derivatives**
Non-current assets				
- Equity investments (other)	159		*159*	
- Receivables	904	*904*		
- Other non-current financial assets	452			*452*
Current assets				
- Trade receivables	24,118	*24,118*		
- Current tax assets	3,736	*3,736*		
- Other receivables	8,218	*8,218*		
- Current financial receivables and assets	2,256	*2,000*		*256*
- Cash and cash equivalents	27	*27*		

		Liabilities	
31/12/2014	**Book value**	**Loans**	**Derivatives**
Non-current liabilities			
- Bank loans and borrowings (long-term portion)	(8,980)	*(8,980)*	
- Other financial payables (long-term portion)	(76,434)	*(72,207)*	*(4,227)*
Current liabilities			
- Trade payables	(19,804)	*(19,804)*	
- Bank loans and borrowings (short-term portion)	(117,424)	*(117,424)*	
- Other financial payables (short-term portion)	(10,825)	*(10,825)*	
- Current tax liabilities	(8,383)	*(8,383)*	
- Other payables	(4,324)	*(4,324)*	

31. HIERARCHICAL LEVELS OF FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE

The following table presents the hierarchical levels in which the fair value measurements of financial instruments have been classified at 31 December 2015. As required by IFRS 7, the hierarchy comprises the following levels:

- level 1: quoted prices in active markets for identical assets or liabilities;
- level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly;
- level 3: inputs for the asset or liability that are not based on observable market data.

Financial instruments measured at fair value	**Level 1**	**Level 2**	**Level 3**
Derivatives:			
- derivatives with positive fair value		5,296	
derivatives with negative fair value		(10)	
Available for sale financial assets:			
- equity investments	362		

There were no transfers between the levels during the year.

32. RISK MANAGEMENT

The company is exposed to the following financial risks as part of its normal business activity:
- **credit risk**, mainly arising from the investment of surplus cash;
- **liquidity risk**, arising from the need to have adequate access to capital markets and sources of finance to fund its operations, investment activities and the settlement of financial liabilities;
- **exchange rate risk**, associated with the exposure to currencies other than the company's functional currency;
- **interest rate risk**, relating to the cost of the company's debt.

Credit risk
Credit risk consists of the company's exposure to potential losses arising from failure by a counterparty to fulfil its obligations.

Trade credit risk is associated with the normal conduct of trade and is monitored using formal procedures for assessing customers and extending them credit.
Positions are written down when there is objective evidence that they will be partially or entirely uncollected, bearing in mind that a significant proportion of receivables are covered by insurance policies with major insurers.
This is not a material risk for De'Longhi S.p.A., whose principal credit exposures are to group companies.

As far as financial credit risk is concerned, it is the company's policy to maintain a sufficiently large portfolio of counterparties of high international repute for the purposes of satisfying its financing and hedging needs.

Liquidity risk
Liquidity risk is the risk of not having the funds needed to fulfil payment obligations arising from operating and investment activities and from the maturity of financial instruments.

The company complies with specific group policies and procedures for the purposes of monitoring and managing this risk, including:
- centralized management of financial payables and cash, supported by reporting and information systems and, where possible, cash pooling arrangements;
- raising of medium and long-term finance on capital markets;
- diversification of the type of financing instruments used;
- obtaining of short-term credit lines such as to ensure wide room for manoeuvre for the purposes of managing working capital and cash flows;
- monitoring of current and forecast financing needs and distribution within the group.

The company has short-term credit lines (typically renewed on an annual basis), for financing working capital and other operating needs (issue of guarantees, currency transactions etc.).

These credit lines, along with cash flow generated by operations, are considered sufficient to satisfy the company's annual funding requirements for working capital, investments and settlement of payables on their natural due dates.

The following table summarizes the due dates of financial liabilities at 31 December 2015 and at 31 December 2014 on the basis of undiscounted contractual payments.

	Undiscounted cash flows at 31.12.2015	Within one year	One to five years	Beyond five years	Undiscounted cash flows at 31.12.2014	Within one year	One to five years	Beyond five years
Bank loans and borrowings (*)	(93)	(93)			(126,850)	(117,703)	(9,147)	
Other financial payables (**)	(282,889)	(200,132)	(33,520)	(49,237)	(100,844)	(13,558)	(30,028)	(57,258)
Trade payables	(21,177)	(21,177)			(19,804)	(19,804)		
Current tax liabilities and other payables	(9,177)	(9,177)			(12,707)	(12,707)		
Total	**(313,336)**	**(230,579)**	**(33,520)**	**(49,237)**	**(260,205)**	**(163,772)**	**(39,175)**	**(57,258)**

(*) The corresponding balance reported in the financial statements is €93 thousand at 31 December 2015 and €126,404 thousand at 31 December 2014.
(**) The corresponding balance reported in the financial statements is €276,006 thousand at 31 December 2015 (net of the fair value of financial derivative instruments for €10 thousand) and €83,032 thousand at 31 December 2014 (net of the fair value of financial derivative instruments for €4,227 thousand) and refers to the amount payable to De'Longhi Capital Services S.r.l. for financial services rendered and to the medium/long term bond loan issued (inclusive of the short-term portion).

More details about the maturity of the company's financial assets and liabilities can be found in *notes 12. Other non-current receivables, 15. Trade receivables, 18. Current financial receivables and assets, 22. Bank loans and borrowings, 23. Other financial payables* and *26.Trade payables*.

Exchange rate risk
The company is exposed to the risk of fluctuations in currencies (other than its functional one) in which ordinary trade and financial transactions are denominated. For the purposes of protecting its income statement and statement of financial position from such fluctuations, the Company adopts a suitable hedging policy that eschews speculative ends.

Details of the policies, instruments and purpose of hedging at group level can be found in the notes to the consolidated financial statements.

Sensitivity analysis:
The potential impact, in terms of change in fair value, of a hypothetical, sudden +/-5% change in year-end exchange rates was estimated in light solely of receivables/payables in unhedged currencies insofar as the impact on the income statement of the receivables/payables in hedged currencies is mitigated or offset by the respective hedges.
A +/- 5% change in year-end exchange rates of the principal exposed currencies (USD, HKD, GBP and JPY) is estimated to produce a change in fair value of around +/- €370 thousand (+/- €111 thousand at 31 December 2014). As most of the receivables/payables in question are due beyond twelve months the change in fair value would impact the income statement of the following year.
The hedging transactions at 31 December 2015 are described in the paragraph "*Interest rate and currency exchange hedges at 31 December 2015*".

Interest rate risk
The company is exposed to interest rate risk on floating rate loans and borrowings. This risk is managed centrally by the same team that manages currency risks.

At 31 December 2015, all the Company's financial debt is floating rate, with the exception of the US Private Placement.
The purpose of interest rate risk management is to fix in advance the maximum cost (in terms of the interbank rate, which represents the benchmark for these borrowings) for a part of the debt.
There was only one interest rate hedge, the Cross Currency Interest Rate Swap relating to the Private Placement, at 31 December 2015.

Sensitivity analysis:
When estimating the potential impact of a hypothetical, sudden material change in interest rates (+/- 1% in market rates) on the cost of the Company's debt, only those items forming part of net financial position which earn/incur interest have been considered and not any others (meaning total net liabilities of €197.3 million on a total of €234.8 million in net debt at 31 December 2015 and total net liabilities of €138.9 million on a total of €210.0 million in net debt in 2014).
The Company's debt is currently all at floating rates and, with the exception of the Private Placement, is therefore unhedged, so any change in market rates has a direct impact on its total cost, in terms of higher/lower interest payments.
As a result, a +/-1% change in interest rates would respectively increase/decrease financial expenses by €2.0 million at 31 December 2015 (+/- €1.4 million before tax at 31 December 2014), affecting the income statement of the period.
With regard to the Private Placement, based on the hedge agreement the fixed rate USD dollar debt is exchanged for fixed rate Euro denominated debt. Therefore, any change in interest rates would not have an impact on the income statement.
However, as the value of the hedge will be measured at fair value and the future interest flows will be reported in equity, a +/- 1% change in interest rates would have an impact on the cash flow hedge reserve of +/- €0.5 million before tax at 31 December 2015 (€0.1 million before tax at 31 December 2014).

Please refer to the paragraph "*Interest rate and currency exchange hedges at 31 December 2015*" for more information.

Interest rate and currency exchange hedges at 31 December 2015
At 31 December 2015 the company has a number of derivatives, hedging both the fair value of underlying instruments and exposure to changes in cash flow.
For accounting purposes, derivatives that hedge changes in cash flow are treated in accordance with hedge accounting as called for in IAS 39.
Derivatives that hedge foreign currency payables and receivables are reported as financial assets and liabilities held for trading with changes in their fair value reported in the income statement. These instruments offset the risk on the hedged item (which is a recognized asset or liability).

The fair value of the outstanding derivatives at 31 December 2015 is provided below:

	31/12/2015
	Fair value
CCIRS on the bond loan (in USD)	11,578
Derivatives hedging foreign currency receivables/payables	**11,578**
CCIRS on the bond loan issued (in USD)	(6,302)
Derivatives covering expected cash flows	**(6,302)**
Total fair value of the derivatives	**5,276**

Hedges against foreign currency receivables and payables (other than the bond loan):

	Notional amount						***Fair value* with Group**	
Currency	**Group**			**Third parties**			**Asset**	**Liability**
	Purchases	**Sales**	**Total**	**Purchases**	**Sales**	**Total**		
USD/EUR	(1,873)	1,216	(657)	-	-	-	20	(5)
GBP/EUR	(274)	-	(274)	-	-	-	-	(5)
						Total *Fair Value*	20	(10)

CCIRS (Cross Currency Interest Rate Swap) hedging currency exchange and interest rate risks on the bond loan:

With regard to the bond issue, a CCIRS – Cross Currency Interest Rate Swap was entered into with the same maturities and nominal value as the underlying debt. Based on the agreement the fixed rate (4.25%) USD dollar debt is exchanged for fixed rate (3.9775%) Euro denominated debt at the exchange rate indicated in the agreement.
This instrument hedges both future interest flows, for a nominal amount of USD 25,288 thousand, and the repayable amount (the nominal amount of the bond loan recognized, therefore, in the financial statements) of USD 85,000 thousand.

The fair value of the derivative, calculated using the exchange rate at the date of the financial statements and the discounted cash flow method based on the swap curve, not including the spread, at 31 December 2015 was a positive net balance of €5,276 thousand, recognized under "other financial receivables" also considering the counterparty risk in accordance with IFRS 13 – *Fair Value measurement*.
As it qualifies as an effective hedge, the effects of the exchange and interest rate hedge on the nominal debt are reported in the income statement which amount to a gain of €8,156 thousand (the loss on the hedged item amounts to €8,109 thousand).
As the hedge on interest flows qualifies as an effective hedge of both exchange rate and interest rate risk, a negative cash flow hedge reserve of €6,336 thousand at 31 December 2015 was reported in net equity, on which the related tax of €1,521 thousand has been calculated.

Details are as follows (the figures are shown before tax):

Currency	Notional amount at 31.12.2015 *(amounts in M/USD)*	*Fair value* at 31.12.2014(*)	Changes in 2015			*Fair value* at 31.12.2015(*)
			Gains/(losses on the hedging instrument (*)	Cash flow hedge reserve (exchange rate risk) (*)	Cash flow hedge reserve (interest rate risk) (*)	
USD v/EUR	110,288	(3,527)	8,156	2,056	(1,409)	5,276
				of which:		
				positive short-term fair value		*589*
				positive medium/long-term fair value		*4,687*

(*) *Amounts in thousands of Euro.*

TRANSACTIONS AND BALANCES WITH RELATED PARTIES

Appendix 4 contains the information concerning transactions and balances with group companies and related parties required by CONSOB Regulations 97001574 dated 20 February 1997, 98015375 dated 27 February 1998 and DEM/2064231 dated 30 September 2002; all such transactions have fallen within the Group's normal operations, except as otherwise stated in these notes, and have been settled under arm's-length terms and conditions.

34. SUBSEQUENT EVENTS

On 19 February 2016 De' Longhi S.p.A.'s Board of Directors approved the proposed 7-year stock option plan calling for the assignment of up to a maximum of 2,000,000 options, along with the relative regulations, to be submitted to shareholders for approval during the Annual General Meeting to be held on 14 April 2016, including in extraordinary session to resolve on approval of the Plan and the capital increase to service the Plan. Please refer to the Report on Remuneration for more information.

Other than the above, no other significant events took place after the close of the year.

Treviso, 3 March 2016

De'Longhi S.p.A.
Vice Chairman and Chief Executive Officer
Fabio de' Longhi

APPENDICES

These appendices contain additional information to that reported in the explanatory notes, of which they form an integral part.

This information is contained in the following appendices:

1. Certification of the financial statements pursuant to art. 81-ter of CONSOB Regulation 11971 dated 14 May 1999 and subsequent amendments and additions.
2. Statement of cash flows in terms of net financial position.
3. List of subsidiary companies and changes in equity investments.
4. Transactions and balances with related parties:
   a) Income statement and statement of financial position
   b) Summary by company

Certification of the consolidated financial statements pursuant to art. 81-ter of CONSOB Regulation 11971 dated 14 May 1999 and subsequent amendments and additions

(Appendix 1 to the Explanatory Notes)

The undersigned Fabio De'Longhi, Chief Executive Officer, and Stefano Biella, Financial Reporting Officer of De'Longhi S.p.A., attest, also taking account of the provisions of paragraphs 2, 3 and 4, art. 154-bis of Decree 58 dated 24 February 1998:
that the accounting and administrative processes for preparing the consolidated financial statements during 2015:
- have been adequate in relation to the company's characteristics and
- have been effectively applied.

It is also certified that the consolidated financial statements at 31 December 2015:
- have been prepared in accordance with the International Financial Reporting Standards adopted by the European Union under Regulation (EC) 1606/2002 of the European Parliament and Council dated 19 July 2002 and with the measures implementing art. 9 of Decree 38/2005;
- correspond to the underlying accounting records and books of account;
- are able to provide a true and fair view of the issuer's statement of financial position and results of operations and of the group of companies included in the consolidation.

The report on operations contains a reliable account of performance and of the results of operations and of the situation of the issuer and the group of companies included in the consolidation, together with a description of the principal risks and uncertainties to which they are exposed.

Fabio de' Longhi
Chief Executive Officer

Stefano Biella
Financial Reporting Officer

Statement of cash flows in terms of net financial position

(Appendix 2 to the Explanatory Notes)

(Amounts in Euro)	**2015**	**2014**
Net profit (loss)	67,357	66,955
Income taxes for the period	(2,881)	(1,948)
Income for dividends receipt	(78,581)	(77,308)
Amortization and depreciation	60	58
Net change in provisions	(3,639)	(4,170)
Cash flow absorbed by current operations (A)	**(17,684)**	**(16,413)**
Change in assets and liabilities for the period:		
Trade receivables	(6,174)	(16,674)
Trade payables	1,373	16,084
Other current assets and liabilities	19,521	6,062
Payment of income taxes	(14,767)	(3,611)
Cash flow generated (absorbed) by changes in working capital (B)	**(47)**	**1,861**
Cash flow absorbed by current operations and changes in working capital (A+B)	**(17,731)**	**(14,552)**
Investment activities:		
Investments in intangible assets	(14)	(28)
Investments in tangible assets	-	(119)
Net investments in equity investments and other financial assets	(25,000)	(758)
Dividends receipt	78,581	77,308
Cash flow generated by investment activities (C)	**53,567**	**76,403**
Cash flow hedge and IAS 19 reserve related to actuarial evaluation of provisions	647	(3,044)
Dividends paid	(61,295)	(59,800)
Cash flow absorbed by changes in net equity (D)	**(60,648)**	**(62,844)**
Cash flow for the period (A+B+C+D)	**(24,812)**	**(993)**
Opening net financial position	**(210,023)**	**(209,030)**
Cash flow for the period (A+B+C+D)	(24,812)	(993)
Closing net financial position	**(234,835)**	**(210,023)**

List of equity investments in subsidiary companies (art. 2427 of the Italian Civil Code)

(Appendix 3 to the Explanatory Notes)(*)

Company name	Registered office	Share capital		Net equity		Latest reported profit or (loss)		Interest held (directly)	Book value
Subsidiary companies									*€/thousands*
De'Longhi Appliances S.r.l.	Treviso	Eur	200,000,000	Eur	295,127,203	Eur	42,690,230	100%	242,678
De Longhi Benelux S.A. (1)	Luxembourg	Eur	181,730,990	Eur	256,134,437	Eur	21,306,411	100%	266,737
De'Longhi Deutschland GmbH (2)	Neu Isenburg	Eur	2,100,000	Eur	26,446,292	Eur	8,101,617	100%	40,800
De'Longhi Capital Services S.r.l.(3)	Treviso	Eur	53,000,000	Eur	58,155,824	Eur	3,375,147	11,32%	6,005
De'Longhi Kenwood GmbH(2)	Wr. Neudorf	Eur	36,336	Eur	3,044,789	Eur	1,552,381	100%	2,900
De'Longhi Romania S.r.l.(2) (4)	Cluj-Napoca	Ron	47,482,500	Ron	73,809,971	Ron	16,427,450	10%	1,065
Clim.Re S.A. (1) (4)	Luxembourg	Eur	1,239,468	Eur	1,494,593	Eur	4,872	4%	54
E-Services S.r.l.	Treviso	Eur	50,000	Eur	6,069,280	Eur	1,183,751	51%	26
De'Longhi Polska Sp.Zoo(2) (4)	Warszawa	Pln	50,000	Pln	13,462,714	Pln	7,995,004	0,1%	-
Total									**560,265**

(*) Statutory figures at 31 December 2015, unless otherwise specified.
(1) Statutory figures at 31 December 2014.
(2) Figures used for the purposes of consolidation at 31 December 2015.
(3) The articles of association, approved by the extraordinary shareholders' meeting held on 29 December 2004, give special rights to De'Longhi S.p.A. (holding 89% of the voting rights) for ordinary resolutions (approval of financial statements, declaration of dividends, nomination of directors and statutory auditors, purchase and sale of companies, grant of loans to third parties); voting rights are proportional as far as other resolutions are concerned.
(4) The residual interest is held indirectly.

Changes in equity investments

(Appendix 3 to the Explanatory Notes - *cont'd*)

(Amounts in thousands of Euro)

Equity investments	Book value at 31 December 2014	Acquisitions, subscriptions and recapitalizations	Demerger	Net impairment losses and reversals	Book value at 31 December 2015
Subsidiaries					
De'Longhi Appliances S.r.l.	242,678	-	-	-	242,678
De Longhi Benelux S.A.	241,737	25,000	-	-	266,737
De'Longhi Deutschland GmbH	40,800	-	-	-	40,800
De'Longhi Capital Services S.r.l.	6,005	-	-	-	6,005
De'Longhi Kenwood GmbH	2,900	-	-		2,900
De'Longhi Romania S.r.l.	1,065	-	-	-	1,065
Clim.Re S.A.	54	-	-	-	54
E-Services S.r.l.	26	-	-	-	26
De'Longhi Polka Sp.Zo.o.	-	-	-	-	-
Total subsidiaries	**535,265**	**25,000**	**-**	**-**	**560,265**
Other equity investments					
DeLclima S.p.A. (1)	159	-	-	203	362
Total other equity investments	**159**	**-**	**-**	**203**	**362**
Total equity investments	**535,424**	**25,000**	**-**	**203**	**560,627**

(1) Residual interest connected to the demerger transaction.

Transactions and balances with related parties

(Appendix 4 to the Explanatory Notes)

INCOME STATEMENT PURSUANT TO CONSOB RESOLUTION 15519 OF 27 JULY 2006 (Amounts in thousands of Euro)	Notes	2015	of which related parties	2014	of which related parties
Revenues	*1*	28,145	26,629	22,508	21,495
Total revenues		**28,145**		**22,508**	
Raw and ancillary materials, consumables and goods	*2*	(97)		(65)	(2)
Materials consumed		**(97)**		**(65)**	
Payroll costs	*3*	(5,445)		(253)	
Services and other operating expenses	*4*	(32,441)	(7,744)	(28,258)	(9,021)
Provisions	*5*	111		(1)	
Amortization and depreciation	*6*	(60)		(57)	
EBIT		**(9,787)**		**(6,126)**	
Financial income (expenses)	*7*	74,264	76,755	71,133	76,377
PROFIT (LOSS) BEFORE TAXES		**64,477**		**65,007**	
Income taxes	*8*	2,881		1,948	
NET PROFIT (LOSS)		**67,358**		**66,955**	

Transactions and balances with related parties

(Appendix 4 to the Explanatory Notes – *cont'd*)

STATEMENT OF FINANCIAL POSITION PURSUANT TO CONSOB RESOLUTION 15519 OF 27 JULY 2006 ASSETS (Amounts in thousands of Euro)	*Notes*	31.12.2015	of which related parties	31.12.2014	of which related parties
NON-CURRENT ASSETS					
INTANGIBLE ASSETS		25		30	
- Other intangible assets	*9*	25		30	
TANGIBLE ASSETS		81		122	
- Other tangible assets	*10*	81		122	
EQUITY INVESTMENTS AND OTHER FINANCIAL ASSETS		566,267		536,781	
- Equity investments	*11*	560,628		535,424	
- Receivables	*12*	952	952	904	904
- Other financial assets	*13*	4,687		453	
DEFERRED TAX ASSETS	*14*	1,920		3,735	
TOTAL NON-CURRENT ASSETS		**568,293**		**540,668**	
CURRENT ASSETS					
INVENTORIES		-		-	
TRADE RECEIVABLES	*15*	31,277	29,366	24,118	23,724
CURRENT TAX ASSETS	*16*	3,736		3,736	
OTHER RECEIVABLES	*17*	4,219	682	8,218	5,618
CURRENT FINANCIAL RECEIVABLES AND ASSETS	*18*	35,609	35,020	2,256	2,008
CASH AND CASH EQUIVALENTS	*19*	26		27	
TOTAL CURRENT ASSETS		**74,867**		**38,355**	
TOTAL ASSETS		**643,160**		**579,023**	

STATEMENT OF FINANCIAL POSITION PURSUANT TO CONSOB RESOLUTION 15519 OF 27 JULY 2006 NET EQUITY AND LIABILITIES (Amounts in thousands of Euro)	*Notes*	31.12.2015	of which related parties	31.12.2014	of which related parties
NET EQUITY					
NET EQUITY		334,829		328,307	
- Share capital	*20*	224,250		224,250	
- Reserves	*21*	43,222		37,102	
- Net profit (loss)		67,357		66,955	
TOTAL NET EQUITY		**334,829**		**328,307**	
NON-CURRENT LIABILITIES					
FINANCIAL PAYABLES		78,570		85,414	
- Bank loans and borrowings (long-term portion)	*22*	-		8,980	
- Other financial payables (long-term portion)	*23*	78,570		76,434	
NON-CURRENT PROVISIONS FOR CONTINGENCIES AND OTHER CHARGES		1,868		4,542	
- Employee benefits	*24*	1,368		3,930	
- Other provisions	*25*	500		612	
TOTAL NON-CURRENT LIABILITIES		**80,438**		**89,956**	
CURRENT LIABILITIES					
TRADE PAYABLES	*26*	21,177	6,825	19,804	8,797
FINANCIAL PAYABLES		197,539		128,249	
- Bank loans and borrowings (short-term portion)	*22*	93		117,424	
- Other financial payables (short-term portion)	*23*	197,446	197,446	10,825	9,825
CURRENT TAX LIABILITIES	*27*	78		8,383	
OTHER PAYABLES	*28*	9,099	2,490	4,324	1,165
TOTAL CURRENT LIABILITIES		**227,893**		**160,760**	
TOTAL NET EQUITY AND LIABILITIES		**643,160**		**579,023**	

Transactions and balances with related parties
Summary by company

(Appendix 4 to the Explanatory Notes - *cont'd*)

Amounts in €/million	Revenues (1)	Materials consumed and cost for services (1)	Financial income (expenses)	Non-current financial receivables	Current financial receivables	Other receivables (2)	Current financial payables	Other payables (3)
Ultimate parent companies:								
DE'LONGHI INDUSTRIAL S.A.	0.6	-	-	-	-	0.6	-	-
Total ultimate parent companies (a)	**0.6**	**0.0**	**0.0**	**0.0**	**0.0**	**0.6**	**0.0**	**0.0**
Subsidiary companies								
DE'LONGHI APPLIANCES S.R.L.	13.8	(1.9)	33.0	-	-	16.5	-	(4.1)
KENWOOD LIMITED	5.6	(3.9)	-	-	-	5.6	-	(3.9)
DE'LONGHI KENWOOD A.P.A. LTD	3.8	-	0.8	0.8	-	3.8	-	-
DE'LONGHI KENWOOD MEIA FZE	1.2	-	-	-	-	1.2	-	-
E-SERVICES S.R.L.	0.8	(0.1)	0.2	-	-	1.0	-	(0.2)
ELLE SRL	0.1	-	-	-	-	0.4	-	-
DE'LONGHI HOUSEHOLD GMBH	0.1	-	-	-	-	0.1	-	-
DE'LONGHI DEUTSCHLAND GMBH	0.1	-	9.7	-	-	0.1	-	-
DE'LONGHI S.R.L. - ROMANIA	0.1	-	-	-	-	0.1	-	-
DE'LONGHI FRANCE S.A.R.L.	0.1	-	-	-	-	-	-	-
DE'LONGHI AMERICA INC.	-	(1.6)	-	-	-	-	-	(0.6)
DE LONGHI BENELUX S.A. (LUXEMBOURG BRANCH)	-	-	35.0	-	35.0	-	-	-
DE'LONGHI-KENWOOD GMBH - AUSTRIA	-	-	0.6	-	-	-	-	-
DE'LONGHI AUSTRALIA PTY LIMITED	-	-	0.1	0.1	-	-	-	-
DE'LONGHI JAPAN CORPORATION	-	-	0.1	0.1	-	-	-	-
DE'LONGHI CAPITAL SERVICES Srl	-	-	(2.7)	-	-	0.3	(197.4)	-
DE'LONGHI ELECTRODOMESTICOS ESPAÃA S.L.	-	-	-	-	-	0.1	-	-
Total subsidiary companies (b)	**25.7**	**(7.5)**	**76.8**	**1.0**	**35.0**	**29.2**	**(197.4)**	**(8.8)**
Related companies								
DL RADIATORS S.P.A.	0.1	-	-	-	-	0.1	-	(0.5)
GAMMA S.R.L.	0.1	(0.2)	-	-	-	0.1	-	-
CLIMAVENETA S.P.A.	0.1	-	-	-	-	-	-	-
Total related companies (c)	**0.3**	**(0.2)**	**0.0**	**0.0**	**0.0**	**0.2**	**0.0**	**(0.5)**
Total ultimate parent, subsidiary and related companies (a+b+c)	**26.6**	**(7.7)**	**76.8**	**1.0**	**35.0**	**30.0**	**(197.4)**	**(9.3)**

(1) These mostly refer to dealings of a commercial nature and the supply of administrative services by company employees.
(2) These consist of € 29.3 million in "Trade receivables" and € 0.7 million in "Other receivables".
(3) These consist of € 6.8 million in "Trade payables" and € 2.5 million in "Other payables".

On 23 December 2015 Mitsubishi Electric Corporation finalized the purchase of the interest held by De' Longhi Industrial S.A. in DeLclima S.p.A., equal to 74.97% of the share capital, and a mandatory tender offer was launched on all ordinary shares of DeLclima.
Consequently, at 31 December 2015 DeLclima S.p.A. and its subsidiaries were no longer considered associates and, therefore, no outstanding balances are shown. Transactions relating to the administrative services provided by De'Longhi to DeLclima in 2015 are, rather, reported.
The acquisition by Mitsubishi Electric Corporation of the interests in DeLclima did not involve DL Radiators S.r.l., a company indirectly controlled by DeLclima, which continues to be controlled by De' Longhi Industrial S.A. and, consequently, is still considered a related party; the balances relating to the production/purchase (primarily in China) of semi-finished products resold at market conditions are reported, along with the tax receivables/payables from previous years when the company was part of De'Longhi S.p.A.'s tax group.

Please refer to the "Report on Remuneration" for information relating to the compensation of directors and statutory auditors.

Building a better working world

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Independent auditor's report

in accordance with art. 14 and 16 of Legislative Decree n. 39, dated 27 January 2010
(Translation from the original Italian text)

To the Shareholders of De'Longhi S.p.A.

Report on the financial statements

We have audited the accompanying financial statements of De'Longhi S.p.A. which comprise the statement of financial position as at December 31, 2015, the income statement, the statement of comprehensive income, the statement of changes in net equity and the statement of cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the financial statements

The Directors of De'Longhi S.p.A. are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by the European Union as well as with the regulations issued to implement art. 9 of Legislative Decree 38/05.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (ISA Italia) implemented in accordance with art. 11, paragraph 3 of Legislative Decree dated 27 January 2010. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's professional judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of De'Longhi S.p.A. as at December 31, 2015, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with art. 9 of Legislative Decree N. 38/05.

Report on other legal and regulatory requirements

We have performed the procedures required under audit standard SA Italia n. 720B in order to express an opinion on the consistency of the Report on Operations and of specific information of the Report on Corporate Governance and the Company's Ownership Structure provided for by art. 123-bis, paragraph 4 of Legislative Decree 58/98, with the financial statements, as required by the law.

Reconta Ernst & Young S.p.A.
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Capitale Sociale € 1.402.500,00 i.v.
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The Directors of De'Longhi S.p.A. are responsible for the preparation of the Report on Operations and of the Report on Corporate Governance and the Company's Ownership Structure in accordance with the applicable laws and regulations. In our opinion the Report on Operations and the specific information of the Report on Corporate Governance and the Company's Ownership Structure are consistent with the financial statements of De'Longhi S.p.A. as at December 31, 2015.

Treviso, March 21, 2016
Reconta Ernst & Young S.p.A.
Signed by: Stefano Marchesin, Partner

This report has been translated into the English language solely for the convenience of international readers.

This annual report is available on the corporate website :
www.delonghigroup.com

De'Longhi S.p.A.
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Treviso Chamber of Commerce no.: 224758
VAT no.: 03162730265