DēLonghi Group

2013

Annual report at 31 December 2013

DēLonghi KENWOOD BRAUN Ariete

Contents

Company officers

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.

Letter from the Chairman

2013 was a very important and complex year for the Group, characterized by a strong commitment to completing the new organizational structure that was formed as a result of the extraordinary transactions undertaken in 2012, primarily the Braun Household acquisition and the strengthening of the production platform (in Romania and China).
With regard to the Braun acquisition, in 2013 De'Longhi began to directly manage the production and commercial operations of the brand which was added to the historic brand portfolio making it possible to further strengthen the Group's competitive positioning.
The driving force of the two most important product lines (coffee machines and food preparation products) and geographic diversification made it possible for the Group to confirm its position as a market leader worldwide once again in 2013.
The adverse exchange effect and the difficult market conditions encountered in a few regions had a particularly negative impact in the APA region, while in Europe sales showed good growth overall, as did the MEIA region where, over the past few years, the Group has invested in commercial and marketing offices.
Today the global market conditions are still very uncertain. Nonetheless the Group believes that it will be able to continue along its growth path by investing in global brands (and in this sense the entry of Braun made it possible to complete and further diversify the traditional range of products), as well as thanks to the strength and uniqueness of its products, strong industrial know-how and a very modern production platform.

Key performance indicators

Consolidated results

(€/million)	2013	% revenues	2012 (**)	% revenues	Change	% change
Revenues	1,632.6	100.0%	1,530.1	100.0%	102.5	6.7%
Constant currency change (*)					*158.0*	*10.3%*
Gross profit	790.3	48.4%	735.3	48.1%	54.9	7.5%
EBITDA before non-recurring income/expenses	242.5	14.9%	232.3	15.2%	10.2	4.4%
EBIT	195.0	11.9%	189.0	12.3%	6.0	3.2%
Profit (loss) pertaining to the Group	116.9	7.2%	118.4	7.7%	(1.5)	(1.2%)

(*) Constant currency revenues have been determined by translating 2013 revenues in currencies other than the euro at the average rates for 2012 and adjusting them for the effect of hedges.
(**) The comparative figures were restated as a result of the retroactive application of the new IAS 19 - *Employee benefits* and the definitive accounting for the business combination related to the Braun Household acquisition in accordance with IFRS 3 - *Business combinations*.

Statement of financial position

(€/million)	31.12.2013	31.12.2012 (**)
Net working capital	221.9	242.8
Net capital employed	672.2	692.0
Net debt (Net financial position)	2.2	61.4
of which:		
- net bank debt/(Positive net bank financial position)	(47.7)	19.9
- other financial (receivables) payables (*)	49.9	41.5
Net equity	669.9	630.5
Net debt (Net financial position)/Net equity	0.3%	9.7%
Net working capital/Revenues	13.6%	15.9%

(*) Includes the current value of the earn-out (including the interest accrued at the date of these financial statements) relating to the Braun Household acquisition.
(**) The comparative figures were restated as a result of the retroactive application of the new IAS 19 - *Employee benefits* and the definitive accounting for the business combination related to the Braun Household acquisition in accordance with IFRS 3 - *Business combinations*.

Report on operations

Performance review

In 2013 the De'Longhi Group confirmed once again its position as leader worldwide in its main product categories. The year was characterized, on the one hand, by an unfavorable trend in exchange rates and, on the other, by the Group's significant commitment to finalizing the new organizational structure created as a result of the extraordinary transactions carried out in 2012, primarily the acquisition of the Braun Household business and the start-up of the new production facility in Romania.

With regard to the negative trend in exchange rates, 2013 was strongly influenced by the strengthening of the Euro against the currencies of the principal markets where the Group operates (above all Japan, Australia, South Africa, Russia, the United States and the United Kingdom). This trend negatively impacted the Group's sales and margins in comparison with 2012. The Group, nonetheless, posted growth in both revenues and margins, as well as solid cash flow generation, thanks also to effective management of working capital.

Net revenues amounted to €1,632.6 million in 2013, an increase of 6.7% with respect to 2012, thanks to the positive volume and mix effect and despite the particularly adverse exchange effect of approximately €55.5 million. Growth at constant exchange rates would have reached €158.0 million or +10.3%.

In terms of markets, the Group's main markets (the mature markets) performed very well in 2013, with Europe rising 9.8% to €1,106.8 million thanks to the good results posted in Germany, Italy, Benelux, France, Spain and Eastern Europe. Growth was recorded in the MEIA region, with revenues reaching €130.5 million (+53% with respect to the prior year).
Revenues fell in the APA region by 9.5% to €395.3 million due, above all, to the above mentioned negative exchange effect in the main reference markets (mainly Japan, Australia, and the United States) and the increased competitive pressure in the Australian market.

With regard to business lines, the highest growth was posted by the Kenwood brand kitchen machines and hand blenders, which benefited from the contribution of the Braun brand products. Sales for coffee machines were down overall due, above all, to the Nespresso brand capsule machines, despite good growth in the sale of Dolcegusto brand machines (following launches in a few markets); sales of fully automatic machines fell slightly.

In 2013 the Group benefitted once again from operating in the high growth premium product segments and positioning itself in the high end, as well as from the investments made in the prior and current year in production facilities, as well as in external growth which resulted in the acquisition of the Braun small appliances business (which included kitchen appliances, irons and other minor categories).

2013 was the first year in which the Braun business was managed directly and the results were satisfactory, even though sales were below expectations. The introduction of a new brand in the main markets, in addition to the existing brands, while assuming control of Procter & Gamble's previous sales organization, proved more complex than expected, but in the last quarter of 2013 results were very good which indicates that the start-up phase is over; growth should pick-up again, therefore, in 2014, albeit later than originally planned. The new business did make it possible, however, to achieve economies of scale already in 2013 which helped to better absorb the Group's fixed costs.
The Braun business also made it possible for the Group to significantly strengthen its market positioning and fully exploit the potential of a global brand like Braun in its expansion overseas with an expanded range of products and a new, prestigious brand, positioned in the high end segment. In the world Braun is synonymous with quality, innovation and superior design, characteristics that fit perfectly with De'Longhi's culture and strategy.

In 2013 investments continued to be made in production facilities, with the start-up of operations and further investments in Romania in order to support the Group's international expansion and diversify the Group's industrial platform, so as to partly restore the balance in production between the currently dominant China and Europe.

EBITDA before non-recurring income/expenses was €242.5 million (+10.2 million or +4.4% with respect to 2012) with the margin reaching 14.9% (15.2% in 2012); this result reflects the contribution of the net industrial margin, which rose by €54.9 million (rising from €735.3 million to €790.3 million); this margin was, on the one hand, supported by volumes and a better product mix and, on the other hand, penalized significantly by the exchange effect explained by the strengthening of the Euro with respect to the main export currencies, compared, also, with the favorable exchange trend recorded in 2012. At constant exchange rates EBITDA before non-recurring income/expenses would have reached €256.4 million (with the margin coming to 15.2%), an increase of €40.2 million (+18.6%) with respect to 2012.

The item "Costs for Services and other operating income/(expenses)" rose as a percentage of revenues, from 22.8% to 23.4%, due above all to increased promotional costs (connected also to the launch of Braun); non-manufacturing cost of labor also increased due to the strengthening of the sales force in the branches.

EBITDA amounted to €239.8 million (€224.6 million in 2012), after non-recurring expenses of €2.6 million (down with respect to 2012 when significant non-recurring costs relating to the Braun Household acquisition were recorded).

Amortization and depreciation came to €44.9 million, an increase with respect to 2012 (€35.6 million) due to the increased investments made in 2012 and 2013, capital expenditures and the Braun Household acquisition.

EBIT amounted to €195.0 million in 2013 (€189.0 million in the previous year), with the margin moving from 12.3% to 11.9%.

Financial expenses amounted to €37.9 million, an increase of €3.5 million with respect to 2012 due to the rise in interest payable linked to higher average debt (primarily as a result of the Braun acquisition finalized at the end of August 2012), as well by the increase in charges linked to currency hedging.

Profit pertaining to the Group amounted to €116.9 million after taxes of €39.6 million.

With regard to the Group's financial performance and structure, of note is the good trend in working capital which reached €221.9 million, down by 8.6% with respect to 31 December 2012, despite an increase in revenues, thanks above all to the drop in trade receivables and efficient inventory management, despite the acquisition of the Braun inventories at the end of 2012 and beginning of 2013.

Net debt at 31 December 2013 amounted to €2.2 million (€49.9 million of which relates to items other than net bank debt, explained primarily by the earn-out potentially owed for the Braun acquisition, the financial payable resulting from the transfer of the pension fund liabilities pertaining to the UK subsidiary to third parties and the fair value of derivatives and call options on minority interests). Total debt amounted to €61.4 million at 31 December 2012 (€41.5 million of which relates to items other than bank debt).
The definitive accounting of the Braun Household acquisition made during the prior year resulted in the restatement of the earn out (which fell by €31.1 million) and the 2012 comparison figures in order to offset the impact of the recalculated cash flows for the period.

The net financial position versus banks was positive by €47.7 million at 31 December 2013 (versus a negative €19.9 million in 2012), an improvement of €67.6 million with respect to 31 December 2012, due to the cash flows generated in the period and despite the one-off investments made in 2013 to strengthen production in Romania and China of €14.6 million.

Significant events

2013 was characterized by the steps the Group took to finalize the organizational structure following the extraordinary transactions undertaken in 2012 relating primarily to the Braun Household acquisition and the implementation of the plan to strengthen production.

With regard to the Braun household acquisition, effective 1 January 2013 the Group took over the direct management of the production and commercial activities managed temporarily by Procter & Gamble through the end of 2012; as part of this transition the Group's commercial subsidiaries also acquired the remaining inventory in accordance with the sales agreement signed with Procter & Gamble. New operating procedures were finalized (from production to the integration with the Group's distribution network) and the managerial structures of the core Braun business were also identified (from the technical department to R&D, from design to marketing).
More in detail, in the first part of 2013 the main goal was to ensure business continuity during the transition from Procter & Gamble to De'Longhi and to ensure that the entire supply chain functioned effectively (from gathering customer orders and sourcing materials from suppliers, to production and delivery of the finished products, as well as invoicing and financial management). In order to achieve this goal work was done on all the areas subject to integration with the Group (purchasing, supply chain, finance, etc.), on developing effective and efficient intradepartmental processes, and on the selection of Braun suppliers which, when necessary, called for the revision of contractual terms and the level of service provided.
Commercial offices dedicated to the Braun business had to be opened (which often resulted in the revision of the sales terms in order to align them with the Group's sales policy) and the Procter & Gamble distributors were replaced by De'Longhi distributors in a number of countries.

In terms of operations, the results of the transition were positive insofar as there were no interruptions in the supply chain in any country. From a commercial standpoint, an inevitable and predictable drop in volumes materialized due to the complexity of the transition and the fact that in January the business started up again with an empty order book. In the second half the trend became positive again, gradually returning to 2012 levels and we believe that 2014 could be the first year of growth for the Braun business as per the five-year turnaround plan that was defined in 2013. Once the business continuity was assured, management, in fact, launched a series of initiatives designed to significantly improve the operating performance and the bottom line over the next five years.

Braun has worked to position itself as a specialized premium brand with a particular focus on everyday products (the so-called "Everyday Home Essentials") used by a wide range of consumers. The products include handheld blenders, irons and the breakfast line (toasters, coffee machines, kettles, citrus juicers, etc) which will comprise Braun Household's core business over the next few years. This strategy is in line with the overall positioning of the brand, also taking into account that Braun historically has also been a point of reference for its everyday personal care products, such as razors and alarm clocks (not part of the De'Longhi license). This strategy also helps to optimize the relationship between Braun and Kenwood and De'Longhi which are focused on more specialized products with higher prices and, consequently, with a smaller customer base (for example, Kenwood food processors and De'Longhi fully automatic coffee machines). The strategic measures implemented in 2013 called for new hires in all the departments involved in product development (Marketing, Design, Research and Development, Quality Control). In addition to these resources, the De'Longhi Group also strengthened its sales and marketing teams in each country in order to address the increased volumes and the complexity of the business. Lastly a "change management" program was introduced in order to ensure the effective integration of the new resources with the rest of the Group.

With regard to the plan to strengthen production capacity and to create a new European industrial platform, production at the new Romanian plant began in 2013.

The first assembly lines were completed, as was the new plastic and screen printing plant, with production of the first plastic components in July 2013.
The strengthening of production was accompanied by structural development and new hires. At year-end 2013 the technical management and operational staff was completed with the introduction of all the professional figures provided for in the plan; currently the staff consists of more than 400 employees.
Production began in January 2013 and continued successfully throughout 2013, maintaining the excellent levels of quality as expressed in the FTQ (first time quality) index.
The production facility obtained both ISO 9001 and 14001 certification, in addition to the process and product certification needed to sell goods in a few specific countries.

Investments continued to be made in the most important Chinese plant and the first investment phase was completed (start-up of the systems and equipment acquired) while preparation for the second phase was started (which calls for the completion of a new building).

Several important corporate projects, in collaboration with premier consulting companies, were completed in 2013: the analysis of organizational processes in Europe, in line with the new organization of the commercial structure which, since 2012, has been split into two separate regions and the ERM (Enterprise risk management) project, part of a large scale effort to continuously improve corporate governance, as well as in light of the changes expected to be introduced in the new edition of the Corporate Governance Code.

With regard to the analysis of organizational processes in Europe, the planning phase was followed by the execution phase which caused, among other things, a few of the organizational processes to be changed resulting in the alignment of European back office activities with regional commercial divisions, as well as the optimization and integration of the back office and supply chain structures.

In December 2013 the ERM project was completed and the mapping and analysis of the primary corporate risks were made available which will allow for more effective risk management with a view to improving corporate governance.

In June 2013 the English subsidiary Kenwood Limited, together with the trustee of the relative pension fund, entered into an agreement with Legal & General Group Plc, a premier English firm active in providing solutions for pension fund management, based on which the liabilities associated with the English pension plan were transferred to third parties as per the "buy in" agreement signed which will be followed by a "full buy out" payable on the expiration date agreed upon. Thanks to this agreement the Group has taken another step toward transferring the liabilities of this activity to third parties, while guaranteeing that the eligible beneficiaries' benefits are fully insured by a specialized financial partner.

With regard to the strategies to strengthen the commercial structures, of note are the initiatives in northeastern Europe, particularly in Scandinavia, where a marketing office was opened dedicated to customer development and assistance in this important market and the APA region, particularly in Central and South America, with the consolidation of the business in Chile (where a commercial office was opened at the end of 2012) and preparation for the opening of a marketing office to support sales in Mexico.

In the APA region, the progress made by the office in South Korea following the 2012 start-up phase is also worthy of mention.

Global market conditions

In 2013 the economies of a few advanced countries expanded slightly, but the persistent weakness of the Euro zone and the slowdown of the emerging markets in Asia, caused international trade to remain sluggish, above all in the first months of the year; a few signals pointing to a recovery emerged beginning in the third quarter, above all in the United States and a few emerging markets (particularly in China), albeit with performances varying from country to country.
In the Euro zone, the real GDP fell further including in countries which were not directly exposed to the tensions of the financial markets; it wasn't until the second half that a modest recovery began, to which foreign demand contributed, along with an expansionary monetary policy and the progress made in terms of governance.
Inflation was contained worldwide with the prices of raw materials relatively stable; it is expected that in the medium term price pressure and inflation will continue to be moderate, as well, in line with the slow pace of the recovery. The ECB's Executive Board announced that it will likely leave interest rates at current or lower levels for a prolonged period of time in light of the expectations that inflation will continue to be low, the generalized weakness of the economy and very limited monetary growth.
With regard to currency markets, in the fourth quarter of 2013 the Euro continued to strengthen against the main currencies which is largely attributable to the portfolio flows into the Euro zone, probably connected to lower sovereign risk. This trend was inverted in the first months of 2014.
Looking ahead, the recent forecasts of the Bank of Italy and the ECB call for a gradual economic recovery beginning in 2014 thanks, above all, to improved internal demand, supported by the expansionary monetary policy and more favorable credit markets, as well as an increase in foreign trade. At the same time, these forecasts still reflect elements of uncertainty, including in light of the fact that unemployment continues to be high in the Euro zone, though it does seem to be leveling off somewhat, and the necessary public and private sector austerity measures which continue to weigh on the pace of the economic recovery. (Source: Bank of Italy/ECB).

Group results

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

(€/million)	2013	% revenues	2012 (*)	% revenues
Revenues	**1,632.6**	**100.0%**	**1,530.1**	**100.0%**
Change 2013/2012	*102.5*	*6.7%*		
Materials consumed & other production costs (production services and payroll costs)	(842.4)	(51.6%)	(794.8)	(51.9%)
Gross profit	**790.3**	**48.4%**	**735.3**	**48.1%**
Costs for services and other income (expenses)	(382.5)	(23.4%)	(348.8)	(22.8%)
Payroll (non-production)	(141.1)	(8.6%)	(128.7)	(8.4%)
Provisions	(24.3)	(1.5%)	(25.6)	(1.7%)
EBITDA before non-recurring income/expenses	**242.5**	**14.9%**	**232.3**	**15.2%**
Change 2013/2012	*10.2*	*4.4%*		
Other non-recurring income (expenses)	(2.6)	(0.2%)	(7.7)	(0.5%)
EBITDA	**239.8**	**14.7%**	**224.6**	**14.7%**
Amortization	(44.9)	(2.7%)	(35.6)	(2.3%)
EBIT	**195.0**	**11.9%**	**189.0**	**12.3%**
Change 2013/2012	*6.0*	*3.2%*		
Financial income (expenses)	(37.9)	(2.3%)	(34.4)	(2.2%)
Profit (loss) before taxes	**157.1**	**9.6%**	**154.6**	**10.1%**
Income taxes	(39.6)	(2.4%)	(35.7)	(2.3%)
Profit (loss) after taxes	**117.5**	**7.2%**	**118.9**	**7.8%**
Profit (loss) pertaining to minority interests	0.6	0.0%	0.5	0.0%
Profit (loss) pertaining to the Group	**116.9**	**7.2%**	**118.4**	**7.7%**

(*)The comparative figures were restated as a result of the retroactive application of the new IAS 19 - *Employee benefits* and the definitive accounting for the business combination related to the Braun Household acquisition in accordance with IFRS 3 - *Business combinations.*

Revenues

The Group closed 2013 with positive sales figures, due to an increase in volumes attributable also to the contribution of the Braun brand sales, the integration of which was successfully completed during the year, and thanks to the positive mix effect; this result confirms the growth trend already seen in previous quarters, despite the very critical economic environment in a few markets and the adverse exchange effect (above all with regard to sales in Japan, Australia, the United States, Russia, the United Kingdom and South Africa).

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, northeast and southwest), 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)	2013	%	2012	%	Change	% change
Germany	223.6	13.7%	195.5	12.8%	28.1	14.4%
Italy	203.6	12.5%	184.0	12.0%	19.6	10.6%
UK	121.3	7.4%	124.6	8.1%	(3.3)	(2.6%)
Russia and other former USSR countries	115.0	7.0%	112.7	7.4%	2.3	2.0%
France	94.9	5.8%	89.3	5.8%	5.5	6.2%
Benelux	52.7	3.2%	45.9	3.0%	6.8	14.9%
Spain	42.4	2.6%	31.3	2.0%	11.1	35.4%
Austria	40.3	2.5%	37.2	2.4%	3.1	8.2%
Other european countries	213.0	13.0%	187.4	12.2%	25.6	13.7%
EUROPE	**1,106.8**	**67.8%**	**1,008.0**	**65.9%**	**98.8**	**9.8%**
MEIA (Middle East/India/Africa)	**130.5**	**8.0%**	**85.3**	**5.6%**	**45.2**	**53.0%**
Australia and New Zealand	109.2	6.7%	143.5	9.4%	(34.3)	(23.9%)
United States and Canada	97.8	6.0%	105.6	6.9%	(7.8)	(7.4%)
Japan	59.5	3.6%	70.3	4.6%	(10.8)	(15.3%)
Other countries APA area	128.7	7.9%	117.4	7.7%	11.3	9.6%
APA (Asia/Pacific/Americhe)	**395.3**	**24.2%**	**436.8**	**28.5%**	**(41.5)**	**(9.5%)**
Total revenues	**1,632.6**	**100.0%**	**1,530.1**	**100.0%**	**102.5**	**6.7%**

The Group closed 2013 with sales in the fourth quarter of 2013 rising 9.8% with respect to the fourth quarter of 2012 with sales for the full twelve months reaching €102.5 million (+6.7%).
These results were achieved despite the particularly adverse exchange effect due to the strengthening of the Euro against a few of the Group’s reference currencies (particularly the Japanese Yen, the Australian Dollar, the US Dollar and the English pound).
At constant exchange rates, revenues would have reached €158.0 million (+10.3%) in the year.
This result reflect trends that varied in the different geographic regions. The trend was very positive in Europe with revenues coming in at €1,106.8 million (an increase of €98.8 million or +9.8% with respect to 2012), with a positive performance posted in both the northeast and the southwest.
In southwestern Europe all the main markets performed well (Germany, Italy, Spain and France all posted growth).
Northeastern Europe reported growth in Benelux, in the countries of Eastern Europe (Poland and the Czech Republic) and in Scandinavia, while the English market was down.
With regard to the countries of the former Soviet Union, the slight growth reflects a slight drop in sales in Russia, offset by the positive sales trend in other countries in the region (above all, the Ukraine, despite the political problems that developed and the fire that damaged our warehouse which caused a slowdown in December sales). The Russian market posted results below expectations due to a few commercial problems and the delayed impact of the European financial crisis in Russia which impacted, above all, sales in the first half of the year; new sales strategies were introduced in the second half which, along with organizational changes made in our local branch, should bring growth back to this important market.

The English market benefitted from the positive economic trend, but the results were influenced by both the above mentioned negative exchange effect, as well as increased market competition from smaller brands, above all, in terms of prices.

The start-up of a commercial and marketing office in Scandinavia contributed to the good trend in this market.

The MEIA region performed very well. Sales increased +53% with respect to 2012 to €130.5 million thanks above all to Saudi Arabia and the United Arab Emirates; this region was positively impacted by continuous organizational development supporting growth and the potential of this region.
The strong growth was driven by the sale of Kenwood brand kitchen machines and food processors, as well as the launch of De'Longhi brand coffee machines and Braun brand products in the main markets (mainly Saudi Arabia and the United Arab Emirates); sales in Egypt were good, despite the difficult political situation.

The APA region was down, with revenues dropping 9.5% with respect to 2012 to € 395.3 million; the result was significantly impacted by the negative exchange effect and the drop in sales in Australia.
Looking at the single markets, sales in Japan were down due to the particularly adverse exchange effect only partially offset by the good sales trend of radiators (despite a mild winter) and kitchen machines.
The results in North America were good, thanks to increasing volumes in the sale of coffee machines and, in particular, the success of *Lattissima +*. Sales were, however, impacted by the negative exchange effect mentioned above.
Difficulties emerged in the Australian market, particularly with regard to coffee machines, which represent the main line of business, due to increased competition (following the arrival of new market competitors) which resulted in strong price pressure; despite this dynamic De'Longhi maintained its market shares. Growth in the sale of Dolcegusto coffee machines partially offset this negative effect.
Growth in China, Singapore, Malaysia and South Korea was good.

With regard to business lines, the highest growth was posted by the Kenwood brand kitchen machines and hand blenders, which benefited from the contribution of the Braun brand products. Sales for coffee machines were down overall due, above all, to the Nespresso brand capsule machines primarily in Australia and Switzerland, while good results were posted in Benelux and the United States: good growth was also recorded in the sale of Dolcegusto brand machines (due to the launch in a few markets) and drip coffee machines; sales of fully automatic machines fell slightly (by about 2%). This result, a reversal with respect to prior years, is attributable above all to the overall market trend, although De'Longhi further strengthened its market share.

In 2013 the launch of new products and renewal of the coffee machine line continued, with the introduction worldwide of high end fully automatic machines like *Primadonna XS* and medium to high end products like *Eletta* in Germany; with regard to capsule machines new Dolcegusto machines were launched, along with *Inissia* Nespresso.

The GFK figures for 2013 (10 countries in Western Europe) show growth in the De'Longhi brand's market share, maintaining its leadership in espresso coffee machines. The leadership of the fully automatic machines was confirmed, while the market share for capsule machines increased.
The kitchen products line reported very positive results thanks to the contribution of all the brands.

Looking at the De'Longhi brand products, kettles and toasters posted good results thanks to the new Scultura line and the traditional lines Icona, Vintage and Brillante.

The growth of Kenwood brand products continued thanks, above all, to the kitchen machines, food processors and hand blenders driven by continuous investments in marketing and research and development which helped to further strengthen the brand, as well as allow development of new technologies and the introduction of new patents. In 2013 development continued of the relationships with top chefs: in the United States four important chefs used Kenwood products as part of the launch of Kenwood in this important market.

The Group maintained its market shares for kitchen machines and food processors in a market characterized by an overall growth trend (GFK data - 10 countries of Western Europe).

With regard to Home care, of note is the positive contribution of ironing systems, thanks to the introduction of the Braun products, and the good sales performance posted by electric brooms thanks to the strategic decision to focus on and strengthen a few product segments.

As for Comfort, the air conditioning season was affected by erratic weather conditions and the loss of an important customer in the United States.
The sales for heating fell due to the mild weather in Europe.

Profit performance

The net industrial margin rose by €54.9 million with respect to 2012 (+7.5%), with the margin improving with respect to the prior year (from 48.1% to 48.4%), thanks to increased sales volumes and a good product mix, and despite the particularly adverse exchange effect and the negative price effect, as a result of a few promotions and repositioning of a few product models (above all coffee machines).

As a result of this performance, while impacted by an increase in the cost of services (higher promotional costs) and the cost of labor (for the investments made in the sales team), EBITDA before non-recurring expenses increased (from €232.3 million to €242.5 million). The margin fell slightly (from 15.2% in 2012 to 14.9% in 2013).
The costs for services reflect the start-up expenses relative to the acquisition and the first time distribution of Braun brand products (initial purchase of stock and promotional expenses) and additional fixed costs (sales personnel and rental of space and offices) which were proportionately higher than the revenues generated by Braun products in the year.

EBITDA came to €239.8 million (€224.6 million in 2012) after €2.6 million in non-recurring expenses mostly in connection with reorganization.

EBIT amounted to €195.0 million, an increase with respect to the prior year of €6 million, despite an increase in depreciation and amortization (+ €9.3 million) linked to the increased investments made in 2012 and in the current year to support the Group's growth.

Net financial expenses came to €37.9 million in 2013 (€34.4 million in 2012).
The increase in financial expenses reflects the increase in average debt with respect to 2012 attributable to the Braun transaction described above, the increase in charges linked to currency hedging and higher cash discounts.

Profit pertaining to the Group amounted to €116.9 million.

Review of the statement of financial position

The reclassified consolidated statement of financial position is presented below:

(€/million)	31.12.2013	31.12.2012 (*)	Change
- Intangibile assets	327.3	331.1	(3.8)
- Tangibile assets	173.4	158.6	14.8
- Financial assets	3.3	3.1	0.2
- Deferred tax assets	38.1	41.3	(3.2)
Non-current assets	**542.1**	**534.1**	**8.0**
- Inventories	283.4	273.8	9.7
- Trade receivables	335.2	381.2	(46.0)
- Trade payables	(345.7)	(351.7)	6.1
- Other current assets (liabilities)	(51.0)	(60.5)	9.4
Net working capital	**221.9**	**242.8**	**(20.8)**
Total non-current liabilities and provisions	**(91.9)**	**(84.9)**	**(7.0)**
Net capital employed	**672.2**	**692.0**	**(19.8)**
Net debt/(Positive net financial position) (**)	**2.2**	**61.4**	**(59.2)**
Total net equity	**669.9**	**630.5**	**39.4**
Total net debt and equity	**672.2**	**692.0**	**(19.8)**

(*) The comparative figures were restated as a result of the retroactive application of the new IAS 19 - *Employee benefits* and the definitive accounting related to the Braun Household acquisition in accordance with IFRS 3 - *Business combinations* (which caused a reduction in net debt at 31 December 2012 of €31.5 million).
(**) Net financial position at 31 December 2013 includes €49.9 million in net financial liabilities (€41.5 million at 31 December 2012) relating to the fair value of derivatives, the financial debt connected to the transaction involving the UK subsidiary's pension fund, recognition of options on minority interests, and the residual debt owed Procter & Gamble for the Braun acquisition.

Investments in 2013, which amounted to €59.6 million (€62.7 million in 2012), include the investments of €14.6 provided for in the business plan, primarily for the start-up of the production facility in Romania and the enhancement of the Chinese plant (non-recurring investments amounted to €30.9 million in 2012).

Net working capital fell with respect to 31 December 2012 by €20.8 million (with net working capital turnover going from 15.9% of revenues in 2012 to 13.6% in 2013). This result reflects the positive trend in trade receivables (despite a drop in factoring without recourse of €5.3 million) and more efficient inventory management, which increased less than revenues despite the first time purchase of Braun stock.

Net debt amounted to €2.2 million at 31 December 2013 (versus net debt of €61.4 million at 31 December 2012).

Details of the net financial position are as follows:

(€/million)	31.12.2013	31.12.2012 (*)	Change
Cash and cash equivalents	270.7	244.0	26.7
Other financial receivables	22.9	16.1	6.8
Current financial debt	(115.5)	(115.3)	(0.2)
Net current financial assets	**178.1**	**144.7**	**33.4**
Non-current financial debt	**(180.4)**	**(206.1)**	**25.8**
Total net financial position (net debt)	**(2.2)**	**(61.4)**	**59.2**
of which:			
- net bank financial position	47.7	(19.9)	67.6
- residual debt payable to P&G for the Braun acquisition	(33.6)	(32.3)	(1.3)
- other assets/(liabilities) other than bank debt (fair value of derivatives and options, financial payable connected to the UK subsidiary's pension fund transaction)	(16.3)	(9.2)	(7.1)

(*) The comparative figures were restated as a result of the retroactive application of the new IAS 19 - *Employee benefits* and the definitive accounting related to the Braun Household acquisition in accordance with IFRS 3 - *Business combinations*.

Net debt, which amounted to €2.2 million at 31 December 2013, reflects items other than bank debt of €49.9 million: the residual amount owed to Procter & Gamble of €33.6 million relating to the potential earn-out payable over the next two-four years and other net liabilities of €16.3 million relative to the fair value of derivatives and call options on minority interests, as well as the financial payable linked to the transfer of the pension fund liabilities to third parties (the items other than bank debt totalled €41.5 million at 31 December 2012).

With regard to the earn-out potentially owed Procter & Gamble over the next two-four years, the amount was restated as a result of the allocation of the definitive accounting for the acquisition of the Braun Household business completed in the previous year. The comparative figures at 31 December 2012 were restated.

Net debt with banks and other sources of finance, excluding, therefore, items other than bank debt, at 31 December 2013 amounted to a positive €47.7 million (versus a negative balance of €19.9 million at 31 December 2012). The improvement was achieved despite the investments made to strengthen production in China and Romania (which amounted to €14.6 million in 2013).

With regard to structure, the short term portion of the net financial position reflects a positive balance of €178.1 million at 31 December 2013 (versus €144.7 million at 31 December 2012). As for non-current debt, no new loans were granted in 2013.

The condensed and reclassified statement of cash flows is shown below.
The main reclassification resulted in the cash flows relative to changes in long and short term not being presented in separate lines in order to ensure that the financial flows in the period match the change in the net financial position as described above:

(€/million)	2013	2012 (*)
Cash flow by current operations	205.4	192.0
Cash flow by other changes in working capital	(31.2)	(65.2)
Cash flow by investment activities	(59.5)	(62.8)
Cash flow by operating activities	**114.7**	**63.9**
Braun Household acquisition	-	(171.8)
Cash flow by extraordinary investments	**-**	**(171.8)**
Dividends paid	(43.4)	(49.3)
Cash flow by changes in fair value and cash flow hedge reserves	(4.7)	(25.0)
Cash flow by actuarial losses linked to the pension fund transaction	(6.2)	-
Cash flow by changes in currency translation reserve	(1.6)	3.2
Cash flow generated (absorbed) by other changes in net equity	0.4	0.2
Cash flow generated (absorbed) by changes in net equity	**(55.5)**	**(70.9)**
Cash flow for the period	**59.2**	**(178.8)**
Opening net financial position	(61.4)	117.4
Closing net financial position	**(2.2)**	**(61.4)**

(*) The comparative figures were restated as a result of the retroactive application of the new IAS 19 - *Employee benefits* and the definitive accounting related to the Braun Household acquisition in accordance with IFRS 3 - *Business combinations*

Net cash flow from operating activities, which includes the increase in investments referred to above (€14.6 million in 2013 and €30.9 million in 2012), reached €114.7 million in 2013 (€63.9 million in 2012); cash flow from operating activities net of the non-recurring investments would have reached, therefore, a positive €129.3 million (€94.8 million in 2012).

Cash flows were also affected by changes in net equity: the payment of dividends, the change in the fair value measurement of currency hedging instruments, and the actuarial losses linked to the UK subsidiary’s pension fund transaction which absorbed €55.5 million (versus €70.9 million in 2012).

Research and development

In 2013 the Group continued to invest in research and development with the costs incurred reaching approximately €37.3 million (€ 30.4 million in 2012), €6.0 million of which capitalized as intangible assets.

The R&D activities involving coffee machines were focused on the development of new platforms for the fully automatic, Nespresso and Dolcegusto machines, as well as for production.

A new range of built-in coffee and manual espresso machines was also developed to complete the Scultura breakfast collection and the Dedica machine.

The range of ironing systems was revised and a new range of ironing products was developed in collaboration with the Braun team.

As for Kenwood, additional investments were made in innovation, new technologies and increasing the patent portfolio.

As for Braun, a new range of hand blenders (MQ5 and MQ7) was launched with positive results in terms of both market share and sell in. Braun is clearly the leader in hand blenders in the markets where it is currently active and the fact that product renewal began with this category should prove very positive going forward.

Communication activities

In 2013 communication activities for the De'Longhi brand continued to focus on the long term strategy supporting the premium line of the fully automatic coffee machines in all the main markets.
The launch of the new *Primadonna XS* model in Europe, the smallest machine available on the market, was supported by the *"Il grande mondo del caffè"* campaign and other support activities in stores with areas dedicated to demonstrations and with specific merchandising materials.

In the last quarter of the year the first phase of updating De'Longhi's website was launched as part of the internet strategy focused on improving navigation by providing the consumer with the ability to customize search parameters.

Investments in stores also continued in order to ensure that De'Longhi products are presented as effectively as possible, making it possible to enjoy the coffee made by our machines and reinforcing our reputation as true coffee experts.

2013 was the first year of operation for the first *De'Longhi Group Official Store* found on the very central via Borgogna in Milan. The store incorporates the personality of the brands De'Longhi, Kenwood, Braun and Ariete in a new format. Not only are the products displayed, but they can be tested with the help of sales assistants capable of making recommendations and guiding you through the choice of the purchase that best fits different needs. The Official Store is completed with a "*Spazio Cucina*" dedicated to classes and demonstrations where our chefs are available to demonstrate all the potential uses of the food preparation and cooking products.

With regard, specifically, to the Kenwood brand, considerable investments were made in the marketing of the principal products; in 2013 investments continued in increasing our network of top chefs in local markets and the internet strategy was further developed with the update of the site Kenwoodworld.com, with additional functions and information which made it possible to record a million users in November 2013.

A new media campaign *"What do you see"* was launched in 2013. This emotional campaign, which focuses on how our appliances provide consumers with opportunities to develop their cooking skills, was launched in Europe and in the MEIA region where it received very positive feedback.

With regard to Braun, a communication campaign was begun in all the markets in which the products are currently sold that involved preparing all the materials and carrying out all the activities needed to support sales and the interaction with end consumers (TV commercials, website revision, launch pack for new products, product training of the local marketing teams, PR activities, displays, visuals and other store materials).
The launch of the two new hand blenders was supported by a strong in-store presence and the broadcast of the first Braun spots post-acquisition in different countries. The web also played an important part in this communication campaign by directing potential buyers to the Braun site which posted significant growth in the number of users in the first four months of the year.

Human resources and organization

The De'Longhi Group had 5,871 employees at 31 December 2013 (5,694 at 31 December 2012).

The following table summarizes the average number of employees during 2013 compared with 2012:

	2013	%	2012	%	Change
Blue collar	3,312	55.3%	3,406	58.1%	(94)
White collar	2,585	43.1%	2,372	40.4%	213
Senior managers	96	1.6%	87	1.5%	9
Total	**5,993**	**100.0%**	**5,865**	**100.0%**	**128**

The Group had an average of 5,993 employees in 2013, an increase of 128 employees.

This increase is the result of both the continuous expansion of the Group's international presence (with the completion of the start-up in Chile and South Korea and the opening of the company in Sweden to support the business in Scandinavia) and the strengthening of the commercial structures in the main markets, including in relation to the Braun Household business. Personnel involved in production was unchanged as a result of a slight decrease in Italy and in China, the development of the facility in Romania and the suspension of production in Russia.

During the year the Group proceeded with the development and integration of the Braun Household organization, investing in structures in Germany and in Italy involved in new product development (Marketing, Design, Research and Development, Quality Control), as well as in centralized services.

As for the production platform, in 2013 consolidation of the production carried out in Cluj, Romania continued resulting in the addition of two new production lines and increase in the labor force as part of the relative production plan.

With the support of a premier consulting firm, analysis of the commercial back office and supply chain processes used to support the commercial branches was begun in order to complete the reorganization started in 2012 which resulted in the creation of two commercial divisions, West South Europe and North East Europe, responsible for all the Group's businesses and brand. This process resulted in, among other things, the centralization of the entire back office function supporting the European business in Italy in the first part of 2014.

In 2013 human resources began using a new performance assessment tool developed last year by the Corporate Human Resources Department in collaboration with the different Regional HR Managers.
In light of the great appreciation expressed by the personnel involved in the initiative, in 2013 the tool was fine tuned in preparation for the second implementation phase and to ensure a more efficient process which strives to promote an open and constructive dialogue between supervisors and staff members, as well as share strong points and areas where there is room for improvement, while focusing on the priorities, namely development and the performance targets .
In 2013 the launch of the performance appraisal process was, again, anticipated by a series of initiatives involving training and raising awareness. English, German and Italian executives, managers and middle managers, as well as all the Group's Country Managers worldwide, were involved in these initiatives which allowed them to share the experiences matured during the first edition of the appraisal and further strengthen the importance that personal development has within the Group.

A number of assessments were also carried out, both individual and group, in Italy, the UK and two important Group branch offices. These initiatives involved the top management of the two branches, the primary Marketing resources involved in new product development in Italy and the UK, as well as a number of other staff members from other departments. These initiatives are part of a broader strategy to strengthen and develop internal human resources, key to the Group's medium-long term success, as well as important to ensuring the success of the main organizational changes. The assessments were followed by development paths, individual and otherwise, with class training sessions or individual coaching.

In 2013 investments were also made in training involving management personnel with different levels of seniority (topics included Staff Management, Public Speaking, Project Management, Feedback Management) and more specialized courses (the role of buyer in the Purchasing department, coffee tasting, English language, IT, finance, technical regulations).

In 2013 the employer branding initiatives continued in order to strengthen De'Longhi's local image and presence and attract new, talented graduates to the company. These initiatives, organized in collaboration with universities, resulted in testimonials, guided tours and company presentations to groups of students.
More in detail, the Group collaborated in 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 China.

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 (2011 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 December 2011.
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 2013, 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 > 2014".*

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. (which substituted the prior parent following the split of the latter), 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 three 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 2013 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.

The Company's Board of Directors has adhered to the Corporate Governance Code for Listed Companies since 1 March 2007 adopting a framework resolution and a series of resolutions (subsequently replicated, including upon renewal of the Board in April 2013) designed to implement the principles contained in the Code. 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, detailed in the 2013 Report on Corporate Governance and Ownership Structure), applying the new recommendations and confirming the resolutions relating to corporate governance approved in the past.

Pursuant to Article 1.C.1., lett. g) of the Corporate Governance Code, during the meeting on 10 March 2014 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 2013 Report on Corporate Governance and Ownership Structure.

In 2013 the Board of Directors also:

- adopted a new version of the "Guidelines for the Group's Internal Control and Risk Management System" and the "Procedures for Transactions with Related Parties of Gruppo De' Longhi S.p.A.";
- approved a revision to the General Section of the Organization and Management Model established under Decree 231 dated 8 June 2001;
- confirmed the list of the De'Longhi Group's "strategically important subsidiaries", identifying them as the following Italian registered companies; De'Longhi Capital Services S.r.l. and De'Longhi Appliances S.r.l., the Chinese registered company De'Longhi-Kenwood Appliances (Dongguan) Co. Ltd, the British registered company Kenwood Ltd, the German registered company De'Longhi Deutschland GmbH, the Australian registered company De'Longhi Australia PTY Ltd. and the Russian registered De'Longhi LLC;
- 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 10 March 2014, 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 2013 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 & 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 five times in 2013, and was attended by all of its members 100% of the time. These meetings were also attended by the entire 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 two meetings during 2013, 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 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 (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 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 is subject to examination and periodic audits, taking into account changes in the company's operations and reference context.
The Internal Control System 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 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 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), 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 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; the subsequent phases of the ERM project call for a plan to define the risk management strategy giving priority, in the first phase, to the highest risks and the relative management. The risk plan in the process of being defined 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;
(iii) verification by the Group's internal audit.

Description of principal characteristics

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 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 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 were identified during the assessments carried out in 2013 and prior years including through more in depth analysis shared with the Risk and Control Committee and De’Longhi S.p.A.’s Board of Statutory Auditors. They also take in to account the above mentioned ERM project, completed in December 2013.

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 De’Longhi Group.

Business risks can be classified in the following broad categories:

(i) **strategic risks**, relating to medium/long-term business risks, which can be affected by changes in market trends and demand, socio-political events, the company's ability to carry on producing innovative products, and the competitive environment;

(ii) **operational risks**, relating to the sales and purchasing processes, involving correct management of operating stocks;

(iii) **compliance risks relating to laws**, regulations and contracts and financial reporting risks.

STRATEGIC RISKS

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.
In 2013 the economies of a few advanced countries expanded slightly, but the persistent weakness of the Euro zone and the slowdown of the emerging markets in Asia, caused international trade to remain sluggish, above all in the first months of the year; a few signals pointing to a recovery emerged beginning in the third quarter, above all in the United States and a few emerging markets (particularly in China), albeit with performances varying from country to country.
In the Euro zone, the real GDP fell further including in countries which were not directly exposed to the tensions of the financial markets; it wasn't until the second half that a modest recovery began, to which foreign demand contributed, along with an expansionary monetary policy and the progress made in terms of governance.
Inflation was contained worldwide with the prices of raw materials relatively stable; it is expected that in the medium term price pressure and inflation will continue to be moderate, as well, in line with the slow pace of the recovery. The ECB's Executive Board announced that it will likely leave interest rates at current or lower levels for a prolonged period of time in light of the expectations that inflation will continue to be low, the generalized weakness of the economy and very limited monetary growth.
With regard to currency markets, in the fourth quarter of 2013 the Euro continued to strengthen against the main currencies which is largely attributable to the portfolio flows into the Euro zone, probably connected to lower sovereign risk. This trend was inverted in the first months of 2014. Looking ahead, the recent forecasts of the Bank of Italy and the ECB call for a gradual economic recovery beginning in 2014 thanks, above all, to improved internal demand, supported by the expansionary monetary policy and more favorable credit markets, as well as an increase in foreign trade. At the same time, these forecasts still reflect elements of uncertainty, including in light of the fact that unemployment continues to be high in the Euro zone, though it does seem to be leveling off somewhat, and the necessary public and private sector austerity measures which continue to weigh on the pace of the economic recovery. (Source: Bank of Italy/ECB)

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.
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.
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).

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 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.
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.

5 - Risks relating to patents and trademarks

Given the importance of developing products that are innovative in both technology and design (see point 4 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.

OPERATIONAL RISKS

6 - 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.
It is also essential to develop tools that can bring out an individual's ambitions and aspirations, so as to ensure that employee career aspirations match those of the company and that the risk of demotivation or loss of skilled resources is reduced. Two separate tools have recently been developed and implemented for this purpose: a performance appraisal system (in use for several years) and an experimental system of "internal job postings".
The job posting system publicizes within the Group's principal companies the vacancies of greatest interest, in order to stimulate application by internal candidates with the right qualifications and to foster career paths within the same company, or between Group companies, either in Italy or abroad.

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:
• organization of factory work that minimizes the impact of turnover on the efficiency and quality of production;
• 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).

7 - 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.
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.
Such breaches could be caused by

(a) production capacity problems that hinder or delay the delivery of goods ordered;
(b) management and/or industrial decisions by individual suppliers which involve a disruption of production or processing of raw materials, making it more difficult to quickly find these materials on the related market;
(c) he occurrence of significant delays during transport and delivery of such raw materials to Group companies.

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.

8 - 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.

9 - 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.

10 - Interest rate risks

The Group holds assets and liabilities that are sensitive to interest rate changes and that are necessary to manage its liquidity and financial needs.
In particular, the De'Longhi Group's main source of exposure to this risk comes from its floating-rate debt. 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.

11 - Exchange rate fluctuation risks

Transaction exchange rate risk

The De'Longhi 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 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 part of its costs of purchasing raw materials, parts and finished products is 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.

Translation exchange rate risk

The De'Longhi Group has controlling equity interests in companies which prepare their financial statements in currencies other than the euro. The Group is therefore exposed to a translation risk associated with the impact on consolidated net equity caused by fluctuations in exchange rates by certain currencies against the consolidation currency. The principal exposures are monitored but such risks are not hedged under the Group's current policies.

12 - Liquidity and financing risks

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.
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.

13 - Credit risk

The Group is exposed to credit risk both on its trading activities and on its liquidity investment 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.

14 - Risks arising from the seasonality of sales

The De'Longhi Group's sells, amongst others, air conditioners and portable radiators. These products, which represent approximately 13% of the total revenues (15% in 2012), 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. 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.

COMPLIANCE AND CORPORATE REPORTING RISKS

18 - Risks relating to the administrative liability of legal persons

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.
In November 2010, 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.

20 - 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 2013, effective implementation of the system of managing financial reporting risks was monitored on a continuous basis and periodically evaluated under the guidance of the Financial Reporting Officer, who is directly responsible for checking the correct and timely execution of administrative, accounting and financial activities for the De'Longhi Group.

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.

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 December 2013	Profit for 2013	Net equity 31 December 2012 (*)	Profit for 2012 (*)
De'Longhi S.p.A. financial statements	**323,349**	**63,450**	**303,500**	**47,990**
Share of subsidiaries' equity and results for period attributable to the Group, after deducting carrying value of the investments	341,759	51,558	324,771	77,686
Allocation of goodwill arising on consolidation and related amortization and reversal of goodwill recognized for statutory purposes	34,042	(2,388)	36,111	(2,420)
Elimination of intercompany profits	(26,268)	5,247	(31,370)	(3,771)
Other adjustments	(2,939)	(466)	(2,468)	(623)
Consolidated financial statements	**669,943**	**117,491**	**630,544**	**118,862**
Minority interests	2,530	570	2,178	472
Group portion	**667,413**	**116,921**	**628,366**	**118,390**

(*) The comparative figures were restated as a result of the retroactive application of the new IAS 19 - *Employee benefits* and the definitive accounting related to the Braun Household acquisition in accordance with IFRS 3 - *Business combinations*.

Group tax election

During 2013 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 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

There have been no significant events since the end of the reporting period.

Outlook

The forecasts for 2014 indicate that economic conditions in the main markets will continue to be uncertain. The Group, however, is confident that it will be able to continue along its growth path thanks to its industrial know-how, competitive position and significant geographic diversification, as well as the potential of the Braun brand.

Treviso, 10 March 2014

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

Group annual report and financial statements

Consolidated financial statements

- *Income statement*
- *Statement of comprehensive income*
- *Statement of financial position*
- *Statement of cash flow*
- *Statement of changes in net equity*

Consolidated income statement

(€/000)	Notes	2013	of which non-recurring	2012 (*)	of which non-recurring
Revenues from sales and services	*1*	1,606,763		1,506,039	
Other revenues	*1*	25,870		24,066	
Total consolidated revenues		**1,632,633**		**1,530,105**	
Raw and ancillary materials, consumables and goods	*2*	(730,457)		(693,799)	
Change in inventories of finished products and work in progress	*3*	21,266		11,156	
Change in inventories of raw and ancillary materials, consumables and goods	*3*	3,375		(6,992)	
Materials consumed		**(705,816)**		**(689,635)**	
Payroll costs	*4 - 8*	(194,644)		(179,635)	(565)
Services and other operating expenses	*5 - 8*	(466,252)	(827)	(409,686)	(1,301)
Provisions	*6 - 8*	(26,086)	(1,806)	(25,625)	
Amortization	*9*	(44,866)		(35,590)	
Other income (expenses)	*7 - 8*	-		(971)	(5,853)
EBIT		**194,969**	**(2,633)**	**188,963**	**(7,719)**
Financial income (expenses)	*10*	(37,876)		(34,373)	
PROFIT (LOSS) BEFORE TAXES		**157,093**		**154,590**	
Income taxes	*11*	(39,602)		(35,728)	
CONSOLIDATED PROFIT (LOSS) AFTER TAXES		**117,491**		**118,862**	
Profit (loss) pertaining to minority interests	*28*	570		472	
PROFIT (LOSS) PERTAINING TO THE GROUP		**116,921**		**118,390**	
EARNINGS PER SHARE (in Euro)					
- basic		**€ 0.78**		**€ 0.79**	
- diluted		**€ 0.78**		**€ 0.79**	

(*) The comparative figures were restated as a result of the retroactive application of the new IAS 19 - *Employee benefits* and the definitive accounting for the business combination related to the Braun Household acquisition in accordance with IFRS 3 - *Business combinations*.

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)	2013	2012 (*)
Consolidated profit (loss) after taxes	**117,491**	**118,862**
- Change in fair value of cash flow hedges and financial assets available for sale	(4,625)	(25,105)
- Tax effect on change in fair value of cash flow hedges and financial assets available for sale	1,346	6,607
- Differences from translating foreign companies' financial statements into Euro	(24,647)	(3,913)
Total other comprehensive income will subsequently reclassified to profit (loss) for the year	*(27,926)*	*(22,411)*
- Actuarial valuation funds	(8,334)	(775)
- Tax effect of actuarial valuation funds	1,741	(344)
Total other comprehensive income will not subsequently reclassified to profit (loss) for the year	*(6,593)*	*(1,119)*
Other components of comprehensive income	**(34,519)**	**(23,530)**
Total comprehensive income	**82,972**	**95,332**
Total comprehensive income attributables to:		
Owners of the parent	82,402	94,907
Minority interests	570	425

(*) The comparative figures were restated as a result of the retroactive application of the new IAS 19 - *Employee benefits* and the definitive accounting for the business combination related to the Braun Household acquisition in accordance with IFRS 3 - *Business combinations*.

Consolidated statement of financial position

Assets

(€/000)	*Notes*	31.12.2013	31.12.2012 (*)
NON-CURRENT ASSETS			
INTANGIBLE ASSETS		327,273	331,100
- Goodwill	*12*	92,400	92,089
- Other intangible assets	*13*	234,873	239,011
PROPERTY, PLANT AND EQUIPMENT		171,428	158,584
- Land, property, plant and machinery	*14*	84,141	81,794
- Other tangible assets	*15*	87,287	76,790
EQUITY INVESTMENTS AND OTHER FINANCIAL ASSETS		3,389	3,192
- Equity investments	*16*	785	737
- Receivables	*17*	2,538	2,346
- Other non-current financial assets	*18*	66	109
DEFERRED TAX ASSETS	*19*	38,130	41,325
TOTAL NON-CURRENT ASSETS		**540,220**	**534,201**
CURRENT ASSETS			
INVENTORIES	*20*	283,415	273,758
TRADE RECEIVABLES	*21*	335,233	381,233
CURRENT TAX ASSETS	*22*	9,442	12,126
OTHER RECEIVABLES	*23*	37,676	32,989
CURRENT FINANCIAL RECEIVABLES AND ASSETS	*24*	22,893	16,076
CASH AND CASH EQUIVALENTS	*25*	270,742	243,995
TOTAL CURRENT ASSETS		**959,401**	**960,177**
NON-CURRENT ASSETS HELD FOR SALE	26	1,958	-
TOTAL ASSETS		**1,501,579**	**1,494,378**

(*) The comparative figures were restated as a result of the retroactive application of the new IAS 19 - *Employee benefits* and the definitive accounting for the business combination related to the Braun Household acquisition in accordance with IFRS 3 - *Business combinations*.

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 financial position

Net equity and liabilities

(€/000)		31.12.2013	31.12.2012 (*)
NET EQUITY			
GROUP PORTION OF NET EQUITY		667,413	628,366
- Share capital	*27*	224,250	224,250
- Reserves	*28*	326,242	285,726
- Profit (loss) pertaining to the group		116,921	118,390
MINORITY INTERESTS	*28*	2,530	2,178
TOTAL NET EQUITY		**669,943**	**630,544**
NON-CURRENT LIABILITIES			
FINANCIAL PAYABLES		180,432	206,260
- Bank loans and borrowings (long-term portion)	*29*	64,728	97,793
- Other financial payables (long-term portion)	*30*	115,704	108,467
DEFERRED TAX LIABILITIES	*19*	10,119	7,146
NON-CURRENT PROVISIONS FOR CONTINGENCIES AND OTHER CHARGES		81,763	77,758
- Employee benefits	*31*	28,650	24,913
- Other provisions	*32*	53,113	52,845
TOTAL NON-CURRENT LIABILITIES		**272,314**	**291,164**
CURRENT LIABILITIES			
TRADE PAYABLES	*33*	345,666	351,731
FINANCIAL PAYABLES		115,495	115,333
- Bank loans and borrowings (short-term portion)	*29*	99,652	96,933
- Other financial payables (short-term portion)	*30*	15,843	18,400
CURRENT TAX LIABILITIES	*34*	17,118	31,250
OTHER PAYABLES	*35*	81,043	74,356
TOTAL CURRENT LIABILITIES		**559,322**	**572,670**
TOTAL NET EQUITY AND LIABILITIES		**1,501,579**	**1,494,378**

(*) The comparative figures were restated as a result of the retroactive application of the new IAS 19 - *Employee benefits* and the definitive accounting for the business combination related to the Braun Household acquisition in accordance with IFRS 3 - *Business combinations*.

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

(€/000)	Notes	2013	2012 (*)
Profit (loss) pertaining to the group		116,921	118,390
Income taxes for the period		39,602	35,728
Amortization		44,866	35,590
Net change in provisions		4,021	2,260
Cash flow generated (absorbed) by current operations (A)		**205,410**	**191,968**
Change in assets and liabilities for the period:			
Trade receivables		11,532	(37,415)
Inventories		(27,218)	(978)
Trade payables		26,930	23,441
Other current assets and liabilities		(2,603)	(282)
Payment of income taxes		(39,850)	(49,954)
Cash flow generated (absorbed) by movements in working capital (B)		**(31,209)**	**(65,188)**
Cash flow generated (absorbed) by current operations and movements in working capital (A+B)		**174,201**	**126,780**
Investment activities:			
Investments in intangible assets		(7,887)	(9,317)
Other cash flows for intangible assets		34	(23)
Investments in property, plant and equipment		(51,750)	(53,360)
Other cash flows for property, plant and equipment		501	352
Net investments in equity investments and other financial assets		(417)	(501)
Cash flow generated (absorbed) by ordinary investment activities (C)		**(59,519)**	**(62,849)**
Braun transaction		-	(139,984)
Non-recurring cash flow (D)		**-**	**(139,984)**
Dividends paid		(43,355)	(49,335)
Change in currency translation reserve		(13,731)	(1,102)
Increase (decrease) in minority interests in capital and reserves		352	245
New loans		-	146,485
Payment of interests on loans		(6,319)	(2,125)
Repayment of loans and other net changes in sources of finance		(24,882)	30,158
Cash flow generated (absorbed) by changes in net equity and by financing activities (E)		**(87,935)**	**124,326**
Cash flow for the period (A+B+C+D+E)		**26,747**	**48,273**
Opening cash and cash equivalents	*25*	**243,995**	**195,722**
Increase (decrease) in cash and cash equivalents (A+B+C+D+E)		26,747	48,273
Closing cash and cash equivalents	**25**	**270,742**	**243,995**

(*)The comparative figures were restated as a result of the retroactive application of the new IAS 19 - *Employee benefits* and the definitive accounting related to the Braun Household acquisition in accordance with IFRS 3 - *Business combinations*.

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
Balance at 31 December 2011 *(Data published)*	**448,500**	**325**	**9,693**	**61,425**
Demerger	(224,250)	(162)	(4,847)	(31,946)
IAS 19 application effects				
Balance at 1st January 2012 (*)	**224,250**	**162**	**4,846**	**29,479**
Allocation of 2011 result as per AGM resolution of 24 April 2012				
- distribution of dividends				(12,857)
- allocation to reserves			1,802	
Other changes in minority interests				
Movements from transactions with shareholders	**-**	**-**	**1,802**	**(12,857)**
Profit (loss) after taxes (*)				
Other components of comprehensive income				
Comprehensive income (loss)	**-**	**-**	**-**	**-**
Balance at 31 December 2012 (*)	**224,250**	**162**	**6,648**	**16,622**
Balance at 31 December 2012 *(Data published)*	**224,250**	**162**	**6,648**	**16,622**
IAS 19 application effects				
Effects resulting from recalculation of the earn out due to P & G				
Balance at 1st January 2013 (*)	**224,250**	**162**	**6,648**	**16,622**
Allocation of 2012 result as per AGM resolution of 23 April 2013				
- distribution of dividends				
- allocation to reserves			2,400	2,236
Other changes in minority interests				
Movements from transactions with shareholders	**-**	**-**	**2,400**	**2,236**
Profit (loss) after taxes				
Other components of comprehensive income				
Comprehensive income (loss)	**-**	**-**	**-**	**-**
Balance at 31 December 2013	**224,250**	**162**	**9,048**	**18,858**

(*) The comparative figures were restated as a result of the retroactive application of the new IAS 19 - *Employee benefits* and the definitive accounting related to he Braun Household acquisition in accordance with IFRS 3 - *Business combinations*.

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
18,433	**621**	**229,795**	**90,248**	**859,040**	**4,237**	**863,277**
(60)	(2,255)	(9,964)		(273,484)	(2,253)	(275,737)
		(2,762)		(2,762)	(3)	(2,765)
18,373	**(1,634)**	**217,070**	**90,248**	**582,794**	**1,981**	**584,775**
		(36,478)		(49,335)		(49,335)
		88,446	(90,248)	-		-
				-	(228)	(228)
-	**-**	**51,968**	**(90,248)**	**(49,335)**	**(228)**	**(49,563)**
			118,390	118,390	472	118,862
(18,498)	(3,913)	(1,072)		(23,483)	(47)	(23,530)
(18,498)	**(3,913)**	**(1,072)**	**118,390**	**94,907**	**425**	**95,332**
(125)	**(5,547)**	**267,966**	**118,390**	**628,366**	**2,178**	**630,544**
(125)	**(5,547)**	**271,799**	**117,987**	**631,796**	**2,228**	**634,024**
		(3,833)	112	(3,721)	(50)	(3,771)
			291	291		291
(125)	**(5,547)**	**267,966**	**118,390**	**628,366**	**2,178**	**630,544**
		(43,355)		(43,355)		(43,355)
		113,754	(118,390)	-		-
					(218)	(218)
-	**-**	**70,399**	**(118,390)**	**(43,355)**	**(218)**	**(43,573)**
			116,921	116,921	570	117,491
(3,279)	(24,647)	(6,593)		(34,519)		(34,519)
(3,279)	**(24,647)**	**(6,593)**	**116,921**	**82,402**	**570**	**82,972**
(3,404)	**(30,194)**	**331,772**	**116,921**	**667,413**	**2,530**	**669,943**

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 2013 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 2013), 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 2013 are the same as those used for preparing the consolidated financial statements at 31 December 2012, except for certain new amendments and accounting standards described below.

The consolidated financial statements at 31 December 2013 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 10 March 2014. The financial statements used for consolidation purposes are the separate ones for the year ended 31 December 2013 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:

		31.12.2013		31.12.2012		% Change	
Currency		**Year-end exchange rate (*)**	**Average exchange rate (*)**	**Year-end exchange rate (*)**	**Average exchange rate (*)**	**Year-end exchange rate**	**Average exchange rate**
US dollar	USD	1.37910	1.32812	1.31940	1.28479	4.5%	3.4%
British pound	GBP	0.83370	0.84926	0.81610	0.81087	2.2%	4.7%
Hong Kong dollar	HKD	10.69330	10.30160	10.22600	9.96626	4.6%	3.4%
Chinese renminbi (Yuan)	CNY	8.34910	8.16463	8.22070	8.10523	1.6%	0.7%
Australian dollar	AUD	1.54230	1.37770	1.27120	1.24071	21.3%	11.0%
Canadian dollar	CAD	1.46710	1.36837	1.31370	1.28421	11.7%	6.6%
Japanese yen	JPY	144.72000	129.66300	113.61000	102.49200	27.4%	26.5%
Malaysian ringgit	MYR	4.52210	4.18551	4.03470	3.96725	12.1%	5.5%
New Zealand dollar	NZD	1.67620	1.62057	1.60450	1.58670	4.5%	2.1%
Polish zloty	PLN	4.15430	4.19749	4.07400	4.18474	2.0%	0.3%
South African rand	ZAR	14.56600	12.83300	11.17270	10.55110	30.4%	21.6%
Singapore dollar	SGD	1.74140	1.66188	1.61110	1.60546	8.1%	3.5%
Russian rouble	RUB	45.32460	42.33700	40.32950	39.92620	12.4%	6.0%
Turkish lira	TRY	2.96050	2.53354	2.35510	2.31354	25.7%	9.5%
Czech koruna	CZK	27.42700	25.97970	25.15100	25.14910	9.0%	3.3%
Swiss franc	CHF	1.22760	1.23106	1.20720	1.20528	1.7%	2.1%
Brazilian real	BRL	3.25760	2.86866	2.70360	2.50844	20.5%	14.4%
Croatian kuna	HRK	7.62650	7.57862	7.55750	7.52167	0.9%	0.8%
Ukrainian hryvnia	UAH	11.32920	10.78770	10.58357	10.35200	7.0%	4.2%
Indian rupee	INR	85.36600	77.93000	72.56000	68.59730	17.6%	13.6%
Romanian leu	RON	4.47100	4.41899	4.44450	4.45931	0.6%	(0.9%)
South Korean won	KRW	1450.93000	1453.91000	1406.23000	1447.69000	3.2%	0.4%
Chilean Peso	CLP	724.76900	658.32400	631.72872	624.80100	14.7%	5.4%
Swedish krona	SEK	8.85910	8.65154	8.58200	8.70407	3.2%	(0.6%)

(*) Source: Bank of Italy

New amendments and accounting standards endorsed by the European Union and applicable at the date of the financial statements

On 5 June 2012 (in Regulation 475/2012) and on 27 March 2013 (in Regulation 301/2013) the European amended IAS 1- *Presentation of financial statements*.
The purpose of the IAS 1 amendment is to clarify the growing number of items included in comprehensive income statements. The items that will not be subsequently reclassified under profit/(loss) for the year and the items that, subject to certain conditions, will be subsequently reclassified under profit/(loss) for the year are shown as two separate line items in the statement.
The amendment affected the presentation alone and did not have material impact on the Group's financial position or results.

On 5 June 2012 the European Commission adopted (in Regulation n.475/2012) the amendment to IAS 19 - *Employee Benefits*. The new version of IAS 19 changes the way in which defined benefit plans are to be recognized and eliminates the corridor method used by the Group through 2012; consequently the actuarial gains and losses are recognized in the comprehensive income statement, while the changes in the pension fund relating to the cost of services and net interest are recognized in the income statement under operating costs and financial income/(expenses), respectively.
Based on the new standard the discount rate applied to the pension fund's net assets and liabilities should also be applied to net interest expense (income), eliminating the use of the expected rate of return of the assets servicing the plan.
As per par. 173 of the new standard, the new accounting rules were applied retroactively and, consequently, the original statement of financial position and the relative comparative figures were restated. The main effects of application of the IAS 19 amendment are shown below in the section "Restatement of comparative figures".

On 11 December 2012 the European Commission adopted (in Regulation n.1255/2012) IFRS 13 - *Fair value measurement*, which provides guidelines about determining fair value when required or permitted under the accounting standards.
IFRS 13 was taken into account when valuing the interest rate and current hedges (CCIRS) relative to the Parent Company's bond loan, as was "counterparty risk".

The same regulation also adopted amendments to IAS 12 - *Income taxes* relating to deferred tax and recovery of the underlying assets, clarifying the measurement of deferred tax on real estate investments measured at fair value. The amendment had no material impact on the Group's financial position, results or reporting.

In 2012 the European Commission endorsed amendments to IFRS 7 - *Financial instruments* - disclosures which call for information about the effects and potential effects of offsetting financial assets and liabilities on the balance sheet and the financial position. Adoption of these amendments did not have a material impact on the information or the amounts included in these financial statements.

On 4 March 2013 the European Commission adopted (in Regulation n. 183/2013) an amendment to IFRS 1 - *First-time Adoption of International Financial Reporting Standards* which introduce provisions relative to the classification and accounting of public sector financing. The amendments have not material impact on the Group's financial position or results.

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

On 11 December 2012 the European Commission adopted (in Regulation n.1254/2012), IFRS 10 - *Consolidated Financial Statements*; the new standard substitutes IAS 27 - *Consolidated and Separate Financial Statements* and incorporates SIC 12 - Special Purpose Entities. IFRS 10 deviates from existing standards; control is viewed as the determining factor with regard to the consolidation of a company in the consolidated financial statements of a Parent Company. It also provides guidelines to be used to determine whether or not control exists.

In the same regulation IFRS 11 - *Joint arrangements* was adopted, which repeals and substitutes IAS 31 and IFRS 12 - *Disclosure of Interests in Other Entities* and establishes what information needs to be provided in the explanatory notes when IFRS 10 and IFRS 11 are applied. Based on the latter, joint control is based on the rights and obligations stemming from contractual arrangements and not on the legal from of the parties and establishes that these jointly controlled equity investments may only be consolidated using the equity method.

The revised versions of IAS 27 - *Separate Financial Statements* and IAS 28 - *Investments in Associates and Joint Ventures* were also adopted.

In 2012 the European Commission adopted (in Regulation n.1256/2012) the amendments to IAS 32 *Financial Instruments: Presentation* in order to clarify the application of the criteria used to offset financial assets and liabilities as per IAS 32. The amendments apply to reporting periods beginning on or after 1 January 2014.

On 4 April 2013 the EU Regulation UE 313/2013 was published adopting guidelines to temporary provisions (amendments to IFRS 10, 11 and 12), in preparation for the application of these standards 1 January 2014; toward this end, on 20 November 2013 Regulation n.1174/2013 was published.

On 19 December 2013 EU Regulation n.1374/2013 amended IAS 36 - *Impairment of Assets*, clarifying, in particular, the measurement of the recoverable value of assets based on fair value less costs of disposal.

Lastly, EU Regulation n.1375/2013 introduced a few amendments to IAS 39 - *Financial Instruments: Recognition and Measurement*, relating to novation of derivatives and the continuation of hedge accounting.
These amendments confirm the hedge accounting may be used even when novations arise as a consequence of laws and regulations.

The above standards apply to reporting periods beginning on or after 1 January 2014; the Group did not apply any new standards, interpretations or amendments in advance.

Consolidation procedures

The scope of consolidation includes the parent company, De'Longhi S.p.A., and its subsidiaries at 31 December 2013, 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 proportionate method of consolidation whereby its share of all the joint venture's assets, liabilities, income and costs are combined on a line-by-line basis with similar items in the parent’s financial statements.

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.

Restatement of comparative figures

In this financial report the accounting for the Braun Household acquisition, realized in the prior year was completed in accordance with the provision of IFRS 3 - *Business combinations*.
In previously published accounting documents it had only been possible to determine the cost of the business combination and the fair value of assets, liabilities and potential liabilities at the time of the acquisition on a temporary basis, which was also based, in part, on figures relative to Procter & Gamble's previous operations.
In light of the De'Longhi Group's direct management of the business, begun in 2013, a few original forecasts, determined at the time of the acquisition, were partially revised; the potential earn-out payable to Procter & Gamble over the next few years (based on a recalculation of the business's potential growth) was restated and the allocation of the purchase price to the different assets and liabilities acquired was revised.
The comparative figures at 31 December 2012 were also restated.

Furthermore, the comparative income statement and financial figures were also restated as a result of the retroactive application of IAS 19 - *Employee benefits*.

The main effects are shown below.

Impacts on the statement of financial position:

	At 1 January 2012 (*)		
	Published figures	**Effects of amended IAS 19 application**	**Restated figures**
Deferred tax assets	32,821	915	33,736
Employee benefits	15,502	3,680	19,182
Total net equity	587,540	(2,765)	584,775
of which:			
Group net equity	*585,556*	*(2,762)*	*582,794*
Net equity pertaining to minorities	*1,984*	*(3)*	*1,981*

(*) The figures refer to the De'Longhi Group post-demerger.

	At 31 December 2012			
	Published figures	**Effects of amended IAS 19 application**	**Effects of the definitive PPA for Braun**	**Restated figures**
Goodwill	115,608	-	(23,519)	92,089
Other intangible assets	249,011	-	(10,000)	239,011
Deferred tax assets	40,791	534	-	41,325
Other financial payables (medium-long term portion)	139,987	-	(31,520)	108,467
Deferred tax liabilities	6,589	-	557	7,146
Employee benefits	20,608	4,305	-	24,913
Other provisions	56,345	-	(3,500)	52,845
Tax payables	30,597	-	653	31,250
Total net equity	634,024	(3,771)	291	630,544
of which:				
Group net equity	*631,796*	*(3,721)*	*291*	*628,366*
Net equity pertaining to minorities	*2,228*	*(50)*	*-*	*2,178*

Impact on the income statement :

	2012			
	Published figures	**Effects of amended IAS 19 application**	**Effects of the definitive PPA for Braun**	**Restated figures**
Net financial income/(expenses)	(34,924)	149	402	(34,373)
Taxes	(35,580)	(37)	(111)	(35,728)
Consolidated net profit	118,459	112	291	118,862

Change in the scope of consolidation - business combinations

In 2013 the scope of consolidation changed significantly.

During the year the definitive PPA was determined for the Braun Household business; the allocation of the consideration paid by assets and liabilities acquired is summarized below.

Total value of the transaction	171,822
(Fair value of assets and liabilities acquired)	(122,986)
Goodwill	48,836

The value of the assets and liabilities following recognition of the definitive PPA for the Braun Household business is summarized below:

	Fair value recognized following recognition of the definitive PPA for the Braun Household business
Intangible assets	109,000
Fixed assets	22,994
Deferred tax assets	3,932
Other current assets	3,195
Total assets	**139,121**
Risk provisions	16,135
Total liabilities	**16,135**
Net assets	**122,986**
Portion acquired by the Group (100%)	**122,986**

Equity investments in joint ventures

The group holds interests in a number of joint ventures, listed in Appendix 1, whose assets, liabilities, revenues and expenses are consolidated in proportion to the interest held.
The portion of assets, liabilities, revenues and expenses of joint ventures included in the consolidated financial statements at 31 December 2013 and 2012 is as follows:

(€/000)	31 December 2013	31 December 2012
Current assets	10,186	7,912
Non-current assets	2,002	2,229
Total assets	**12,188**	**10,141**
Current liabilities	8,128	6,422
Non-current liabilities	-	-
Total liabilities	**8,128**	**6,422**
Net assets	**4,060**	**3,719**
Operating revenues	17,625	16,865
Operating costs	(17,001)	(16,086)
Financial income	(59)	111
Taxes	(141)	(234)
Profit after tax	**424**	**656**

Disclosure by operating segments

Note 42. Operating segments contains the required disclosures.
The report on operations contains comments on the economic results by operating segment and 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.

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.
Further to the Finance Act 2007 (Law 296 dated 27 December 2006), only the remaining company liability for severance indemnity at 31.12.2006 has been valued in accordance with IAS 19, since indemnity accruing from this date in some of the Group's companies has been paid into a separate entity (alternative pension funds or Italian social security funds). These payments are treated like a defined contribution fund since the company no longer has an obligation to pay further contributions if the fund does not have sufficient assets to pay all employee benefits relating to employee service.
Please refer to the section “Accounting Standards” for information about the new IAS 19 - *Employee Benefits* and the recognition of defined benefit plans.

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 2014 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:

	2013	%	2012	%	Change	% Change
Germany	223,575	13.7%	195,454	12.8%	28,121	14.4%
Italy	203,580	12.5%	183,989	12.0%	19,591	10.6%
UK	121,331	7.4%	124,603	8.1%	(3,272)	(2.6%)
Russia and other USSR countries	115,002	7.0%	112,748	7.4%	2,254	2.0%
France	94,878	5.8%	89,331	5.8%	5,547	6.2%
Benelux	52,744	3.2%	45,908	3.0%	6,836	14.9%
Spain	42,388	2.6%	31,313	2.0%	11,075	35.4%
Austria	40,289	2.5%	37,229	2.4%	3,060	8.2%
Other european countries	213,045	13.0%	187,426	12.2%	25,619	13.7%
EUROPE	**1,106,832**	**67.8%**	**1,008,001**	**65.9%**	**98,831**	**9.8%**
MEIA (Middle East/India/Africa)	**130,530**	**8.0%**	**85,325**	**5.6%**	**45,205**	**53.0%**
Australia and New Zealand	109,187	6.7%	143,496	9.4%	(34,309)	(23.9%)
United States and Canada	97,835	6.0%	105,601	6.9%	(7,766)	(7.4%)
Japan	59,507	3.6%	70,258	4.6%	(10,751)	(15.3%)
Other countries APA area	128,742	7.9%	117,424	7.7%	11,318	9.6%
APA (Asia/Pacific/Americas)	**395,271**	**24.2%**	**436,779**	**28.5%**	**(41,508)**	**(9.5%)**
Total revenues	**1,632,633**	**100.0%**	**1,530,105**	**100.0%**	**102,528**	**6.7%**

The section of the report on operations entitled "Markets" contains comments on the principal changes.

"Other revenues" are broken down as follows:

	2013	2012	Change
Freight reimbursement	5,942	5,443	499
Out-of-period gains	3,436	5,922	(2,486)
Commercial rights	1,466	1,652	(186)
Damages reimbursed	478	664	(186)
Other income	14,548	10,385	4,163
Total	**25,870**	**24,066**	**1,804**

2. Raw and ancillary materials, consumables and goods

The breakdown is as follows:

	2013	2012	Change
Finished products	378,813	379,889	(1,076)
Parts	284,494	254,086	30,408
Raw materials	56,242	50,283	5,959
Other purchases	10,908	9,541	1,367
Total	**730,457**	**693,799**	**36,658**

3. Change in inventories

The breakdown is as follows:

	2013	2012	Change
Change in inventories of finished products and work in progress	21,266	11,156	10,110
Change in inventories of raw and ancillary materials, consumables and goods	3,375	(6,992)	10,367

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 subsidiaries financial statements.

4. Payroll costs

These costs include €53,576 thousand in production-related payroll (€50,396 thousand at 31 December 2012).

	2013	2012	Change
Employee wages and salaries	189,615	175,089	14,526
Temporary workers	5,029	4,546	483
Total	**194,644**	**179,635**	**15,009**

The figures relating to the cost of employee benefits provided by certain Group companies in Italy and abroad are reported in the note on provisions.

In 2012 the item included non-recurring expenses of €565 thousand, relating primarily to restructuring charges.

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

	2013	2012
Blue collar	3,312	3,406
White collar	2,585	2,372
Senior managers	96	87
Total	**5,993**	**5,865**

5. Services and other operating expenses

These are detailed as follows:

	2013	2012	Change
Advertising and promotional expenses	160,947	141,035	19,912
Transport (for purchases and sales)	69,937	67,048	2,889
Subcontracted work	45,343	19,325	26,018
Rentals and leasing	32,727	30,711	2,016
Storage and warehousing	16,713	15,831	882
Travel	14,491	14,592	(101)
Consulting services	13,406	15,158	(1,752)
Technical support	13,379	12,785	594
Commissions	9,127	10,334	(1,207)
Power	7,370	6,573	797
Insurance	5,140	4,035	1,105
Postage, telegraph and telephones	3,916	3,830	86
Credit insurance fees	3,843	3,966	(123)
Maintenance	3,404	2,905	499
Other utilities, cleaning, security, waste disposal	2,533	2,437	96
Directors' emoluments	2,279	2,063	216
Statutory auditors' emoluments	322	326	(4)
Other sundry services	23,022	21,808	1,214
Total services	**427,899**	**374,762**	**53,137**
Sundry taxes	32,729	28,848	3,881
Out-of-period losses	1,362	2,325	(963)
Other	4,249	3,743	506
Bad debts	13	8	5
Total other operating expenses	**38,353**	**34,924**	**3,429**
Total services and other operating expenses	**466,252**	**409,686**	**56,566**

The figure at 31 December 2013 includes non-recurring costs for services totalling €827 thousand (€1,301 in 2012). For more information about non-recurring items please refer to note 8. Non-recurring expenses.

6. Provisions

These include €23,343 thousand in provisions for contingencies and other charges, the main changes in this item are discussed in note 32. Other provisions.
The figure at 31 December 2013 includes non-recurring provisions totalling €1,806 thousand. Please refer to note 8. Non-recurring expenses.

The item also includes €2,743 in provisions for doubtful accounts.

7. Other operating income/(expenses)

In 2012 this item included income (net of the relative costs) generated by Procter & Gamble for the distribution of Braun products small kitchen appliances, irons and other minor categories) during the transition period called for under the sales contract for the brand license, net of the cost sustained for the acquisition of the "Braun Household" business.

8. Non-recurring expenses

"Non-recurring expenses" of €2,633 at 31 December 2013 are directly classified in the income statement line items to which they refer (€827 thousand in services and other operating expenses and €1,806 thousand in provisions).

The principal components of non-recurring expenses are as follows:

	2013	2012	Change
Braun Household transaction costs	-	5,853	(5,853)
Reorganization and restructuring costs	1,806	697	1,109
Other non-recurring expenses	827	1,169	(342)
Total	**2,633**	**7,719**	**(5,086)**

9. Amortization

The breakdown is as follows:

	2013	2012	Change
Amortization of intangible assets	11,543	11,635	(92)
Depreciation of property, plant and equipment	33,323	23,955	9,368
Total	**44,866**	**35,590**	**9,276**

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:

	2013	2012 (*)	Change
Financial income from equity investments	6	10	(4)
Financial income from equity investments	**6**	**10**	**(4)**
Exchange differences and gains (losses) on hedges	**(6,296)**	**(4,966)**	**(1,330)**
Net interest expense	(11,826)	(8,108)	(3,718)
Financial discounts	(16,260)	(14,558)	(1,702)
Other financial income (expenses)	(3,500)	(6,751)	3,251
Other financial income (expenses)	**(31,586)**	**(29,417)**	**(2,169)**
Financial income (expenses)	**(37,876)**	**(34,373)**	**(3,503)**

(*) The comparative figures were restated as described in the section "Restatement of comparative figures".

"Exchange differences and gains (losses) on hedges" include losses arising from rate differentials on derivatives hedging currency risk.

"Net interest expense" include not only bank interest on the Group's financial debt (recalculated used the amortized cost method), but also 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:

	2013	2012 (*)	Change
Current income taxes:			
- Income taxes	29,887	31,871	(1,984)
- IRAP (Italian regional business tax)	3,625	3,691	(66)
Deferred (advanced) taxes	6,090	166	5,924
Total	**39,602**	**35,728**	**3,874**

(*) The comparative figures were restated as described in the section "Restatement of comparative figures".

"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:

	2013	%	2012 (*)	%
Profit before taxes	157,093	100%	154,590	100%
Theoretical taxes	43,201	27.5%	42,512	27.5%
Other (**)	(7,224)	(4.6%)	(10,475)	(6.8%)
Total income taxes	**35,977**	**22.9%**	**32,037**	**20.7%**
IRAP (Italian regional business tax)	3,625	2.3%	3,691	2.4%
Actual taxes	**39,602**	**25.2%**	**35,728**	**23.1%**

(*) The comparative figures were restated as described in the section "Restatement of comparative figures".
(**) 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 extraordinary taxes.

Comments on the statement of financial position: assets

NON-CURRENT ASSETS

12. Goodwill

	31.12.2013		31.12.2012 (*)		
	Gross	Net	Gross	Net	Change
Goodwill	99,147	92,400	98,836	92,089	311

(*) The comparative figures were restated as described in the section "Restatement of comparative figures".

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.

The following table shows how goodwill is allocated by CGU:

Cash-generating unit	31.12.2013
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 approved for 2014.

The estimated recoverable amount for all the CGUs was higher than book value.

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 7.8%, 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 2013 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 7.6% and 8.0%) 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.

No events of significance have occurred in the first few months of 2014 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:

	31.12.2013		31.12.2012 (*)		
	Gross	**Net**	**Gross**	**Net**	**Change**
New product development costs	58,000	10,687	54,932	12,321	(1,634)
Patents	33,841	6,837	32,847	7,199	(362)
Trademarks and similar rights	280,299	199,814	280,053	203,729	(3,915)
Work in progress and advances	7,232	7,115	4,395	4,395	2,720
Other	20,907	10,420	20,647	11,367	(947)
Total	**400,279**	**234,873**	**392,874**	**239,011**	**(4,138)**

(*) The comparative figures were restated as described in the section "Restatement of comparative figures".

The following table reports movements in the main asset categories during 2013:

	New product development costs	Patents	Trademarks and similar rights	Work in progress and advances	Other	Total
Net opening balance	**12,321**	**7,199**	**203,729**	**4,395**	**11,367**	**239,011**
Additions	1,770	1,018	246	4,242	300	7,576
Amortization	(4,702)	(1,356)	(4,161)	(117)	(1,207)	(11,543)
Translation differences and other movements (*)	1,298	(24)	-	(1,405)	(40)	(171)
Net closing bilance	**10,687**	**6,837**	**199,814**	**7,115**	**10,420**	**234,873**

(*) "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 €6,012 thousand in development costs as intangible assets in 2013, of which €1,770 thousand in "New product development costs" for projects already completed at the reporting date and €4,242 thousand in "Work in progress and advances" for projects still in progress.
The Group incurred some €37.3 million in research and development costs during 2013.

"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 the purchase price established in the independent expert's valuation at the closing date, 1 September 2012. The definitive purchase price allocation relative to the Braun *Household* acquisition was recognized in these financial statements; for additional information please refer to the section "Restatement of comparative figures".
The "De'Longhi" trademark and the perpetual license over the "Braun" brand are treated as having an indefinite useful life under the criteria specified in IAS 38, taking into account, above all, brand awareness, economic performance, characteristics of the target market, the specific brand strategies and the amount of the investments needed to support the brands.

The impairment test carried out at the end of 2013 for both trademarks with indefinite lives has not revealed any significant evidence that these assets might have suffered an impairment loss. No events of significance have occurred so far in 2014 such as might suggest that the carrying amount of trademarks could be impaired.
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 of 7.8% 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 7.6% and 8.0%) 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:

	31.12.2013		31.12.2012		
	Gross	**Net**	**Gross**	**Net**	**Change**
Land and buildings	51,513	38,797	52,770	42,354	(3,557)
Plant and machinery	116,160	45,344	108,171	39,440	5,904
Total	**167,673**	**84,141**	**160,941**	**81,794**	**2,347**

The following table reports movements during 2013:

	Land and buildings	Plant and machinery	Total
Net opening balance	**42,354**	**39,440**	**81,794**
Additions	1,375	11,177	12,552
Disposals	(15)	(708)	(723)
Depreciation	(2,982)	(5,028)	(8,010)
Translation differences and other movements	23	463	486
Reclassification of the item "Non-current assets held for sale"	(1,958)	-	(1,958)
Net closing balance	**38,797**	**45,344**	**84,141**

The increases in "Plant and machinery" refer mainly to the purchase of plants in Romania and China, as well as the investments made in Italy in the coffee machine production lines.

As required under IFRS 5, the value of a freehold property (a foreign branch) at 31 December 2013 was recognized as a separate item under "Non-current assets held for sale". Please refer to note 26. Non-current assets held for sale.

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

	31.12.2013	31.12.2012	Change
Plant and equipment	5,261	5,647	(386)
Other	157	220	(63)
Total	**5,418**	**5,867**	**(449)**

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:

	31.12.2013		31.12.2012		
	Gross	Net	Gross	Net	Change
Industrial and commercial equipment	228,412	43,905	215,750	41,734	2,171
Other	64,080	28,176	58,399	26,020	2,156
Work in progress and advances	15,206	15,206	9,036	9,036	6,170
Total	**307,698**	**87,287**	**283,185**	**76,790**	**10,497**

The following table reports movements during 2013:

	Industrial and commercial equipment	Other	Work in progress and advances	Total
Net opening balance	**41,734**	**26,020**	**9,036**	**76,790**
Additions	16,475	9,416	13,312	39,203
Disposals	(98)	(143)	25	(216)
Depreciation	(16,896)	(8,417)	-	(25,313)
Translation differences and other movements	2,690	1,300	(7,167)	(3,177)
Net closing balance	**43,905**	**28,176**	**15,206**	**87,287**

The increase in "Industrial and commercial equipment" relates primarily to purchase of moulds for manufacturing new products.

The increase in "Work in progress" is attributable primarily to the investments connected to development of the Chinese subsidiary and the investments made in the new plant in Romania.

16. Equity investments

The balance at 31 December 2013 reports €785 thousand in equity investments in other companies, accounted for as available-for-sale financial assets.

17. Non-current receivables

The balance at 31 December 2013 comprises €2,538 thousand in security deposits (€2,340 thousand at 31 December 2012). The figure at 31 December 2013 included €6 thousand in other non-current receivables).

18. Other non-current financial assets

At 31 December 2013, these reflect €66 thousand in bonds held by subsidiaries (€109 thousand at 31 December 2012).

19. Deferred tax assets and deferred tax liabilities

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

	31.12.2013	31.12.2012 (*)	Change
Deferred tax assets (**)	38,130	41,325	(3,195)
Deferred tax liabilities	(10,119)	(7,146)	(2,973)
Net asset balance	**28,011**	**34,179**	**(6,168)**

(*) The comparative figures were restated as described in the section "Restatement of comparative figures".
(**) Calculated primarily based on taxed provisions and consolidation adjustments.

"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 goodwill arising on consolidation. 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:

	31.12.2013	31.12.2012 (*)	Change
Temporary differences	20,604	25,628	(5,024)
Tax losses	7,407	8,551	(1,144)
Net asset balance	**28,011**	**34,179**	**(6,168)**

(*) The comparative figures were restated as described in the section "Restatement of comparative figures".

The change in the net asset balance also reflects the increase in "Profit (loss) carried forward" recognized in net equity of €1,741 thousand relating to the recognition of actuarial gains/(losses) pursuant to the new IAS 19 - *Employee Benefits* in the comprehensive income statement and an increase of € 1,346 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:

	31.12.2013	31.12.2012	Change
Finished products and goods	253,464	265,284	(11,820)
Raw, ancillary and consumable materials	38,330	33,186	5,144
Work in progress and semi-finished products	23,456	14,491	8,965
Inventory writedown allowance	(31,835)	(39,203)	7,368
Total	**283,415**	**273,758**	**9,657**

The value of inventories, influenced by seasonality, is stated after deducting an allowance for obsolete or slow-moving goods totalling €31,835 thousand (€39,203 thousand at 31 December 2012) 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:

	31.12.2013	31.12.2012	Change
Trade receivables			
- due within 12 months	352,238	398,939	(46,701)
- due beyond 12 months	2	9	(7)
Allowance for doubtful accounts	(17,007)	(17,715)	708
Total	**335,233**	**381,233**	**(46,000)**

Trade receivables are stated net of an allowance for doubtful accounts of €17,007 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 proportion 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 2013 is €104,834 thousand. The total amount of receivables factored by the Group during 2013 (under Law 52/1991 known as the Factoring Law) was €561,510 thousand.

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

	31.12.2012	Increases	Utilization	Translation differences and other movements	31.12.2013
Allowance for doubtful accounts	17,715	2,743	(2,733)	(718)	17,007

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

Trade receivables are broken down by geographical area as follows:

Geographical area	31.12.2013	%	31.12.2012	%
Italy	29,477	8.8%	50,944	13.3%
United Kingdom	29,730	8.9%	28,771	7.5%
Rest of Europe	169,371	50.5%	171,789	45.1%
United States, Canada, Mexico	12,889	3.8%	13,575	3.6%
Rest of the world	93,766	28.0%	116,154	30.5%
Total	**335,233**	**100.0%**	**381,233**	**100.0%**

22. Current tax assets

These are analyzed as follows:

	31.12.2013	31.12.2012	Change
Tax payments on account	2,276	2,826	(550)
Tax refunds requested	1,540	2,343	(803)
Other direct tax receivables	5,626	6,957	(1,331)
Total	**9,442**	**12,126**	**(2,684)**

There are no current tax assets due beyond 12 months.

23. Other receivables

"Other receivables" are analyzed as follows:

	31.12.2013	31.12.2012	Change
VAT	24,739	17,448	7,291
Advances to suppliers	4,113	4,275	(162)
Other tax receivables	1,603	1,184	419
Prepaid insurance costs	984	432	552
Employees	307	276	31
Other	5,930	9,374	(3,444)
Total	**37,676**	**32,989**	**4,687**

At 31 december 2012 the item included € 67 thousand in amounts due beyond 12 months.

24. Current financial receivables and assets

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

	31.12.2013	31.12.2012	Change
Fair value of derivatives	2,184	2,460	(276)
Other financial receivables	20,709	13,616	7,093
Total	**22,893**	**16,076**	**6,817**

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

"Other financial receivables" mainly refer to receivables arising from the without-recourse factoring of receivables.

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 €199.6 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 €198.6 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 2013 include €4,446 thousand in current accounts of certain subsidiaries, mainly in China, 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 branch 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.

Comments on the statement of financial position: net equity

NET EQUITY

Net equity is made up as follows:

	31.12.2013	31.12.2012 (*)	Change
Group portion	667,413	628,366	39,047
Minority interests	2,530	2,178	352
Total	**669,943**	**630,544**	**39,399**

(*) The comparative figures were restated as described in the section "Restatement of comparative figures".

The primary objective of the Group'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.

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 23 April 2013 approved a dividend totalling €43,355 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:

	31.12.2013	31.12.2012 (*)	Change
Share premium reserve	162	162	-
Legal reserve	9,048	6,648	2,400
Other reserves			
- Extraordinary reserve	18,858	16,622	2,236
- Fair value and cash flow hedge reserve	(3,404)	(125)	(3,279)
- Currency translation reserve	(30,194)	(5,547)	(24,647)
- Profit (loss) carried forward	331,772	267,966	63,806
Total	**326,242**	**285,726**	**40,516**

(*) The comparative figures were restated as described in the section "Restatement of comparative figures".

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 €6,648 thousand at 31 December 2012. The increase of €2,400 thousand is explained by the allocation of profit for the year approved by shareholders during De'Longhi S.p.A.'s AGM held on 23 April 2013.

The "Extraordinary reserve" increased by €2,236 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 negative balance of €3,404 thousand, net of €1,341 thousand in tax. The change in the "Fair value and cash flow hedge" reserve in 2013, 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 €4,625 thousand net of €1,346 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 €113,754 thousand, net of the dividends paid which amounted to €43,355 thousand and the negative change in fair value of €6,593 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 €2,530 (including the profit for the period of €570 thousand), refer to the minority interest (49%) held in E-Services S.r.l..

The net increase of €352 thousand in minority interests in net equity with respect to 31 December 2012 is due to the profit for the period attributable to minority interests of €570 thousand and to the distribution of dividends to minority shareholders of €218 thousand.

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 31.12.2013	Profit for 2013	Net equity 31.12.2012 (*)	Profit for 2012 (*)
De'Longhi S.p.A. financial statements	**323,349**	**63,540**	**303,500**	**47,990**
Share of subsidiaries' equity and results for period attributable to the Group, after deducting carrying value of the investments	341,759	51,558	324,771	77,686
Allocation of goodwill arising on consolidation and related amortization and reversal of goodwill recognized for statutory purposes	34,042	(2,388)	36,111	(2,420)
Elimination of intercompany profits	(26,268)	5,247	(31,370)	(3,771)
Other adjustments	(2,939)	(466)	(2,468)	(623)
Consolidated financial statements	**669,943**	**117,491**	**630,544**	**118,862**
Minority interests	2,530	570	2,178	472
Group portion	**667,413**	**116,921**	**628,366**	**118,390**

(*) The comparative figures were restated as described in the section "Restatement of comparative figures".

Comments on the statement of financial position: liabilities

NON-CURRENT LIABILITIES

29. Bank loans and borrowings

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

	31.12.2013	31.12.2012	Change
Overdrafts	1,929	1,069	860
Short-term loans	68,430	67,178	1,252
Long-term loans (current portion)	29,293	28,686	607
Total short-term bank loans and borrowings	**99,652**	**96,933**	**2,719**
Long-term loans, one to five years	64,728	97,793	(33,065)
Total long term loans	**64,728**	**97,793**	**(33,065)**
Total bank loans and borrowings	**164,380**	**194,726**	**(30,346)**

Long-term loans comprise the following:

Loans (including short-term portion)	31.12.2013	31.12.2012
Bank of America - Milan branch	34,793	40,210
Intesa S.Paolo	34,791	39,676
Centrobanca - Banca Popolare di Vicenza	20,899	26,803
Banca Popolare Friuladria	2,885	5,750
Banca Popolare di Sondrio	-	5,110
Banca Popolare di Vicenza	-	4,739
Banca di Cividale	-	2,255
Banca di Treviso	653	1,936
Total long-term loans	**94,021**	**126,479**

No new medium-long term loans were granted in 2013, therefore the debt recorded at 31 December 2013 pertains primarily to the loans taken out in 2012 in relation to the Braun acquisition.

These loans include the two loans of €40,000 thousand each, granted by the Bank of America and Intesa S.Paolo; both are 5-year floating rate loans repayable every six months beginning 31 December 2013. Compliance with the relative financial covenants (net financial position/net equity and net financial position/consolidated EBITDA) will be verified every six months.

The remaining floating rate medium-long term loans (granted by Banca Popolare Friuladria, Centrobanca and Banca di Trevisio) expire between 2014 and 2017. The loans, with the exception of the loan granted by Banca di Trevisio, call for the observance of financial covenants, compliance with which is verified on an annual basis.

The covenants had not been breached at 31 December 2013.

All the loans 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 loan and its maturity. 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 remaining loan granted by Banca Popolare di Vicenza S.C.p.A. to the Parent Company De'Longhi S.p.A., was transferred by the bank to a finance company and reclassified in 2013 under "Other financial payables"; all the terms and conditions of the loan agreement were unchanged, including observance of financial covenants, compliance with which is verified on an annual basis. The covenants had not been breached at 31 December 2013.

30. Other financial payables

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

	31.12.2013	31.12.2012 (*)	Change
Negative fair value of derivatives	3,907	4,362	(455)
Payables to lease companies (short-term portion)	1,095	1,170	(75)
Ministry of Industry loans (short-term portion)	502	547	(45)
Other short term financial payables	10,339	12,321	(1,982)
Total short-term payables	**15,843**	**18,400**	**(2,557)**
Braun Household earn-out	33,580	32,265	1,315
Private placement (one to five years)	11,089	5,713	5,376
Payables to lease companies (one to five years)	2,794	3,457	(663)
Negative fair value CCIRS (hedging the bond loan - one to five years)	404	-	404
Ministry of Industry loans (one to five years)	-	502	(502)
Other financial payables (one to five years)	8,456	1,727	6,729
Total long-term payables (one to five years)	**56,323**	**43,664**	**12,659**
Private placement (beyond five years)	50,834	58,975	(8,141)
Negative fair value CCIRS (hedging the bond loan - beyond five years)	8,547	5,605	2,942
Payables to lease companies (beyond five years)	-	223	(223)
Total long-term payables (beyond five years)	**59,381**	**64,803**	**(5,422)**
Total other financial payables	**131,547**	**126,867**	**4,680**

(*) The comparative figures were restated as described in the section "Restatement of comparative figures".

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.
The medium/long term portion refers to the CCIRS (Cross Currency Interest Rate Swap) which covers both interest rate and exchange risk of the bond loan issued by the Parent Company, which calls for the exchange, on the same maturities as those of the bond loan, of interest payments and principal.
Please refer to note 39. Risk management for more information about the fair value of derivatives (currency risk hedges) at 31 December.

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

“Other financial payables (one to five years)” includes the residual financial payable of €3,941 linked to the transfer by the UK subsidiary of pension fund liabilities to third parties (see note 31. Employee benefits below for additional information). The item also includes the payables for the purchase of equity investments totaling €1,709 thousand and the €2,806 residual balance of the loan granted by Banca Popolare di Vicenza S.C.p.A. to the Parent Company De’Longhi S.p.A. which, in 2013, was reclassified as it was transferred to by the bank to a financial company.

The item “Braun Household earn-out” refers to the potential variable consideration or earn-out payable under the Braun sales agreement linked to the sales performance of the Braun brand over the first five years (“CAGR”) following the acquisition, the present value of which was estimated to be €31.8 million at the closing date; at 31 December 2013 the remainder owed P&G for the Braun Household acquisition amounted €33,580 thousand.

The bond loan refers to the issue and placement of unsecured bonds with US institutional investors (the US Private Placement), completed in the prior year of USD 85,000 thousand (equal to, at 31 December 2013, €61,923 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 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 financial covenants, tested every half-year, in line with those contemplated in other existing loan transactions. At 31 December 2013 the covenants had not been breached. The issue is not secured by collateral of any kind.

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:

	31.12.2013	31.12.2012 (*)	Change
A . Cash	125	912	(787)
B. Cash equivalents	270,617	243,083	27,534
C. Securities	-	-	-
D. Total liquidity (A+B+C)	**270,742**	**243,995**	**26,747**
E. Current financial receivables and other securities	**22,893**	**16,076**	**6,817**
of which:			
Fair value of derivatives	*2,184*	*2,460*	*(276)*
F. Current bank loans and borrowings	(70,359)	(68,247)	(2,112)
G. Current portion of non-current debt	(29,293)	(28,686)	(607)
H. Other current financial payables	(15,843)	(18,400)	2,557
of which:			
Fair value of derivatives	*(3,907)*	*(4,362)*	*455*
I. Current financial debt (F+G+H)	**(115,495)**	**(115,333)**	**(162)**
J. Net current financial receivables (payables)(D+E+I)	**178,140**	**144,738**	**33,402**
Non-current financial receivables (**)	66	114	(48)
K. Non-current bank loans and borrowings	(64,728)	(97,793)	33,065
L. Bonds	(61,923)	(64,688)	2,765
M. Other non-current payables	(53,781)	(43,779)	(10,002)
of which:			
Fair value of derivatives	*(8,951)*	*(5,605)*	*(3,346)*
Financial payable - pension fund transaction	*(3,941)*	*-*	*(3,941)*
Options on equity investments	*(1,709)*	*(1,727)*	*18*
Residual payables for Braun acquisition (earn-out)	*(33,580)*	*(32,265)*	*(1,315)*
N. Non-current financial debt (K+L+M)	**(180,366)**	**(206,146)**	**25,780**
Total	**(2,226)**	**(61,408)**	**59,182**

(*) The comparative figures were restated as described in the section "Restatement of comparative figures".
(**) The amount at 31 December 2012 differs from that reported in the statement of financial position in "Other non-current financial assets" because it includes €5 thousand in non-current financial receivables classified in "Receivables".

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:

	31.12.2013	31.12.2012(*)	Change
Provision for severance indemnities	10,391	10,657	(266)
Other defined benefit plans	10,706	10,256	450
Medium/long term benefits	7,553	4,000	3,553
Total	**28,650**	**24,913**	**3,737**

(*) The comparative figures were restated as described in the section "Restatement of comparative figures".

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	31.12.2013	31.12.2012	Change
Current service cost	165	114	51
Interest cost on defined benefit obligation	331	421	(90)
Total	**496**	**535**	**(39)**

Change in present value of obligations	31.12.2013	31.12.2012 (*)	Change
Present value at 1 January	**10,657**	**9,288**	**1,369**
Current service cost	165	114	51
Utilization of provision	(654)	(614)	(40)
Interest cost on obligation	331	421	(90)
Actuarial gains & losses recognized in the comprehensive income statement	(108)	1,448	(1,556)
Present value at reporting date	**10,391**	**10,657**	**(266)**

(*) The comparative figures were restated as described in the section "Restatement of comparative figures".

Other defined benefit plans:

Movements in the year are as follows:

Net cost charged to income	31.12.2013	31.12.2012 (*)	Change
Current service cost	1,159	845	314
Return on plan assets	(1,665)	(1,773)	108
Interest cost on obligations	1,851	1,927	(76)
Total	**1,345**	**999**	**346**

(*) The comparative figures were restated as described in the section "Restatement of comparative figures".

Change in present value of obligations	31.12.2013	31.12.2012 (*)	Change
Present value at 1 January	**10,256**	**6,994**	**3,262**
Net cost charged to income	1,345	999	346
Benefits paid	(2,527)	(2,473)	(54)
Translation difference	(750)	(477)	(273)
Financial payable linked to transfer of liabilities to third parties	(6,223)	-	(6,223)
Actuarial gains & losses recognized in the comprehensive income statement	8,442	(673)	9,115
Braun Household acquisition	-	5,656	(5,656)
Other movements	163	230	(67)
Present value at reporting date	**10,706**	**10,256**	**450**

(*) The comparative figures were restated as described in the section "Restatement of comparative figures".

The outstanding liability at 31 December 2013 of €10,706 thousand (€10,256 thousand at 31 December 2012) refers to a few subsidiaries (mainly in Germany and Japan).

The subsidiary Kenwood Limited has a defined employee benefit plan, through an outside pension fund, which has financial assets and obligations to certain employees and former employees of the company (the fund has been closed to new entrants for several years).
Any deficit between the plan's financial assets and obligations is borne by the Group and has, therefore, been represented historically as a defined benefit plan in previous consolidated financial statements, based on actuarial valuations and application of the corridor method; the new version of IAS 19, applicable beginning 1 January 2013, prohibits use of the corridor method used by the Group through 2012 (see the related note in *Principal Accounting Policies*).
In light of the fund deficit and the gradual increase in the net liability in recent years in 2011 the Group decided to reduce its exposure to the risk arising from this plan's obligations, just for beneficiaries who have already retired, by purchasing annuities which exactly cover the plan's benefits for the beneficiaries concerned. In 2013 the Group completed another transaction involving the other plan beneficiaries (the employees still actively employed by the Group) as a result of which the pension fund liabilities were transferred to third parties based on the "buy in" agreement stipulated with a premier insurance company which will be followed by a "full buy out" payable on the expiration date agreed upon.
As a result of this additional transaction the Group essentially neutralized the risk linked to this plan, relative to all the beneficiaries; a partial delayed payment schedule was also agreed upon with the insurance company based on which a financial payable was recognized which amounted to €3,941 thousand at 31 December 2013.
The actuarial loss resulting from the transaction described above was recognized in the statement of comprehensive income for 2013, in accordance with the new version of IAS 19.

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

Assumptions used	Severance indemnity 2013	Severance indemnity 2012	Other plans 2013	Other plans 2012
Discount rate	3.2%	3.2%	1.25%-4.51%	1.5%-4.3%
Future salary increases	2.0-4.0%	2.0-4.0%	1.0%-3.5%	0.0%-3.0%
Inflation rate	2.0%	2.0%	0.0%-3.6%	0.0%-2.7%

The other medium-long term benefits refer to two incentive plans 2012 - 2014 for which relative provisions were made. Beneficiaries of these plans, approved by the Company's Board of Directors on 12 November 2013 and 14 February 2013, include the Chief Executive Officer, as well as a few other executives of De'Longhi S.p.A. and other Group companies; 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:

	31.12.2013	31.12.2012(*)	Change
Agents' leaving indemnity provision	2,156	2,094	62
Product warranty provision	33,044	34,511	(1,467)
Provision for contingencies and other charges	17,913	16,240	1,673
Total	**53,113**	**52,845**	**268**

(*) The comparative figures were restated as described in the section "Restatement of comparative figures".

Movements are as follows:

	31.12.2012(*)	Utilization	Accrual	Other	31.12.2013
Agents' leaving indemnity provision	2,094	(160)	319	(97)	2,156
Product warranty provision	34,511	(17,625)	17,053	(895)	33,044
Provision for contingencies and other charges	16,240	(4,537)	5,971	239	17,913
Total	**52,845**	**(22,322)**	**23,343**	**(753)**	**53,113**

(*) The comparative figures were restated as described in the section "Restatement of comparative figures".

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 2013. 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 €10,670 thousand (€9,079 thousand at 31 December 2012) for liabilities arising from product complaints (limited to the Group's insurance deductible), the provision of €1,974 thousand (€192 thousand at 31 December 2012) for restructuring and reorganization and 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.

Trade payables are broken down by geographical area as follows:

Geographical area	31.12.2013	%	31.12.2012	%
Italy	95,714	27.7%	88,846	25.3%
United Kingdom	38,205	11.1%	38,027	10.8%
Rest of Europe	73,791	21.3%	87,599	24.9%
United States, Canada, Mexico	5,752	1.7%	7,306	2.1%
Rest of the world	132,204	38.2%	129,953	36.9%
Total	**345,666**	**100.0%**	**351,731**	**100.0%**

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

34. Current tax liabilities

The item “Tax liabilities” refers to the Group’s direct tax and includes tax due beyond 12 months of €2,947 thousand.

35. Other payables

These are analyzed as follows:

	31.12.2013	31.12.2012	Change
Employees	23,957	24,701	(744)
Indirect taxes	20,013	22,910	(2,897)
Social security institutions	6,249	5,504	745
Withholdings payables	4,332	4,340	(8)
Advances	955	1,182	(227)
Other taxes	6,629	968	5,661
Other	18,908	14,751	4,157
Total	**81,043**	**74,356**	**6,687**

36. Commitments

These are detailed as follows:

	31.12.2013	31.12.2012	Change
Guarantees given to third parties	1,252	1,344	(92)
Other commitments	6,597	5,382	1,215
Total	**7,849**	**6,726**	**1,123**

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

In addition:
- as part of its factoring of trade receivables without recourse, the total exposure for which amounted to €104,834 at 31 December 2013, the Group issued a surety and a credit mandate;
- the Group also issued sureties in the name of DL Radiators S.p.A. of €5,838 thousand and Climaveneta S.p.A. of €3,673 thousand in relation to the 2010 VAT declaration for which De'Longhi S.p.A. acted as the Group's consolidator for VAT refunds.

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		
31/12/2013	**Book value**	**Loans and receivables**	**Available for sale**	**Derivatives**
Non-current assets				
- Equity investments (other)	785		*785*	
- Receivables	2,538	*2,538*		
- Other non-current financial assets	66	*66*		
Current assets				
- Trade receivables	335,233	*335,233*		
- Current tax assets	9,442	*9,442*		
- Other receivables	37,676	*37,676*		
- Current financial receivables and assets	22,893	*20,709*		*2,184*
- Cash and cash equivalents	270,742	*270,742*		

		Liabilities	
31/12/2013	**Book value**	**Loans**	**Derivatives**
Non-current liabilities			
- Bank loans and borrowings (long-term portion)	(64,728)	*(64,728)*	
- Other financial payables (long-term portion)	(115,704)	*(106,753)*	*(8,951)*
Current liabilities			
- Trade payables	(345,666)	*(345,666)*	
- Bank loans and borrowings (short-term portion)	(99,652)	*(99,652)*	
- Other financial payables (short-term portion)	(15,843)	*(11,936)*	*(3,907)*
- Current tax liabilities	(17,118)	*(17,118)*	
- Other payables	(81,043)	*(81,043)*	

31/12/2012	Book value	Assets Loans and receivables	Available for sale	Derivatives
Non-current assets				
- Equity investments (other)	737		*737*	
- Receivables	2,346	*2,346*		
- Other non-current financial assets	109	*109*		
Current assets				
- Trade receivables	381,233	*381,233*		
- Current tax assets	12,126	*12,126*		
- Other receivables	32,989	*32,989*		
- Current financial receivables and assets	16,076	*13,616*		*2,460*
- Cash and cash equivalents	243,995	*243,995*		

31/12/2012 (*)	Book value	Liabilities Loans	Derivatives
Non-current liabilities			
- Bank loans and borrowings (long-term portion)	(97,793)	*(97,793)*	
- Other financial payables (long-term portion)	(108,467)	*(102,862)*	*(5,605)*
Current liabilities			
- Trade payables	(351,731)	*(351,731)*	
- Bank loans and borrowings (short-term portion)	(96,933)	*(96,933)*	
- Other financial payables (short-term portion)	(18,400)	*(14,038)*	*(4,362)*
- Current tax liabilities	(31,250)	*(31,250)*	
- Other payables	(74,356)	*(74,356)*	

(*) The comparative figures were restated as described in the section “Restatement of comparative figures”.

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 2013. 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	-	2,184	-
- derivatives with negative fair value	-	12,858	-
Available for sale financial assets:			
- equity investments	102	-	-
- other non-current financial assets	66	-	-

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 €352,240 thousand at 31 December 2013 and €398.948 thousand at 31 December 2012.
This amount corresponds to the gross balance of trade receivables of €384,340 thousand at 31 December 2013 (€434,830 thousand at 31 December 2012), 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 €384,340 thousand at 31 December 2013 comprise €333,158 thousand in current balances and €51,182 thousand in past due amounts, of which €43,531 thousand past due by less than 90 days and €7,651 thousand past due by more than 90 days.
The amount of insured or guaranteed receivables at 31 December 2013 is €279,186 thousand, of which €247,688 thousand is current, €31,140 thousand past due by less than 90 days and €358 thousand past due by more than 90 days.
The Group has recognized €17,007 thousand in allowances for doubtful accounts against unguaranteed receivables of €105,153 thousand (of which €12,392 thousand past due by less than 90 days and €7,292 thousand past due by more than 90 days).

Trade receivables of €434,830 thousand at 31 December 2012 comprise €345,260 thousand in current balances and €89,570 thousand in past due amounts, of which €76,751 thousand past due by less than 90 days and €12,819 thousand past due by more than 90 days.
The amount of insured or guaranteed receivables at 31 December 2012 is €292,405 thousand, of which €258,797 thousand is current, €33,020 thousand past due by less than 90 days and €588 thousand past due by more than 90 days.
The Group has recognized €17,715 thousand in allowances for doubtful accounts against unguaranteed receivables of €142,425 thousand (of which €43,730 thousand past due by less than 90 days and €12,230 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 funds 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 2013 and 31 December 2012 on the basis of undiscounted contractual payments.

	Undiscounted cash flows at 31.12.2013	Within one year	One to five years	Beyond five years	Undiscounted cash flows at 31.12.2012 (*)	Within one year	One to five years	Beyond five years
Bank loans and borrowings (**)	169,845	102,232	67,613	-	204,637	100,680	103,957	-
Other financial payables (***)	121,707	17,621	26,460	77,626	161,001	21,197	59,439	80,365
Trade payables	345,666	345,666	-	-	351,731	351,731	-	-
Current tax payables and other payables	98,161	95,167	2,994	-	105,606	96,363	9,243	-

(*) The comparative figures were restated as described in the section "Restatement of comparative figures".
(**) The corresponding balance in the accounts is €164,380 thousand at 31 December 2013 and €194,726 thousand at 31 December 2012.
(***) The corresponding balance in the accounts is €131,547 thousand at 31 December 2013 and €126,867 at 31 December 2012 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 and trade and financial receivables/payables.

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").

The principal currencies to which the Group is exposed are:
- the US dollar (mainly the EUR/USD, GBP/USD and RUB/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 exchange rate) for sales on the Japanese market;
- the Australian dollar (AUD/HKD) for sales on the Australian 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 2013:
(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 2013, 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 +/- €8.9 million before tax (+/- €5.4 million before tax at 31 December 2012). 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 +/- €0.1 million before tax (+/- €1.8 million before tax at 31 December 2012).

The hedging transactions at 31 December 2013 are described in the paragraph "*Interest rate and currency exchange hedges at 31 December 2013*".

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 2013 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 2013.

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 €62.8 million on a total of €2.2 million in net debt at 31 December 2013 and total net assets of €8.3 million on a total of €61.4 million in net debt in 2012).

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 immaterial impact recognized entirely in the income statement (+/- €0.6 million at 31 December 2013; +/- €0.1 million before tax at 31 December 2012).

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 +/- €0.1 million before tax at 31 December 2013 (+/- €0.9 million before tax at 31 December 2012).

Interest rate and currency exchange hedges at31 December 2013

At 31 December 2013 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 2013 is provided below:

	Fair Value at 31/12/2013		
	Assets	**Liabilities (Short term portion)**	**Liabilities (Medium-Long term portion)**
FX forward agreements	1,310	(900)	-
CCIRS on the bond loan issued by the parent company (in USD)	-	-	(4,990)
Derivatives hedging foreign currency receivables/payables	**1,310**	**(900)**	**(4,990)**
FX fFX forwards	874	(3,007)	-
CCIRS on the bond loan issued by the parent company (in USD)	-	-	(3,961)
Derivatives covering expected cash flows	**874**	**(3,007)**	**(3,961)**
Total fair value of the derivatives	**2,184**	**(3,907)**	**(8,951)**

Forward agreements to hedge against a change in 2014 trade flows:
A list of the forward agreements hedging a change in 2014 trade flows at 31 December 2013:

	Notional amount *(in thousands)*			**Fair value** *(in €/000)*	
Currency	**Purchases**	**Sales**	**Total**	**Asset**	**Liability**
AUD v/HKD	-	53,940	53,940	7	(192)
CHF v/GBP	-	5,800	5,800	102	-
JPY v/HKD	-	2,824,900	2,824,900	159	-
CNY v/HKD	(711,300)	-	(711,300)	1	(227)
TRY v/EUR	-	21,317	21,317	358	-
TRY v/GBP	-	6,299	6,299	115	-
USD v/EUR	(144,725)	-	(144,725)	8	(2,377)
USD v/GBP	(25,000)	-	(25,000)	-	(211)
ZAR v/USD	-	116,760	116,760	124	-
				874	**(3,007)**

A negative cash flow hedge reserve of €523 thousand has been recorded in net equity at 31 December 2013 in relation to these hedges, after €258 thousand in related tax; this same reserve was a positive €2,423 thousand at 31 December 2012, after the related tax of €943 thousand.

During 2013 the Group reversed to the income statement a net amount of €1,822 thousand from the cash flow hedge reserve at 31 December 2012.
This amount was reported in the following lines of the income statement:

	2013	**2012**
Increase (reduction) in revenues	(9)	3,236
(Increase) reduction in materials consumed	2,546	14,995
Financial income (expenses)	-	386
Taxes	(715)	(4,872)
Total recognized in income statement	**1,822**	**13,745**

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 v/HKD	-	40,080	40,080	-	(119)
AUD v/USD	-	9,802	9,802		(18)
BRL v/HKD	-	16,061	16,061	43	-
CAD v/USD	-	6,214	6,214	13	-
CHF v/EUR	(666)	832	166	3	(2)
CHF v/GBP	-	543	543	6	-
CLP v/HKD	-	1,292,248	1,292,248	-	(6)
CZK v/EUR	(32,759)	196,920	164,161	-	(34)
CZK v/GBP	-	64,894	64,894	15	-
DKK v/GBP	(318)	9,675	9,357	16	-
EUR v/GBP	(4,292)	21,626	17,334	257	(13)
EUR v/JPY	(117)	-	(117)	3	-
EUR v/USD	(389)	2,589	2,200	1	(7)
EUR v/HKD	-	101	101	-	(1)
GBP v/EUR	(1,258)	3,168	1,910	17	(55)
HUF v/EUR	(34,479)	383,896	349,417	-	(19)
JPY v/EUR	(11,196)	-	(11,196)	-	(2)
JPY v/HKD	-	1,312,225	1,312,225	174	(1)
NOK v/EUR	(833)	-	(833)	1	-
PLN v/EUR	(7,221)	35,471	28,250	-	(65)
PLN v/GBP	-	8,783	8,783	10	-
CNY v/HKD	(125,885)	-	(125,885)	-	(90)
RON v/EUR	(24,097)	83,440	59,343	-	(34)
RUB v/EUR	-	1,469,354	1,469,354	-	(173)
RUB v/GBP	-	94,799	94,799	19	-
SEK v/GBP	(320)	2,534	2,214	-	(2)
SEK v/EUR	-	530	530	-	(1)
TRY v/EUR	(469)	31,474	31,005	521	-
TRY v/GBP	-	4,161	4,161	95	-
USD v/EUR	(59,903)	3,218	(56,685)	24	(67)
USD v/GBP	(23,983)	-	(23,983)	-	(191)
ZAR v/EUR	-	10,000	10,000	15	-
ZAR v/HKD	-	80,822	80,822	77	-
				1,310	**(900)**

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 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 32,513 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 2013, 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, at 31 December 2013 was a negative €8,951 thousand, recognized under "Other financial payables".

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 which amount to a loss of €2,811 thousand (the gain on the hedged item amounts to €2,800 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 €3,938 thousand at 31 December 2013 was reported in net equity, before the related tax of €1,083 thousand.

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

			Changes 2013			
Currency	**Notional amount** (in USD/000)	***Fair value* at 31.12.2012 (*)**	**Gains/(losses on the hedging instrument (*)**	**Cash flow hedge reserve (exchange rate risk) (*)**	**Cash flow hedge reserve (interest rate risk) (*)**	**Total *fair value* at 31.12.2013 (*)**
USD v/EUR	117,513	(5,605)	(2,811)	(864)	329	(8,951)

(*) 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 programme 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. The company reserved the right to appeal the alleged violations in the appropriate forum.

- Kenwood Appliances Ltd. and Kenwood Ltd.: an agreement relative to the objections raised through year-end 2010 pertaining, above all, to the application of Controlled Foreign Corporation rules was reached.

When preparing the present consolidated financial statements, the Group has 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

			2013		
	Europe	**APA**	**MEIA**	**Intersegment eliminations (**)**	**Total**
Total revenues (*)	1,214,549	810,717	124,389	(517,022)	1,632,633
EBITDA	**151,970**	**69,128**	**18,248**	**489**	**239,835**
Amortization	(35,553)	(9,266)	(47)	-	(44,866)
EBIT	**116,417**	**59,862**	**18,201**	**489**	**194,969**
Financial income (expenses)					(37,876)
Profit (loss) before taxes					**157,093**
Income taxes					(39,602)
Profit (loss) after taxes					**117,491**
Profit (loss) pertaining to minority interests					570
Profit (loss) for the year					**116,921**

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

Data from statement of financial position

	31 December 2013				
	Europe	**APA**	**MEIA**	**Intersegment eliminations**	**Total**
Total assets	1,057,697	565,200	37,649	(158,967)	1,501,579
Total liabilities	(728,397)	(250,677)	(11,526)	158,964	(831,636)

Income statement Data

	2012 (*)				
	Europe	**APA**	**MEIA**	**Intersegment eliminations (***)**	**Total**
Total revenues (**)	1,106,689	855,327	82,740	(514,651)	1,530,105
EBITDA	**128,972**	**86,396**	**8,081**	**1,104**	**224,553**
Amortization	(25,010)	(10,537)	(43)	-	(35,590)
EBIT	**103,962**	**75,859**	**8,038**	**1,104**	**188,963**
Financial income (expenses)					(34,373)
Profit (loss) before taxes					**154,590**
Income taxes					(35,728)
Profit (loss) after taxes					**118,862**
Profit (loss) pertaining to minority interests					472
Profit (loss) for the year					**118,390**

(*) The comparative figures were restated as described in the section "Restatement of comparative figures".
(**) The revenues for each segment include revenues generated by both third parties and other Group operating segments.
(***) Elisions refer to intersegment revenues generated and eliminated on a consolidated basis.

Data from statement of financial position

	31 December 2012 (*)				
	Europe	**APA**	**MEIA**	**Intersegment eliminations**	**Total**
Total assets	1,010,673	585,455	28,714	(130,464)	1,494,378
Total liabilities	(677,949)	(297,178)	(19,176)	130,469	863,834

(*) The comparative figures were restated as described in the section "Restatement of comparative figures".

43. Subsequent events

There have been no significant events since the end of the period.

Treviso, 10 March 2014

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

Company name	Registered office	Currency	Share capital (1)	Interest held at 31/12/2013	
				Directly	Indirectly
LINE-BY-LINE METHOD:					
DE'LONGHI APPLIANCES S.R.L.	Treviso	EUR	200,000,000.00	100%	
DE'LONGHI AMERICA INC.	Upper Saddle River	USD	9,100,000.00		100%
DE'LONGHI FRANCE S.A.R.L.	Clichy	EUR	2,737,500.00		100%
DE'LONGHI CANADA INC.	Mississauga	CAD	1.00		100%
DE'LONGHI DEUTSCHLAND GMBH	Neu-Isenburg	EUR	2,100,000.00	100%	
DE'LONGHI BRAUN HOUSEHOLD GMBH	Neu-Isenburg	EUR	100,000.00		100%
DE'LONGHI ELECTRODOMESTICOS ESPANA S.L.	Barcellona	EUR	3,066.00		100%
DE'LONGHI CAPITAL SERVICES S.R.L. (2)	Treviso	EUR	53,000,000.00	11.32%	88,68%
E- SERVICES S.R.L.	Treviso	EUR	50,000.00	51%	
DE'LONGHI KENWOOD A.P.A. LTD	Hong Kong	HKD	73,010,000.00		100%
TRICOM INDUSTRIAL COMPANY LIMITED	Hong Kong	HKD	171,500,000.00		100%
PROMISED SUCCESS LIMITED	Hong Kong	HKD	28,000,000.00		100%
ON SHIU (ZHONGSHAN) ELECTRICAL APPLIANCE CO.LTD.	Zhongshan City	CNY	USD 6,900,000.00		100%
DE'LONGHI-KENWOOD APPLIANCES (DONG GUAN) CO.LTD.	Qing Xi Town	CNY	HKD 207,103,600.00		100%
DE LONGHI BENELUX S.A. (3)	Luxembourg	EUR	181,730,990.00	100%	
DE'LONGHI JAPAN CORPORATION	Tokyo	JPY	450,000,000.00		100%
DE'LONGHI AUSTRALIA PTY LTD.	Prestons	AUD	28,800,001.00		100%
DE'LONGHI NEW ZEALAND LTD.	Auckland	NZD	18,857,143.00		100%
ZASS ALABUGA LLC	Elabuga	RUB	95,242,767.00		100%
DE'LONGHI LLC	Mosca	RUB	644,820,000.00		100%
KENWOOD APPLIANCES LTD.	Havant	GBP	30,586,001.00		100%
KENWOOD LIMITED	Havant	GBP	25,050,000.00		100%
KENWOOD INTERNATIONAL LTD.	Havant	GBP	20,000,000.00		100%
KENWOOD APPL. (SINGAPORE) PTE LTD.	Singapore	SGD	500,000.00		100%
KENWOOD APPL. (MALAYSIA) SDN.BHD.	Subang Jaya	MYR	1,000,000.00		100%
DE'LONGHI-KENWOOD GMBH	Wr Neudorf	EUR	36,336.00	100%	
KENWOOD HOME APPL. PTY LTD.	Maraisburg	ZAR	96,372,500.00		100%
DE'LONGHI KENWOOD HELLAS S.A.	Atene	EUR	452,520.00		100%
DE'LONGHI PORTUGAL UNIPESSOAL LDA	Maia	EUR	5,000.00		100%
ARIETE DEUTSCHLAND GMBH	Dusseldorf	EUR	25,000.00		100%
CLIM.RE. S.A.	Luxembourg	EUR	1,239,468.00	4%	96%
ELLE SRL	Treviso	EUR	10,000.00		100%
DE'LONGHI BOSPHORUS EV ALETLERI TICARET ANONIM SIRKETI	Istanbul	TRY	18,100,000.00		100%
DE'LONGHI PRAGA S.R.O.	Praga	CZK	200,000.00		100%
KENWOOD SWISS AG	Baar	CHF	1,000,000.00		100%
DL HRVATSKA D.O.O.	Zagabria	HRD	20,000.00		100%
DE'LONGHI BRASIL - COMÉRCIO E IMPORTAÇÃO Ltda	São Paulo	BRL	35,954,946.00		100%
DE'LONGHI POLSKA SP. Z.O.O.	Varsavia	PLN	50,000.00		100%
DE'LONGHI APPLIANCES TECHNOLOGY SERVICES (Shenzen) Co. Ltd	Shenzen	CNY	USD 175,000.00		100%
DE'LONGHI UKRAINE LLC	Kiev	UAH	549,843.20		100%

Company name	Registered office	Currency	Share capital (1)	Interest held at 31/12/2013	
				Directly	Indirectly
DE'LONGHI TRADING (SHANGHAI) CO. LTD	Shanghai	CNY	USD 945,000.00		100%
DE'LONGHI KENWOOD MEIA F.ZE	Dubai	USD	AED 2,000,000.00		100%
DE'LONGHI ROMANIA S.R.L.	Cluj-Napoca	RON	27,399,380.00	5%	95%
DE'LONGHI KENWOOD KOREA LTD	Seoul	KRW	100,000,000.00		100%
DL CHILE S.A.	Santiago del Cile	CLP	3,079,066,844.00		100%
DE'LONGHI SCANDINAVIA AB	Stockholm	SEK	5,000,000.00		100%
PROPORTIONATE METHOD:					
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: (4)			
DE'LONGHI LTD.	Wellingborough	GBP	4,000,000.00
KENWOOD APPLIANCES INC.	Wilmington	USD	25,000

COMPANIES LIQUIDATED IN THE PERIOD UNDER EXAMINATION

Company name	Registered office
DL TRADING (SHENZEN) COMPANY CO. LTD.	Shenzen

(1) Figures at 31 December 2013, 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) Previously named De Longhi Household S.A.
(4) Dormant company, whose financial statement is unavailable.

Statement of consolidated cash flows in terms of net financial position (*)

(€/000)	2013	2012 (**)
Profit (loss) pertaining to the group	116,921	118,390
Income taxes for the period	39,602	35,728
Amortization	44,866	35,590
Net change in provisions	4,021	2,260
Cash flow generated by current operations (A)	**205,410**	**191,968**
Change in assets and liabilities for the period:		
Trade receivables	11,532	(37,415)
Inventories	(27,218)	(978)
Trade payables	26,930	23,441
Other current assets and liabilities	(2,603)	(282)
Payment of income taxes	(39,850)	(49,954)
Cash flow absorbed by movements in working capital (B)	**(31,209)**	**(65,188)**
Cash flow generated by current operations and movements in working capital (A+B)	**174,201**	**126,780**
Investment activities:		
Investments in intangible assets	(7,887)	(9,317)
Other cash flows for intangible assets	34	(23)
Investments in property, plant and equipment	(51,750)	(53,360)
Other cash flows for property, plant and equipment	501	352
Net investments in equity investments and other financial assets	(417)	(501)
Cash flow absorbed by ordinary investment activities (C)	**(59,519)**	**(62,849)**
Braun transaction	-	(171,822)
Non-recurring cash flow (D)	**-**	**(171,822)**
Dividends paid	(43,355)	(49,335)
Fair value and cash flow reserves	(4,672)	(25,032)
Actuarial losses on pension fund operation	(6,223)	-
Change in currency translation reserve	(1,602)	3,206
Increase (decrease) in minority interests in capital and reserves	352	245
Cash flow absorbed by changes in net equity and by financing activities (E)	**(55,500)**	**(70,916)**
Cash flow for the period (A+B+C+D+E)	**59,182**	**(178,807)**
Opening net financial position	**(61,408)**	**117,399**
Cash flow for the period (A+B+C+D+E)	59,182	(178,807)
Closing net financial position	**(2,226)**	**(61,408)**

(*) Net financial position represents cash and cash equivalents and other financial receivables less financial payables. More details about its composition can be found in the earlier note on Net financial position.
(**) The comparative figures were restated as a result of the retroactive application of the new IAS 19 - *Employee benefits* and the definitive accounting related to the Braun Household acquisition in accordance with IFRS 3 - *Business combinations*.

Transactions and balances with related parties

Income statement
(pursuant to CONSOB Resolution 15519 of 27 July 2006)

(€/000)	2013	of which with related parties	2012 (*)	of which with related parties
Revenues from sales and services	1,606,763	2,371	1,506,039	8,037
Other revenues	25,870	1,836	24,066	2,978
Total consolidated revenues	**1,632,633**		**1,530,105**	
Raw and ancillary materials, consumables and goods	(730,457)	(355)	(693,799)	(894)
Change in inventories of finished products and work in progress	21,266		11,156	
Change in inventories of raw and ancillary materials, consumables and goods	3,375		(6,992)	
Materials consumed	**(705,816)**		**(689,635)**	
Payroll costs	(194,644)		(179,635)	
Services and other operating expenses	(466,252)	(5,540)	(409,686)	(5,315)
Provisions	(26,086)		(25,625)	
Amortization	(44,866)		(35,590)	
Other income (expenses)	-		(971)	
EBIT	**194,969**		**188,963**	
Financial income (expenses)	(37,876)		(34,373)	427
RISULTATO PRIMA DELLE IMPOSTE	**157,093**		**154,590**	
Income taxes	(39,602)		(35,728)	
CONSOLIDATED PROFIT	**117,491**		**118,862**	
Profit (loss) pertaining to minority interests	570		472	
PROFIT PERTAINING TO THE GROUP	**116,921**		**118,390**	

(*) The comparative figures were restated as a result of the retroactive application of the new IAS 19 - *Employee benefits* and the definitive accounting related to the Braun Household acquisition in accordance with IFRS 3 - *Business combinations*.

Statement of financial position - assets
(pursuant to CONSOB Resolution 15519 of 27 July 2006)

(€/000)	31.12.2013	of which with related parties	31.12.2012 (*)	of which with related parties
NON-CURRENT ASSETS				
INTANGIBLE ASSETS	327,273		331,100	
- Goodwill	92,400		92,089	
- Other intangible assets	234,873		239,011	
PROPERTY, PLANT AND EQUIPMENT	171,428		158,584	
- Land, property, plant and machinery	84,141		81,794	
- Other tangible assets	87,287		76,790	
EQUITY INVESTMENTS AND OTHER FINANCIAL ASSETS	3,389		3,192	
- Equity investments	785		737	
- Receivables	2,538		2,346	6
- Other non-current financial assets	66		109	
DEFERRED TAX ASSETS	38,130		41,325	
TOTAL NON-CURRENT ASSETS	**540,220**		**534,201**	
CURRENT ASSETS				
INVENTORIES	283,415		273,758	
TRADE RECEIVABLES	335,233	2,049	381,233	4,422
CURRENT TAX ASSETS	9,442		12,126	
OTHER RECEIVABLES	37,676	403	32,989	465
CURRENT FINANCIAL RECEIVABLES AND ASSETS	22,893	1,523	16,076	1,694
CASH AND CASH EQUIVALENTS	270,742		243,995	
TOTAL CURRENT ASSETS	**959,401**		**960,177**	
NON-CURRENT ASSETS HELD FOR SALE	1,958			
TOTAL ASSETS	**1,501,579**		**1,494,378**	

(*) The comparative figures were restated as a result of the retroactive application of the new IAS 19 - *Employee benefits* and the definitive accounting related to the Braun Household acquisition in accordance with IFRS 3 - *Business combinations*.

Statement of financial position - net equity and liabilities
(pursuant to CONSOB Resolution 15519 of 27 July 2006)

(€/000)	31.12.2013	of which with related parties	31.12.2012 (*)	of which with related parties
NET EQUITY				
GROUP PORTION OF NET EQUITY	667,413		628,366	
- Share capital	224,250		224,250	
- Reserves	326,242		285,726	
- Profit (loss) pertaining to the group	116,921		118,390	
MINORITY INTERESTS	2,530		2,178	
TOTAL NET EQUITY	**669,943**		**630,544**	
NON-CURRENT LIABILITIES				
FINANCIAL PAYABLES	180,432		206,260	
- Bank loans and borrowings (long-term portion)	64,728		97,793	
- Other financial payables (long-term portion)	115,704		108,467	
DEFERRED TAX LIABILITIES	10,119		7,146	
NON-CURRENT PROVISIONS FOR CONTINGENCIES AND OTHER CHARGES	81,763		77,758	
- Employee benefits	28,650		24,913	
- Other provisions	53,113		52,845	
TOTAL NON-CURRENT LIABILITIES	**272,314**		**291,164**	
CURRENT LIABILITIES				
TRADE PAYABLES	345,666	689	351,731	660
FINANCIAL PAYABLES	115,495		115,333	
- Bank loans and borrowings (short-term portion)	99,652		96,933	
- Other financial payables (short-term portion)	15,843	1,523	18,400	2,779
CURRENT TAX LIABILITIES	17,118		31,250	
OTHER PAYABLES	81,043	1,819	74,356	1,323
TOTAL CURRENT LIABILITIES	**559,322**		**572,670**	
TOTAL NET EQUITY AND LIABILITIES	**1,501,579**		**1,494,378**	

(*) The comparative figures were restated as a result of the retroactive application of the new IAS 19 - *Employee benefits* and the definitive accounting related to the Braun Household acquisition in accordance with IFRS 3 - *Business combinations*.

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 2013 and related balances with commercial nature at 31 December 2013:

(€/million)	Revenues	Costs	Trade and other receivables	Trade and other payables	Financial payables/ receivables
Related companies:					
DeLclima S.p.A.	0.1	-	-	-	-
Climaveneta S.p.A.	1.2	0.4	1.0	1.3	1.3
DL Radiators S.p.A.	2.6	0.3	1.3	0.4	0.4
R.C. Group S.p.A.	-	-	0.1	0.4	0.4
Other companies of DeLClima Group	0.2	-	-	-	-
Gamma S.r.l.	0.1	5.1	0.1	0.4	0.4
TOTAL RELATED PARTIES	**4.2**	**5.9**	**2.5**	**2.5**	**2.5**

Starting from January 2012, following the demerger described in previous reports, DeLclima S.p.A. and its subsidiaries became related parties, as they are controlled by the same shareholders.
The transactions between the De'Longhi Group and the DeLclima Group are limited to financial and administrative services which continue to be provided by De'Longhi to DeLclima (primarily payroll and IT services).
There are also a few transactions relating to the production/purchase of finished and semi-finished products (primarily from China) then sold to DeLclima Group companies under arm's-length terms and conditions.
The receivables/payables relative to Climaveneta S.p.A., DL Radiators S.p.A. and RC Group S.p.A. refer primarily to the tax receivables/payables from previous years when the companies were 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

(€/000)

Type of service	Party performing the service	Recipient	Fees earned in 2013
Auditing	Reconta Ernst & Young S.p.A.	De'Longhi SpA (parent company)	156
	Reconta Ernst & Young S.p.A.	Italian subsidiaries	212
	Network of parent company auditor	Foreign subsidiaries	673
Other services	Reconta Ernst & Young S.p.A.	De'Longhi SpA (parent company) (*)	30
	Reconta Ernst & Young S.p.A.	Italian subsidiaries	34
	Other auditors	Foreign subsidiaries	64

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

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 2013:
- 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 2013:
- 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

External auditors' report on the consolidated financial statements

Building a better working world

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Independent auditors' report
pursuant to 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.

1. We have audited the consolidated financial statements of De'Longhi S.p.A. and its subsidiaries, (the "De'Longhi Group")as of December 31, 2013 and for the year then ended, comprising the statement of financial position, the income statement, the statement of comprehensive income, the statement of changes in net equity, the statement of cash flows and the related explanatory notes. The preparation of these financial statements in compliance with International Financial Reporting Standards as adopted by the European Union and with art. 9 of Legislative Decree n. 38/2005 is the responsibility of De'Longhi S.p.A.'s Directors. Our responsibility is to express an opinion on these financial statements based on our audit.

2. We conducted our audit in accordance with auditing standards recommended by CONSOB (the Italian Stock Exchange Regulatory Agency). In accordance with such standards, we planned and performed our audit to obtain the information necessary to determine whether the consolidated financial statements are materially misstated and if such financial statements, taken as a whole, may be relied upon. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, as well as assessing the appropriateness of the accounting principles applied and the reasonableness of the estimates made by Directors. We believe that our audit provides a reasonable basis for our opinion.

   The consolidated financial statements of the prior year are presented for comparative purposes. As described in the explanatory notes, Directors have restated certain comparative data related to the prior year with respect to the data previously presented, on which we issued our auditor's report dated March 27, 2013. We have examined the method used to restate the comparative financial data and the information presented in the explanatory notes in this respect, for the purpose of expressing our opinion on the financial statements as of December 31, 2013 and for the year then ended.

3. In our opinion, the consolidated financial statements of De'Longhi Group at December 31, 2013 have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union and with art. 9 of Legislative Decree n. 38/2005; accordingly, they present clearly and give a true and fair view of the financial position, the results of operations and the cash flows of De'Longhi Group for the year then ended.

4. The Directors of De'Longhi S.p.A. are responsible for the preparation, in accordance with the applicable laws and regulations, of the Report on Operations and the Report on Corporate Governance and the Company's Ownership Structure published in the section "Investors > Governance > Assemblee" of De'Longhi S.p.A.'s website. Our responsibility is to express an opinion on the consistency with the financial statements of the Report on Operations and of the information presented in compliance with art. 123-bis of Legislative Decree n. 58/1998, paragraph 1, letters c), d), f), l), m) and paragraph 2, letter b) in the Report on Corporate Governance and the Company's Ownership Structure, as required by law. For this purpose, we have performed the procedures required under Auditing Standard 001 issued by the Italian Accounting Profession (CNDCEC) and recommended by CONSOB. In our opinion, the Report on Operations and the information presented in compliance with art. 123-bis of Legislative Decree

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Iscritta alla S.O. del Registro delle Imprese presso la C.C.I.A.A. di Roma
Codice fiscale e numero di iscrizione 00434000584
P.IVA 00891231003
Iscritta all'Albo Revisori Contabili al n. 70945 Pubblicato sulla G.U. Suppl. 13 - IV Serie Speciale del 17/2/1998
Iscritta all'Albo Speciale delle società di revisione
Consob al progressivo n. 2 delibera n.10831 del 16/7/1997

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n. 58/1998, paragraph 1, letters c), d), f), l), m) and paragraph 2), letter b) in the Report on Corporate Governance and the Company's Ownership Structure, are consistent with the consolidated financial statements of De'Longhi Group at December 31, 2013.

Treviso, March 24, 2014

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.

Report on operations to De'Longhi S.p.A. separate financial statement and Statutory Financial Statements at 31 December 2013

Report on operations
to the separate financial statements

Introduction

De'Longhi S.p.A., the parent company of the De'Longhi Group, performs holding company activities involving the management and supply of centralized services to its subsidiaries.

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.

- Gross profit 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.
Gross profit 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, 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.

Review of the income statement and statement of financial position

Review of the income statement

(€/million)	2013	% revenues	2012	% revenues
Revenues	**7.1**	**100.0%**	**6.3**	**100.0%**
Changes 2013/2012	*0.8*	*12.7%*	*(0.7)*	*(10.0%)*
Materials consumed	(0.1)	(1.4%)	(0.1)	(1.6%)
Gross profit	**7.0**	**98.6%**	**6.2**	**98.4%**
Other services and expenses	(10.9)	(153.5%)	(10.7)	(169.8%)
Payroll	(7.9)	(111.3%)	(6.1)	(96.8%)
EBITDA before non-recurring income/expenses	**(11.8)**	**(166.2%)**	**(10.6)**	**(168.3%)**
Changes 2013/2012	*(1.2)*	*11.3%*	*(0.6)*	*6.0%*
Other non-recurring income (expenses)	(0.2)	(2.8%)	-	-
EBITDA	**(12.0)**	**(169.0%)**	**(10.6)**	**(168.3%)**
Amortization and depreciation	-	-	(0.1)	(1.6%)
EBIT	**(12.0)**	**(169.0%)**	**(10.7)**	**(169.8%)**
Changes 2013/2012	*(1.3)*	*(12.1%)*	*2.6*	*(19.5%)*
Dividends	77.9	1.097.2%	60.2	955.6%
Financial income (expenses)	(6.4)	(90.1%)	(6.5)	(103.2%)
Profit (loss) before taxes	**59.5**	**838.0%**	**43.0**	**682.5%**
Income taxes	4.0	56.3%	5.0	79.4%
Profit (loss) after taxes	**63.5**	**894.4%**	**48.0**	**761.9%**

The Company, 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 (the cost of labor and the cost of services) and financial expenses

In 2013 net revenues and dividends amounted to €85.0 million (€66.5 million in 2012) while operating expenses came to €18.8 million (€16.8 million in 2012). Net financial expenses amounted to €6.4 million (€6.5 million in 2012). Net profit, consequently, came to €63.5 million (€48.0 million in 2012).

Review of the statement of financial position

The reclassified statement of financial position is presented below.

(€/million)	31 December 2013	31 December 2012 (*)	Change	% change
- Tangible assets	-	0.1	(0.1)	(100.0%)
- Financial assets	534.6	490.9	43.7	8.9%
- Deferred tax assets	4.1	3.3	0.8	24.2%
Non-current assets	**538.7**	**494.3**	**44.4**	**9.0%**
- Trade receivables	7.4	9.8	(2.4)	(24.5%)
- Trade payables	(3.7)	(6.1)	2.4	39.3%
- Other current assets (liabilities)	(1.5)	3.3	(4.8)	(145.5%)
Net working capital	**2.2**	**7.0**	**(4.8)**	**(68.6%)**
Total non-current liabilities and provisions	**(8.6)**	**(5.2)**	**(3.4)**	**(65.4%)**
Net capital employed	**532.3**	**496.1**	**36.2**	**7.3%**
Net debt	**209.0**	**192.6**	**16.4**	**8.5%**
Total net equity	**323.3**	**303.5**	**19.8**	**6.5%**
Total net debt and equity	**532.3**	**496.1**	**36.2**	**7.3%**

(*) As a result of the retroactive application of the new IAS 19 - *Employee benefits* the comparative figures were restated.

The non-current financial assets increased by €43.7 million following the acquisition of the commercial branches De'Longhi Deutschland GmbH and De'Longhi Kenwood GmbH as part of the Group's corporate restructuring. The transfer of the interests in the German and Austrian branches to a single shareholder, which made it possible to shorten the control chain, was also carried out in order to generate Group synergies.

The Company's net debt amounted to €209.0 million (€192.6 million in 2012) and includes the exposure connected to the above mentioned acquisitions, net of the income generated in 2013.

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

(€/million)	2013	2012 (*)
Cash flow by current operations	(14.9)	(16.8)
Cash flow by other changes in working capital	8.2	3.8
Cash flow by current operations and changes in working capital	**(6.7)**	**(13.0)**
Cash flow by investment activities	34.2	59.8
Cash flow by operating activities	**27.5**	**46.8**
Cash flow by changes in net equity	(43.9)	(52.8)
Cash flow for the period	**(16.4)**	**(6.0)**
Opening net financial position	(192.6)	(186.6)
Closing net financial position	**(209.0)**	**(192.6)**

(*) As a result of the retroactive application of the new IAS 19 - *Employee benefits* the comparative figures were restated.

Net cash flow from operating activities amounted to €27.5 million (€46.8 million in 2012), a decline of €19.3 million with respect to the prior year. The change is attributable primarily to the cash flow absorbed by the acquisition of the commercial branches De'Longhi Deutschland GmbH and De'Longhi Kenwood GmbH carried out in the year. Cash flow to net equity reached a negative €43.9 million (negative €52.8 million in 2012), explained primarily by a decrease in 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 december 2013	Profit for 2013	Net equity (*) 31 december 2012	Profit for (*) 2012
De'Longhi S.p.A. financial statements	**323,349**	**63,540**	**303,500**	**47,990**
Share of subsidiaries' equity and results for period attributable to the Group, after deducting carrying value of the investments	341,759	51,558	324,771	77,686
Allocation of goodwill arising on consolidation and related amortization and reversal of goodwill recognized for statutory purposes	34,042	(2,388)	36,111	(2,420)
Elimination of intercompany profits	(26,268)	5,247	(31,370)	(3,771)
Other adjustments	(2,939)	(466)	(2,468)	(623)
Consolidated financial statements	**669,943**	**117,491**	**630,544**	**118,862**
Minority interests	2,530	570	2,178	472
Group portion	**667,413**	**116,921**	**628,366**	**118,390**

(*) The comparative figures were restated as a result of the retroactive application of the new IAS 19 - *Employee benefits* and the definitive price allocation related to the Braun Household acquisition in accordance with IFRS 3 - *Business combinations.*

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 39 employees at 31 December 2013 (38 at 31 December 2012).

The following table summarizes the average number of employees during 2013 compared with 2012:

	2013	%	2012	%	Change
White collar	30	77%	30	79%	-
Senior managers	9	23%	8	21%	1
Total	**39**	**100%**	**38**	**100%**	**1**

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 Code of Conduct for Listed Companies (2011 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").

De'Longhi S.p.A. has adopted and complies with the Code of Conduct for Listed Companies, published in December 2011.

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 market management company in January 2013, and will be made available to the public at the same time as the present annual financial report. This report is also available at www.delonghi.com, in the section "*Investors > Governance > Shareholders' Meetings > 2014".*

The key points will be now be summarized for the purposes of the present Report on Operations.

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. (which substituted the prior parent following the split of the latter), 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 three 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 2014 (please refer to paragraph 4.6 of the 2013 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' 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 Italy's Financial Markets Consolidation Act, 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.

The Company's Board of Directors has adhered to the Corporate Governance Code for Listed Companies since 1 March 2007 adopting a framework resolution and a series of resolutions (subsequently replicated, including upon renewal of the Board in April 2013) designed to implement the principles contained in the Code. 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, detailed in the 2013 Report on Corporate Governance and Ownership Structure), applying the new recommendations and confirming the resolutions relating to corporate governance approved in the past.

Pursuant to Article 1.C.1., lett. g) of the Corporate Governance Code, during the meeting on 10 March 2014 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 2013 Report on Corporate Governance and Ownership Structure.

In 2013 the Board of Directors also:
- adopted a new version of the *"Guidelines for the Group's Internal Control and Risk Management System"* and the *"Procedures for Transactions with Related Parties of Gruppo De' Longhi S.p.A."*;
- approved a revision to the General Section of the Organization and Management Model established under Decree 231 dated 8 June 2001;

- confirmed the list of the De'Longhi Group's "strategically important subsidiaries", identifying them as the following Italian registered companies; De'Longhi Capital Services S.r.l. and De'Longhi Appliances S.r.l., the Chinese registered company De'Longhi-Kenwood Appliances (Dongguan) Co. Ltd, the British registered company Kenwood Ltd, the German registered company De'Longhi Deutschland GmbH, the Australian registered company De'Longhi Australia PTY Ltd. and the Russian registered De'Longhi LLC;
- 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 10 March 2014, 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 Report on Corporate Governance and Ownership Structure related to year 2013.

The Board of Directors has decided to adopt the recommendation relating to the appointment of a lead independent director with the functions suggested by the 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 & 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 five times in 2013, and was attended by all of its members 100% of the time. These meetings were also attended by the entire 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 Committee held 2 meetings during 2013, all of which attended by all its members; the head of the Group's human resources and organization also attended all the meetings.

Details of the powers and operation of these committees can be found in the Report on Corporate Governance and Ownership Structure related to year 2013 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 by the ordinary shareholders' meeting held on 21 April 2010.
The engagement 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 executive administrative bodies of the company (Board of Directors, the Internal Auditing and Corporate Governance Committee, Director in Charge of the Internal Control System and Risk Management), 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 is subject to examination and periodic audits, taking into account changes in the company's operations and reference context.

The Issuer's and the De'Longhi Group's Internal Control System makes it possible to address the main risks that 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 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 Internal Auditing Committee and after having consulted with the Board of Statutory Auditors and the Director in Charge of the Internal Control System and Risk Management, 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), 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 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; the subsequent phases of the ERM project call for a plan to define the risk management strategy giving priority, in the first phase, to the highest risks and the relative management. The risk plan in the process of being defined 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;
(iii) verification by the Group's internal audit.

Description of principal characteristics

As required by art. 123-*bis* par. 2.(b) of the Financial Markets Consolidation Act it is reported that 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. 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 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 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.
  It should be noted that the identification and analysis of the above risk factors contained in this report has also taken account of the effects of the change in the list of the De' Longhi Group's strategically important subsidiaries, as identified by the Board of Directors.

Business risks can be classified in the following broad categories:

Risks relating to macroeconomic trends

The company's economic performance and financial position are also affected by macroeconomic trends:
In 2013 the economies of a few advanced countries expanded slightly, but the persistent weakness of the Euro zone and the slowdown of the emerging markets in Asia, caused international trade to remain sluggish, above all in the first months of the year; a few signals pointing to a recovery emerged beginning in the third quarter, above all in the United States and a few emerging markets (particularly in China), albeit with performances varying from country to country.
In the Euro zone, the real GDP fell further including in countries which were not directly exposed to the tensions of the financial markets; it wasn't until the second half that a modest recovery began, to which foreign demand contributed, along with an expansionary monetary policy and the progress made in terms of governance.
Inflation was contained worldwide with the prices of raw materials relatively stable; it is expected that in the medium term price pressure and inflation will continue to be moderate, as well, in line with the slow pace of the recovery. The ECB's Executive Board announced that it will likely leave interest rates at current or lower levels for a prolonged period of time in light of the expectations that inflation will continue to be low, the generalized weakness of the economy and very limited monetary growth.
With regard to currency markets, in the fourth quarter of 2013 the Euro continued to strengthen against the main currencies which is largely attributable to the portfolio flows into the Euro zone, probably connected to lower sovereign risk. This trend was inverted in the first months of 2014.
Looking ahead, the recent forecasts of the Bank of Italy and the ECB call for a gradual economic recovery beginning in 2014 thanks, above all, to improved internal demand, supported by the expansionary monetary policy and more favorable credit markets, as well as an increase in foreign trade. At the same time, these forecasts still reflect elements of uncertainty, including in light of the fact that unemployment continues to be high in the Euro zone, though it does seem to be leveling off somewhat, and the necessary public and private sector austerity measures which continue to weigh on the pace of the economic recovery. (Source: Bank of Italy/ECB).

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 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 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 has specialist qualified professional human resources teams, but it also plans actions to improve the quality of working environment for its employees and staff as well as its 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.

It is also essential to develop tools that can bring out an individual's ambitions and aspirations, so as to ensure that employee career aspirations match those of the company and that the risk of demotivation or loss of skilled resources is reduced. Two separate tools have recently been developed and implemented for this purpose: an up-to-date performance appraisal system *(Performance evaluation system and feedback management)* and a system of "internal job postings".
The job posting system publicizes within the company the vacancies of greatest interest, in order to stimulate application by internal candidates with the right qualifications and to foster career paths within the same company, or between Group companies, either in Italy or abroad.

Interest rate risks

The company holds assets and liabilities that are sensitive to interest rate changes and that are necessary to manage its liquidity and financial needs.
In particular, the company's main source of exposure to this risk comes from its floating-rate debt. 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.
With regard to debt, in 2012, as part of the policy to provide 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 Euro (due to the effect of a currency and interest rate hedge contract) worth USD 85 million with US institutional investors.

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

Exchange rate fluctuation risks

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 and tools free from speculative ends.
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 main currency to which the Company is exposed is the US dollar, being the currency in which the bond loan issued by De'Longhi S.p.A in 2012 is denominated.
Despite such hedging transactions, sudden currency fluctuations could have an adverse impact on the company's business prospects.

Liquidity and financing 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.
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 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.

Compliance and corporate reporting risks

Risks relating to the administrative liability of legal persons

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 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.
In November 2010, the company adopted a new set of procedures to govern the 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.

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 2013, effective implementation of the system of managing financial reporting risks was monitored on a continuous basis and periodically evaluated under the guidance of the Financial Reporting Officer, who is directly responsible for checking the correct and timely execution of administrative, accounting and financial activities.
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 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 2013 the company filed for income tax on a group basis, as permitted by Chapter II Section II of Presidential Decree 917/86.

Subsequent events

There have been no significant events since the end of the reporting period.

Proposed allocation of profit

Dear Shareholders,

In submitting for your approval the financial statements for 2013, which report a net profit of €63,539,794, we propose:

- to approve the Directors' Report on Operations and the financial statements at 31 December 2013;
- to allocate the net profit of €63,539,794 as follows: €3,176,990 to the legal reserve, €562,804 to the extraordinary reserve and the remaining €59,800,000 to shareholders as a gross dividend of €0.40 for each of the 149,500,000 outstanding shares;
- to pay the dividend of €0.40 as of 2 May 2014, with shares going ex-coupon on 28 April 2014 and with the record date, pursuant to art. 83-*terdecies* of Legislative Decree n. 58/98, as at 30 April 2014.

Treviso, 10 March 2014

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

Separate financial statements 2013

Separate financial statements

- *Income statement*
- *Statement of comprehensive income*
- *Statement of financial position*
- *Statement of cash flow*
- *Statement of changes in net equity*

Income statement

(Amounts in Euro)	Notes	2013	of which non-recurring	2012	of which non-recurring
Revenues	1	7,315,882	177,660	12,520,088	6,206,190
Total revenues		**7,315,882**		**12,520,088**	
Raw and ancillary materials, consumables and goods	2	(66,611)		(77,416)	
Materials consumed		**(66,611)**		**(77,416)**	
Payroll costs	3	(7,870,602)		(6,127,642)	
Services and other operating expenses	4	(11,365,307)	(379,660)	(16,897,701)	(6,206,190)
Provisions	5	98,510		(23,492)	
Amortization	6	(42,482)		(60,935)	
EBIT		**(11,930,610)**		**(10,667,098)**	
Financial income (expenses)	7	71,510,672		53,667,896	
PROFIT (LOSS) BEFORE TAXES		**59,580,062**		**43,000,798**	
Income taxes	8	3,959,732		4,989,335	
NET PROFIT (LOSS)		**63,539,794**		**47,990,133**	

Statement of comprehensive income

(Amounts in Euro)	2013	2012 (*)
Net profit (loss)	**63,539,794**	**47,990,133**
- Change in fair value of cash flow hedges and financial assets available for sale	(486,652)	(3,480,079)
- Tax effect on change in fair value of cash flow hedges and financial assets available for sale	147,051	936,012
Total other comprehensive income that will subsequently be reclassified to the profit (loss) for the year	*(339,601)*	*(2,544,067)*
- Actuarial valuation funds	4,890	(61,730)
- Tax effect of actuarial valuation funds	(1,345)	16,976
Total other comprehensive income will not subsequently reclassified to profit (loss) for the year	*3,545*	*(44,754)*
Other components of comprehensive income	**(336,056)**	**(2,588,821)**
Total comprehensive income, net of tax	**62,531,626**	**40,223,669**

(*) As a result of the retroactive application of the new IAS 19 - *Employee benefits* the comparative figures were restated.

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*	31.12.2013	31.12.2012 (*)
NON-CURRENT ASSETS			
INTANGIBLE ASSETS		18,300	30,200
- Other intangible assets	*9*	18,300	30,200
PROPERTY, PLANT AND EQUIPMENT		44,122	74,704
- Other tangible assets	*10*	44,122	74,704
EQUITY INVESTMENTS AND OTHER FINANCIAL ASSETS		535,539,606	491,833,206
- Equity investments	*11*	534,608,788	490,860,808
- Receivables	*12*	930,818	972,398
DEFERRED TAX ASSETS	*13*	4,103,245	3,347,689
TOTAL NON-CURRENT ASSETS		**539,705,273**	**495,285,799**
CURRENT ASSETS			
INVENTORIES		-	-
TRADE RECEIVABLES	*14*	7,402,174	9,784,336
CURRENT TAX ASSETS	*15*	4,316,272	4,834,037
OTHER RECEIVABLES	*16*	8,141,158	14,895,686
CURRENT FINANCIAL RECEIVABLES AND ASSETS	*17*	11,000,000	2,356,001
CASH AND CASH EQUIVALENTS	*18*	28,705	889,343
TOTAL CURRENT ASSETS		**30,888,309**	**32,759,403**
TOTAL ASSETS		**570,593,582**	**528,045,202**

(*) As a result of the retroactive application of the new IAS 19 - *Employee benefits* the comparative figures were restated.

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

Net equity and liabilities

(Amounts in Euro)	*Note*	31.12.2013	31.12.2012 (*)
NET EQUITY			
NET EQUITY		323,348,729	303,499,991
- Share capital	*19*	224,250,000	224,250,000
- Reserves	*20*	35,558,935	31,259,858
- Net profit (loss)		63,539,794	47,990,133
TOTAL NET EQUITY		**323,348,729**	**303,499,991**
NON-CURRENT LIABILITIES			
FINANCIAL PAYABLES		138,407,024	167,935,458
- Bank loans and borrowings (long-term portion)	*21*	64,727,515	97,140,090
- Other financial payables (long-term portion)	*22*	73,679,509	70,795,368
NON-CURRENT PROVISIONS FOR CONTINGENCIES AND OTHER CHARGES		8,606,786	5,228,571
- Employee benefits	*23*	7,983,807	4,423,813
- Other provisions	*24*	622,979	804,758
TOTAL NON-CURRENT LIEBILITIES		**147,013,810**	**173,164,029**
CURRENT LIABILITIES			
TRADE PAYABLES	*25*	3,719,826	6,054,858
FINANCIAL PAYABLES		82,582,523	28,837,375
- Bank loans and borrowings (short-term portion)	*21*	60,116,939	28,195,517
- Other financial payables (short-term portion)	*22*	22,465,584	641,858
CURRENT TAX LIABILITIES	*26*	8,894,904	12,343,641
OTHER PAYABLES	*27*	5,033,790	4,145,308
TOTAL CURRENT LIABILITIES		**100,231,043**	**51,381,182**
TOTAL NET EQUITY AND LIABILITIES		**570,593,582**	**528,045,202**

(*) As a result of the retroactive application of the new IAS 19 - *Employee benefits* the comparative figures were restated.

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 cash flow

(Amounts in Euro)	Notes	2013	2012 (*)
Net profit (loss)		63,539,794	47,990,133
Income taxes for the period		(3,959,732)	(4,989,335)
Income from dividends receipts		(77,937,383)	(60,242,367)
Amortization		42,482	60,935
Net change in provisions		3,340,163	398,276
Cash flow absorbed by current operations (A)		**(14,974,676)**	**(16,782,358)**
Change in assets and liabilities for the period:			
Trade receivables		2,421,559	(5,909,334)
Trade payables		(2,335,032)	282,236
Other current assets and liabilities		10,638,253	21,406,469
Payment of income taxes		(2,576,332)	(12,006,720)
Cash flow generated by changes in working capital (B)		**8,148,448**	**3,772,651**
Cash flow generated by current operations and changes in working capital (A+B)		**(6,826,228)**	**(13,009,707)**
Investment activities:			
Investments in intangible assets		-	(35,600)
Investments in property, plant and equipment		-	(22,033)
Net investments in equity investments and other financial assets		(43,699,900)	(306,652)
Dividends receipts		66,937,383	65,242,367
Cash flow generated (absorbed) by investment activities (C)		**23,237,483**	**64,878,082**
Dividends paid		(43,355,000)	(49,335,000)
New loans		-	146,297,496
Payment of interests on loans		(6,268,511)	(2,053,608)
Repayment of loans and other net changes in sources of finance		32,351,618	(145,910,786)
Cash flow generated (absorbed) by changes in net equity and by financing activities (D)		**(17,271,893)**	**(51,001,898)**
Cash flow for the period (A+B+C+D+E)		**(860,638)**	**866,477**
Opening cash and cash equivalents	*18*	**889,343**	**22,866**
Increase (decrease) in cash and cash equivalents (A+B+C+D)		(860,638)	866,477
Closing cash and cash equivalents	*18*	**28,705**	**889,343**

(*) As a result of the retroactive application of the new IAS 19 - *Employee benefits* the comparative figures were restated.

Appendix 2 presents the statement of cash flows at 31 December 2013 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 paragraph *Detail of net financial position.*

Statement of changes in net equity

(Amounts in Euro)	SHARE CAPITAL	SHARE PREMIUM RESERVE	LEGAL RESERVE
Balance at 31 December 2011 *(Data published)*	**448,500,000**	**325,090**	**9,694,458**
Demerger	(224,250,000)	(162,545)	(4,847,229)
IAS 19 application effects			
Balance at 1st January 2012 (*)	**224,250,000**	**162,545**	**4,847,229**
Allocation of 2011 result as per AGM resolution of 24 April 2012			
- distribution of dividends			
- allocation to reserves			1,801,670
Movements from transactions with shareholders	**-**	**-**	**1,801,670**
Profit (loss) after taxes			
Other components of comprehensive income			
Comprehensive income (loss)	**-**	**-**	**-**
Balance at 31 December 2012 (*)	**224,250,000**	**162,545**	**6,648,899**
Balance at 31 December 2012 *(Data published)*	**224,250,000**	**162,545**	**6,648,899**
IAS 19 application effects			
Balance at 1st January 2013 (*)	**224,250,000**	**162,545**	**6,648,899**
Allocation of 2012 result as per AGM resolution of 23 April 2013			
- distribution of dividends			
- allocation to reserves			2,399,507
Movements from transactions with shareholders	**-**	**-**	**2,399,507**
Profit (loss) after taxes			
Other components of comprehensive income			
Comprehensive income (loss)	**-**	**-**	**-**
Balance at 31 December 2013	**224,250,000**	**162,545**	**9,048,406**

(*) As a result of the retroactive application of the new IAS 19 - *Employee benefits* the comparative figures were restated.

EXTRAORINARY RESERVE	FAIR VALUE AND CASH FLOW HEDGE RESERVES	ACTUARIAL VALUATION RESERVE	PROFIT (LOSS) CARRIED FORWARD	PROFIT (LOSS) OF THE PERIOD	TOTAL
61,426,005	**-**	**-**	**12,686,589**	**36,033,405**	**568,665,547**
(31,945,526)					(261,205,300)
		(26,568)			(26,568)
29,480,479	**-**	**(26,568)**	**12,686,589**	**36,033,405**	**307,433,679**
(12,858,000)			(2,245,265)	(34,231,735)	(49,335,000)
				(1,801,670)	-
(12,858,000)	**-**	**-**	**(2,245,265)**	**(36,033,405)**	**(49,335,000)**
				47,990,133	47,990,133
	(2,544,067)	(44,754)			(2,588,821)
-	**(2,544,067)**	**(44,754)**	**-**	**47,990,133**	**45,401,312**
16,622,479	**(2,544,067)**	**(71,322)**	**10,441,324**	**47,990,133**	**303,499,991**
16,622,479	**(2,544,067)**	**-**	**10,441,324**	**47,990,133**	**303,571,313**
		(71,322)			(71,322)
16,622,479	**(2,544,067)**	**(71,322)**	**10,441,324**	**47,990,133**	**303,499,991**
				(43,355,000)	(43,355,000)
2,235,626				(4,635,133)	-
2,235,626	**-**	**-**	**-**	**(47,990,133)**	**(43,355,000)**
				63,539,794	63,539,794
	(339,601)	3,545			(336,056)
-	**(339,601)**	**3,545**	**-**	**63,539,794**	**63,203,738**
18,858,105	**(2,883,668)**	**(67,777)**	**10,441,324**	**63,539,794**	**323,348,729**

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.

Accounting standards

The financial statements of De'Longhi S.p.A. at 31 December 2013 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 2012), 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 2013 are the same as those used for preparing the financial statements at 31 December 2012, except for certain new amendments and accounting standards described below.

The financial statements at 31 December 2013 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 *31. Risk management* of the present Explanatory notes.

The amendments to international financial reporting standards that apply as from the financial statements at 31 December 2013 are described below:

New amendments and accounting standards endorsed by the European Union and applicable at the date of the financial statements

On 5 June 2012 (in Regulation 475/2012) and on 27 March 2013 (in Regulation 301/2013) the European amended IAS 1 - *Presentation of financial statements.*
The purpose of the IAS 1 amendment is to clarify the growing number of items included in comprehensive income statements. The items that will not be subsequently reclassified under profit/(loss) for the year and the items that, subject to certain conditions, will be subsequently reclassified under profit/(loss) for the year are shown as two separate line items in the statement.
Application of this amendment did not have a material impact on the information found in this annual report.
The amendment affected the presentation alone and did not have material impact on the Group's financial position or results.

On 5 June 2012 the European Commission adopted (in Regulation n.475/2012) the amendment to IAS 19 - *Employee Benefits.* The new version of IAS 19 changes the way in which defined benefit plans are to be recognized and eliminates the corridor method used by the Group through 2012; consequently the actuarial gains and losses are recognized in the comprehensive income statement, while the changes in the pension fund relating to the cost of services and net interest are recognized in the income statement under operating costs and financial income/(expenses), respectively.
Based on the new standard the discount rate applied to the pension fund's net assets and liabilities should also be applied to net interest expense (income), eliminating the use of the expected rate of return of the assets servicing the plan.
As per par. 173 of the new standard, the new accounting rules were applied retroactively and, consequently, the original statement of financial position and the relative comparative figures were restated. The main effects of application of the IAS 19 amendment are shown below in the section "*Restatement of comparative figures*".

On 11 December 2012 the European Commission adopted (in Regulation n.1255/2012) IFRS 13 - *Fair value measurement*, which provides guidelines about determining fair value when required or permitted under the accounting standards.
IFRS 13 was taken into account when valuing the interest rate and current hedges (CCIRS) relative to the Parent Company's bond loan, as was "counterparty risk".
The same regulation also adopted amendments to IAS 12 - *Income taxes* relating to deferred tax and recovery of the underlying assets, clarifying the measurement of deferred tax on real estate investments measured at fair value. The amendment had no material impact on the Group's financial position, results or reporting.

In 2012 the European Commission endorsed amendments to IFRS 7 - *Financial instruments - disclosures* which call for information about the effects and potential effects of offsetting financial assets and liabilities on the balance sheet and the financial position. Adoption of these amendments did not have a material impact on the information or the amounts included in these financial statements.

On 4 March 2013 the European Commission adopted (in Regulation n. 183/2013) an amendment to IFRS 1 - *First-time Adoption of International Financial Reporting Standards* which introduce provisions relative to the classification and accounting of public sector financing. The amendments have not material impact on the Group's financial position or results.

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

On 11 December 2012 the European Commission adopted (in Regulation n.1254/2012), IFRS 10 - *Consolidated Financial Statements*; the new standard substitutes IAS 27 - *Consolidated and Separate Financial Statements* and incorporates SIC 12 - *Special Purpose Entities*. IFRS 10 deviates from existing standards; control is viewed as the determining factor with regard to the consolidation of a company in the consolidated financial statements of a Parent Company. It also provides guidelines to be used to determine whether or not control exists.

In the same regulation IFRS 11 - *Joint arrangements* was adopted, which repeals and substitutes IAS 31 and IFRS 12 - *Disclosure of Interests in Other Entities* and establishes what information needs to be provided in the explanatory notes when IFRS 10 and IFRS 11 are applied. Based on the latter, joint control is based on the rights and obligations stemming from contractual arrangements and not on the legal from of the parties and establishes that these jointly controlled equity investments may only be consolidated using the equity method.
The revised versions of IAS 27 - *Separate Financial Statements* and IAS 28 - *Investments in Associates and Joint Ventures* were also adopted.

In 2012 the European Commission adopted (in Regulation n.1256/2012) the amendments to IAS 32 - *Financial Instruments: Presentation* in order to clarify the application of the criteria used to offset financial assets and liabilities as per IAS 32. The amendments apply to reporting periods beginning on or after 1 January 2014.

On 4 April 2013 the EU Regulation UE 313/2013 was published adopting guidelines to temporary provisions (amendments to IFRS 10, 11 and 12), in preparation for the application of these standards 1 January 2014; toward this end, on 20 November 2013 Regulation n.1174/2013 was published.

On 19 December 2013 EU Regulation n.1374/2013 amended IAS 36 - *Impairment of Assets,* clarifying, in particular, the measurement of the recoverable value of assets based on fair value less costs of disposal.

Lastly, EU Regulation n.1375/2013 introduced a few amendments to IAS 39 - *Financial Instruments: Recognition and Measurement*, relating to novation of derivatives and the continuation of hedge accounting.
These amendments confirm the hedge accounting may be used even when novations arise as a consequence of laws and regulations.

The above standards apply to reporting periods beginning on or after 1 January 2014; the Group did not apply any new standards, interpretations or amendments in advance.

Disclosure by operating segments

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

Restatement of comparative figures

The comparative income statement and financial figures at 31 December 2012 were also restated as a result of the retroactive application of IAS 19 - *Employee benefits.*

The main effects are shown below.

Impacts on the statement of financial position:

	At 1° January 2012 (*)			At 31 December 2012		
	Published figures	**Effects of amended IAS 19 application**	**Restated figures**	**Published figures**	**Effects of amended IAS 19 application**	**Restated figures**
Deferred tax assets	2,129	10	**2,139**	3,321	27	**3,348**
Employee benefits	3,228	37	**3,265**	4,326	98	**4,424**
Total net equity	307,460	(27)	**307,433**	303,571	(71)	**303,500**

(*) The figures refer to thr Company post-demerger.

Impact on the statement of comprehensive income:

	2012		
	Published figures	**Effects of amended IAS 19 application**	**Restated figures**
Total comprehensive income, net of tax	45,446	(45)	**45,401**

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.
Further to the Finance Act 2007 (Law 296 dated 27 December 2006), only the remaining company liability for severance indemnity at 31.12.2006 has been valued in accordance with IAS 19, since indemnity accruing from this date has been paid into a separate entity (alternative pension funds or Italian social security funds). These payments are treated like a defined contribution fund since the company no longer has an obligation to pay further contributions if the fund does not have sufficient assets to pay all employee benefits relating to employee service.
Please refer to the section “Accounting Standards” for information about the new IAS 19 - *Employee Benefits* and the recognition of defined benefit plans.

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.

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 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.

Recoverability of deferred tax assets

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.

Provisions for contingencies

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.

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 company's customers to deteriorate, with an impact on the recoverability of trade receivables, to the extent uninsured.

Comments on the income statement

1. Revenues

These are analyzed as follows:

	2013	2012	Change
Out-of-period gains	190	294	(104)
Damages reimbursed	-	2	(2)
Other income	7,126	12,224	(5,098)
Total	**7,316**	**12,520**	**(5,204)**

"Revenues" include €5,988 thousand in revenue from related parties, as reported in Appendix 4, which mainly comprises parent company recharges of services to its subsidiaries. The item also includes non-recurring income of €178 thousand which consists primarily in recharges of the subsidiary De'Longhi Appliances S.r.l.

2. Raw and ancillary materials, consumables and goods

These are analyzed as follows:

	2013	2012	Change
Other purchases	67	77	(10)
Total	**67**	**77**	**(10)**

3. Payroll costs

The figures relating to the cost of defined benefit plans and other long-term benefits provided by the company are reported in the note on provisions.

4. Services and other operating expenses

These are analyzed as follows:

	2013	2012	Change
Insurance	3,321	2,469	852
Travel and entertaining	3,145	3,273	(128)
Directors' emoluments	1,744	1,600	144
Consulting services	1,532	7,596	(6,064)
Rentals and leasing	318	315	3
Statutory auditors' emoluments	146	146	-
Telecommunication costs	129	142	(13)
Advertising and promotional activities	19	29	(10)
Other sundry services	563	622	(59)
Total services	**10,917**	**16,192**	**(5,275)**
Sundry taxes	213	445	(232)
Out-of-period losses	145	145	-
Other	90	116	(26)
Total other operating expenses	**448**	**706**	**(258)**
Total services and other operating expenses	**11,365**	**16,898**	**(5,533)**

"Services and other operating expenses" include €1,584 thousand in costs from related parties, as reported in Appendix 4, and €380 thousand in non-recurring expenses wholly recharged by the subsidiary De'Longhi Appliances S.r.l. as described above in note *1.Revenues*.

5. Provisions

This item includes the release of provisions for uninsured liabilities relating to disputes that were resolved in the year of €99 thousand (please refer to note *24.Other provisions*).

6. Amortization and depreciation

These are analyzed as follows:

	2013	2012	Change
Depreciation of property, plant and equipment	31	40	(9)
Amortization of intangible assets	12	21	(9)
Total	**43**	**61**	**(18)**

7. Financial income (expenses)

Net financial income and expenses are broken down as follows:

	2013	2012	Change
Dividends	77,937	60,242	17,695
Financial income (expenses) from equity investments	**77,937**	**60,242**	**17,695**
Gains (losses) on currency hedging transactions	(2,828)	(2,274)	(554)
Exchange gains (losses)	2,841	2,215	626
Exchange gains (losses)	**13**	**(59)**	**72**
Interest income from loans	1	48	(47)
Bank interest income	16	28	(12)
Financial income	**17**	**76**	**(59)**
Interest expense on long-term loans and borrowings	(3,442)	(2,547)	(895)
Interest expenses on bonds	(2,789)	(732)	(2,057)
Interest expense on short-term loans and borrowings	(707)	(2,537)	1,830
Financial expenses	**(6,938)**	**(5,816)**	**(1,122)**
Other sundry income (expenses)	482	(775)	1,257
Other financial income (expenses)	**482**	**(775)**	**1,257**
Financial income (expenses)	**71,511**	**53,668**	**17,843**

"Financial income (expenses)" includes €78,115 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. (previously named De'Longhi Household S.A.), De'Longhi Appliances S.r.l., De'Longhi Deutschland Gmbh, E-Services S.r.l. and De'Longhi Capital Services S.r.l..

8. Income taxes

These are analyzed as follows:

	2013	2012	Change
Current income taxes	3,350	4,733	(1,383)
Advanced (deferred) taxes	610	256	354
Total	**3,960**	**4,989**	**(1,029)**

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 *"13.Deferred tax assets"*.

The actual and theoretical tax charge are reconciled as follows:

	2013	%	2012	%
Profit before taxes	59,580	100%	43,001	100%
Theoretical taxes	(16,384)	27.5%	(11,825)	27.5%
Permanent tax differences (dividends, net of disallowable costs) and other effects	20,344	34.1%	16,814	39.1%
Actual taxes	**3,960**	**6.7%**	**4,989**	**11.6%**

Comments on the statement of financial position: assets

NON-CURRENT ASSETS

9. Intangible assets

These are analyzed as follows:

	31 December 2013		31 December 2012		
	Gross	**Net**	**Gross**	**Net**	**Change**
Patents	87	18	87	30	(12)

The following table reports movements during 2013:

	Patents
Net opening balance	**30**
Amortization	(12)
Net closing balance	**18**

10. Property, plant and equipment

These are analyzed as follows:

	31 December 2013		31 December 2012		
	Gross	**Net**	**Gross**	**Net**	**Change**
Industrial and commercial equipment	9	-	9	1	(1)
Other	265	44	265	74	(30)
Total	**274**	**44**	**274**	**75**	**(31)**

The following table reports movements during 2013:

	Industrial and commercial equipment	**Other**	**Total**
Net opening balance	**1**	**74**	**75**
Depreciation	(1)	(30)	(31)
Net closing balance	**-**	**44**	**44**

The change of €31 thousand reflects depreciation charges.

11. Equity investments

These are analyzed as follows:

	31 December 2013	31 December 2012	Change
De'Longhi Appliances S.r.l.	242,678	242,678	-
De Longhi Benelux S.A. (*)	241,737	241,737	-
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.	307	307	-
Clim.Re S.A.	54	54	-
E-Services S.r.l.	26	26	-
De'Longhi Polska Sp.Zo.o.	-	-	-
Total subsidiary companies	**534,507**	**490,807**	**43,700**
DeLclima S.p.A.	102	54	48
Totale other equity investments	**102**	**54**	**48**
Totale equity investments	**534,609**	**490,861**	**43,748**

(*) Previously named De Longhi Household S.A..

The list of equity investments and the related movements during 2013 can be found in Appendix 3.

The most important changes in the year refer to the acquisitions of the commercial branches De'Longhi Deutschland GmbH for €40,800 thousand and De'Longhi Kenwood GmbH for €2,900 thousand.

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 2014 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 7.8%, 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 2013 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 7.6% and 8.0%) 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 2013	31 December 2012	Change
Receivables from subsidiary companies	931	972	(41)
Total	**931**	**972**	**(41)**

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

13. 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 2013			31 December 2012 (*)			Effect on income statement
	Taxable amount	Tax rate	Total tax	Taxable amount	Tax rate	Total tax	
Provisions for contingencies and other charges	9,206	27.5%	2,532	5,864	27.5%	1,613	919
Other temporary differences	1,683	27.5%	463	2,807	27.5%	772	(309)
Total deferred tax assets booked to the income statement	**10,889**		**2,995**	**8,671**		**2,385**	**610**
Deferred tax assets on tax losses	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Fair value of cash flow hedge derivatives	3,938	27.5%	1,083	3,404	27.5%	936	-
Actuarial valuation of provision according to IAS 19	93	27.5%	25	98	27.5%	27	-
Total temporary differences booked to net equity	**4,031**		**1,108**	**3,502**		**963**	**-**
Net total	**14,920**		**4,103**	**12,173**		**3,348**	**610**

(*) As a result of the retroactive application of the new IAS 19 - *Employee benefits* the comparative figures were restated.

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

Current assets

14. Trade receivables

These are analyzed as follows:

	31 December 2013	31 December 2012	Change
Trade receivables due within 12 months	8,454	10,876	(2,422)
Allowance for bad debts	(1,052)	(1,092)	40
Total	**7,402**	**9,784**	**(2,382)**

Trade receivables are stated net of an allowance for doubtful accounts of €1,052 thousand, representing the estimated risk at the reporting date.

"Trade receivables" include €6,295 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 2012	Increases	Utilization	31 December 2013
Allowance for bad debts	1,092	-	(40)	1,052

Trade receivables are broken down by geographical area as follows:

	31 December 2013	%	31 December 2012	%
Italy	5,353	72.3%	9,381	95.9%
Rest of Europe	200	2.7%	211	2.2%
Rest of the world	1,689	22.8%	118	1.2%
United Kingdom	160	2.2%	74	0.7%
Total	**7,402**	**100.0%**	**9,784**	**100.0%**

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

15. Current tax assets

These are detailed as follows:

	31 December 2013	31 December 2012	Change
Direct taxes	4,316	4,834	(518)
Total	**4,316**	**4,834**	**(518)**

For the purposes of optimizing the financial management of its tax affairs, the company has filed for income tax on a group basis in 2013 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.

16. Other receivables

These are analyzed as follows:

	31 December 2013	31 December 2012	Change
VAT	936	765	171
Prepaid costs	835	837	(2)
Tax refunds requested	372	204	168
Advances to suppliers	29	17	12
Employees	3	4	(1)
Other	5,966	13,069	(7,103)
Total	**8,141**	**14,896**	**(6,755)**

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

The item "Tax refunds requested" refers to VAT credits requested for refund.

Other receivables include €5,323 thousand in amounts due from related parties, as reported in Appendix 4.

Other receivables are stated net of an allowance for doubtful accounts of €50 thousand which represents the estimated risk at the reporting date.

None of the other receivables is due beyond 12 months.

17. Current financial receivables and assets

These are analyzed as follows:

	31 December 2013	31 December 2012	Change
Financial receivables	11,000	2,355	8,645
Fair value of derivatives	-	1	(1)
Total	**11,000**	**2,356**	**8,644**

"Financial receivables" comprise amounts receivable from the subsidiary De'Longhi Deutschland GmbH, as shown in Appendix 4. At 31 December 2012 this item referred to amounts owed by De'Longhi Capital Services S.r.l. in connection with the centralized treasury service. At 31 December 2013, there is a net liability position in connection with this service, as discussed in note *22. Other financial payables*.

More details on the fair value of derivatives can be found in note *31. Risk management*.

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

18. 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 23 April 2013 declared a dividend totalling €43,355 thousand.

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

19. 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.

20. Reserves

These are analyzed as follows:

	31 December 2013	31 December 2012 (*)	Change
Share premium reserve	163	163	-
Legal reserve	9,048	6,649	2,399
Other reserves:			
- Extraordinary reserve	18,858	16,622	2,236
- Fair value and cash flow hedge reserve	(2,883)	(2,544)	(339)
- Actuarial valuation reserve	(68)	(71)	3
- Profit (loss) carried forward	10,441	10,441	-
Total	**35,559**	**31,260**	**4,299**

(*) As a result of the retroactive application of the new IAS 19 - *Employee benefits* the comparative figures were restated.

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 is €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 €9,048 thousand at 31 December 2013. The increase of €2,399 thousand with respect to 31 December 2012 follows the allocation of profit for 2012, as approved by the AGM on 23 April 2013.

The "Extraordinary reserve" has a balance of €18,858 thousand; the of €2,236 thousand with respect to 31 December 2012 follows the allocation of profit for 2012, as approved by the AGM on 23 April 2013.

The "Fair value and cash flow hedge reserve" reports a negative balance of €2,883 thousand, net of €1,083 thousand in tax. This figure reflects the fair value of the cash flow hedge of €2,855 thousand, net of €1,083 thousand in tax, and the fair value of the equity investment in DeLclima S.p.A. of €28 thousand.
More details on the fair value of derivatives can be found in note *31. Risk management*.

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

Nature / Description:	Amount		Permitted use	Available mount
Share capital	224,250	(1)		
Capital reserves:				
- Share premium reserve	163	(2)	A, B	
Earnings reserves:				
- Legal reserve	9,048		B	
- Extraordinary reserve	18,858		A, B, C	18,858
- Fair value and cash flow hedge reserve	(2,883)			
- Actuarial valuation reserve	(68)			
- Profit (loss) carried forward	10,441		A, B, C	1,866
Total	**259,809**	**(3)**		**20,724**
Undistributable amount				2,951
Distributable amount				**17,773**

(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 2013 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 2013 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

21. 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 31.12.2013	Within one year	One to five years	Beyond five years	Balance 31.12.2012	Change
Overdrafts	31,476	-	-	31,476	792	-	-	792	30,684
Long-term loans (current portion)	28,641	-	-	28,641	27,404	-	-	27,404	1,237
Total short-term bank loans and borrowings	**60,117**	**-**	**-**	**60,117**	**28,196**	**-**	**-**	**28,196**	**31,921**
Long-term loans	-	64,727	-	64,727	-	97,140	-	97,140	(32,413)
Total bank loans and borrowings	**60,117**	**64,727**	**-**	**124,844**	**28,196**	**97,140**	**-**	**125,336**	**(492)**

Bank loans and borrowings are analyzed as follows:

Loans (including short-term portion)	**31.12.2013**	**31.12.2012**	**Change**
Bank of America N.A. - *Milan Branch*	34,793	40,210	(5,417)
Intesa Sanpaolo S.p.A.	34,791	39,676	(4,885)
Centrobanca S.p.A. (*club* loan with Banca Popolare di Vicenza S.C.p.A.)	20,899	26,803	(5,904)
Banca Popolare Friuladria S.p.A.	2,885	5,750	(2,865)
Banca Popolare di Sondrio S.C.p.A.	-	5,111	(5,111)
Banca Popolare di Vicenza S.C.p.A.	-	4,739	(4,739)
Banca di Cividale S.p.A.	-	2,255	(2,255)
Total long-term loans	**93,368**	**124,544**	**(31,176)**

In 2013 no new medium-long term loans were granted, therefore the debt at 31 December 2013 pertains primarily to the loans obtained in 2012 for the acquisition of the Braun license.
The 2012 transactions include two loans of €40,000 thousand each granted by Bank of America and Intesa S.Paolo; both are 5-year floating rate loans repayable every six months beginning 31 December 2013. Both loans call for the observance of financial covenants (net financial position/net equity and net financial position/consolidated EBITDA), compliance with which will be verified every six months.
The loans granted by Banca Popolare Friuladria and Centrobanca-Banca di Credito Finanziario e Mobiliare S.p.A call for the observance of financial covenants, compliance with which is verified on an annual basis.
The covenants had not been breached at 31 December 2013.
The other bank loans do not call for compliance with financial covenants.

All the loans 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 loan and its maturity. 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).

In 2013 the balance of the loan granted by Banca Popolare di Vicenza S.C.p.A. was reclassified under "Other financial payables" (please refer to note *22. Other financial payables*) as it was transferred by this bank to the company Piazza Venezia S.r.l. as per the notice published in the *Gazzetta Ufficiale della Repubblica Italiana* Part II notice n. 66, on 6 June 2013 (as subsequently amended as per the notice published in the *Gazzetta Ufficiale della Repubblica Italiana* Part II - notice n. 68, on 11 June 2013), and registered in the Company Registry of Vicenza on 12 June 2013 (as subsequently amended as per the notice recorded in the Company Registry of Vicenza on 12 June 2013). All the terms and conditions of the loan agreement were unchanged, including observance of financial covenants, compliance with which is verified on an annual basis. The covenants had not been breached at 31 December 2013.

22. Other financial payables

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

	31 December 2013	31 December 2012	Change
Financial loans (short-term portion)	1,480	547	933
Other short-term financial payables	20,986	95	20,891
Total short-term payables	**22,466**	**642**	**21,824**
Financial loans (one to five years)	2,805	502	2,303
Negative fair value of derivatives (one to five years)	404	-	404
Private placement (one to five years)	11,089	5,713	5,376
Total long-term payables (one to five years)	**14,298**	**6,215**	**8,083**
Negative fair value of derivatives (beyond five years)	8,547	5,605	2,942
Private placement (beyond five years)	50,834	58,975	(8,141)
Total long-term payables (beyond five years)	**59,381**	**64,580**	**(5,199)**
Total other financial payables	**96,145**	**71,437**	**24,708**

The increase in "Financial payables" is explained by the reclassification of the balance of the loan granted by Banca Popolare di Vicenza S.C.p.A. which in 2012 was classified under "Bank loans and borrowings" (please refer to note *21. Bank loans and borrowings*).

"Other short term financial payables" include €20,932 thousand owed to De'Longhi Capital Services S.r.l. for financial services rendered in connection with the centralized treasury service, and €54 thousand for financial services rendered. At 31 December 2012 the same line only referred to financial services received by De'Longhi Capital Services S.r.l., since there was a credit balance in connection with the centralized treasury services as discussed in note *17. Receivables and other current financial assets*.

The bond loan refers to the issue and placement of unsecured bonds with US institutional investors (the US Private Placement), completed in the prior year of USD 85,000 thousand (equal to, at 31 December 2013, €61,923 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 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 financial covenants in line with those contemplated in other existing loan transactions. At 31 December 2013 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 (mostly consisting of recently-entered finance leases) 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). Note *38. Risk management* contains the results of analyzing sensitivity to changes in 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 *31. Risk management*.

The balance includes €20,986 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 2013	31 December 2012	Change
A. Cash	16	29	(13)
B. Cash equivalents	13	860	(847)
C. Securities	-	-	-
D. Total liquidity (A+B+C)	**29**	**889**	**(860)**
E. Current financial receivables and other securities	**11,931**	**3,328**	**8,603**
of which:			
Fair value of derivatives	*-*	*1*	*(1)*
F. Current bank loans and borrowings	(1,469)	(792)	(677)
G. Current portion of non-current debt	(58,648)	(27,404)	(31,244)
H. Other current financial payables	(22,466)	(642)	(21,824)
I. Current financial debt (F+G+H)	**(82,583)**	**(28,838)**	**(53,745)**
J. Net current financial debt (I +E + D)	**(70,623)**	**(24,621)**	**(46,002)**
K. Non-current bank loans and borrowings	(64,727)	(97,140)	32,413
L. Bonds	(61,923)	(64,688)	2,765
M. Other non-current payables	(11,757)	(6,106)	(5,651)
of which:			
Fair value of derivatives	*(8,951)*	*(5,605)*	*(3,346)*
N. Non-current financial debt (K+L+M)	**(138,407)**	**(167,934)**	**29,527**
Total net financial debt (J+N)	**(209,030)**	**(192,555)**	**(16,475)**

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.

23. Employee benefits

These are analyzed as follows:

	31 December 2013	31 December 2012 (*)	Change
Provision for severance indemnities	431	424	7
Long-term benefits	7,553	4,000	3,553
Total employee benefits	**7,984**	**4,424**	**3,560**

(*) As a result of the retroactive application of the new IAS 19 - *Employee benefits* the comparative figures were restated.

The composition of the company's workforce is analyzed in the following table:

	31 December 2013	Average 2013	31 December 2012	Average 2012
White collar	30	30	30	28
Senior managers	9	9	8	8
Total	**39**	**39**	**38**	**36**

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 2013	31 December 2012 (*)	Change
Defined benefit obligations	431	424	7

Net cost charged to income statement	31 December 2013	31 December 2012	Change
Current service cost	-	-	-
Interest cost on obligations	13	16	(3)
Total	**13**	**16**	**(3)**

Change in present value of obligations	31 December 2013	31 December 2012 (*	Change
Present value at 1 January	**424**	**365**	**59**
Current service cost	-	-	-
Utilization of provision	-	(25)	25
Interest cost on obligations	13	16	(3)
Other changes	(6)	68	(74)
Present value at reporting date	**431**	**424**	**7**

(*) As a result of the retroactive application of the new IAS 19 - *Employee benefits* the comparative figures were restated.

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

Assumptions used	Severance indemnity 2013	Severance indemnity 2012
Discount rate	3.2%	3.2%
Future salary increases	2.0% - 4.0%	2.0% - 4.0%
Inflation rate	2.0%	2.0%

The medium-long term benefits refer to two incentive plans 2012 - 2014 for which relative provisions were made. Beneficiaries of these plans, approved by the Company's Board of Directors on 12 November 2013 and 14 February 2013, include the Chief Executive Officer, as well as a few other executives of the Company itself and other Group companies; for more information please refer to the Annual Report on Remuneration.

24. Other provisions

Movements are as follows:

	31 December 2012	Utilization	Release	31 December 2013
Provision for uninsured liabilities	329	-	(99)	230
Other provisions for contingencies	476	(83)	-	393
Total	**805**	**(83)**	**(99)**	**623**

The decrease in "Other provisions" relates to the resolution of a few disputes.

CURRENT LIABILITIES

25. Trade payables

This balance of €3,720 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 are broken down by geographical area as follows:

	31 December 2013	%	31 December 2012	%
Italy	2,656	71.4%	3,317	54.8%
United Kingdom	-	-	2,221	36.7%
United States, Canada, Mexico	1,064	28.6%	365	6.0%
Rest of the world	-	-	153	2.5%
Total	**3,720**	**100.0%**	**6,055**	**100.0%**

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

26. Current tax liabilities

These are analyzed as follows:

	31 December 2013	31 December 2012	Change
Direct taxes	1,131	-	1,131
Other taxes	4,817	4,680	137
Total current tax liabilities (short-term)	**5,948**	**4,680**	**1,268**
Other taxes	2,947	7,664	(4,717)
Total current tax liabilities (beyond one year)	**2,947**	**7,664**	**(4,717)**
Total current tax liabilities	**8,895**	**12,344**	**(3,449)**

27. Other payables

These are analyzed as follows:

	31 December 2013	31 December 2012	Change
Withholdings payable	980	889	91
Social security institutions	306	304	2
Sundry payables	3,748	2,952	796
Total other payables	**5,034**	**4,145**	**889**

"Withholdings payable" relate to withholdings made by the company and payable to the tax authorities after the reporting date.

"Social security institutions" include €221 thousand in payables to Italy's principal social security agency (INPS), €33 thousand in payables to pension funds and €52 thousand in amounts owed to other welfare agencies.

"Sundry payables" are detailed as follows:

	31 December 2013	31 December 2012	Change
Group companies	1,860	1,137	723
Employees	883	816	67
Other	1,005	999	6
Total sundry payables	**3,748**	**2,952**	**796**

"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 *15. Current tax assets*.

There are no other payables due beyond 12 months.

28. Commitments

These are detailed as follows:

	31 December 2013	31 December 2012	Change
Guarantees given for the benefit of:			
De'Longhi Capital Services S.r.l.	421,797	414,714	7,083
DL Kenwood A.P.A. Ltd	73,354	73,649	(295)
De'Longhi Australia PTY Ltd	15,891	18,880	(2,989)
De'Longhi Japan Corp.	11,125	14,171	(3,046)
Dong Guan De'Longhi Kenwood Appliances Co. Ltd	7,251	-	7,251
De'Longhi Brasil Ltda	4,451	5,289	(838)
De'Longhi America Inc.	2,175	2,274	(99)
Kenwood Home Appliances Pty Ltd. S.A. - South Africa	1,481	2,314	(833)
De'Longhi Kenwood Korea Ltd	765	-	765
De'Longhi Kenwood MEIA FZE	725	758	(33)
Elle S.r.l.	522	507	15
De'Longhi Appliances S.r.l.	184	287	(103)
De'Longhi Ukraine LLC	73	76	(3)
De'Longhi Romania S.r.l.	49	-	49
De'Longhi Scandinavia A.B.	34	-	34
De'Longhi Polska Sp.Zo.o.	24	-	24
E-Services S.r.l.	13	13	-
De'Longhi LLC	-	3,032	(3,032)
De'Longhi Kenwood Hellas S.A.	-	116	(116)
De'Longhi Electrodomesticos Espana S.L.	-	13	(13)
Total De'Longhi Group companies	**539,914**	**536,093**	**3,821**

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 €104,834 at 31 December 2013 (€110,239 at 31 December 2012), the Company issued a surety and a credit mandate in the interest of the parent company principals;
- the Company also issued guarantees in the name of DL Radiators S.p.A. of €5,838 thousand and Climaveneta S.p.A. of €3,673 in relation to the 2010 VAT declarations for which De'Longhi S.p.A. acted as the head of VAT refunds for the Group;
- the Company also issued third party guarantees totalling €31 thousand.

No elements of risk as defined by IAS 37 have been noted to date.

29. 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		
31/12/2013	**Book value**	**Loans and receivables**	**Available for sale**	**Derivatives**
Non-current assets				
- Equity investments (other)	102		*102*	
- Receivables	931	*931*		
- Other non-current financial assets	-			
Current assets				
- Trade receivables	7,402	*7,402*		
- Current tax assets	4,316	*4,316*		
- Other receivables	8,141	*8,141*		
- Current financial receivables and assets	11,000	*11,000*		
- Cash and cash equivalents	29	*29*		

		Liabilities	
31/12/2013	**Book value**	**Loans**	**Derivatives**
Non-current liabilities			
- Bank loans and borrowings (long-term portion)	(64,727)	*(64,727)*	
- Other financial payables (long-term portion)	(73,679)	*(64,728)*	*(8,951)*
Current liabilities			
- Trade payables	(3,720)	*(3,720)*	
- Bank loans and borrowings (short-term portion)	(60,117)	*(60,117)*	
- Other financial payables (short-term portion)	(22,466)	*(22,466)*	
- Current tax liabilities	(8,895)	*(8,895)*	
- Other payables	(5,034)	*(5,034)*	

31/12/2012	Book value	Assets		
		Loans and receivables	Available for sale	Derivatives
Non-current assets				
- Equity investments (other)	54		*54*	
- Receivables	972	*972*		
- Other non-current financial assets	-			
Current assets				
- Trade receivables	9,784	*9,784*		
- Current tax assets	4,834	*4,834*		
- Other receivables	14,896	*14,896*		
- Current financial receivables and assets	2,356	*2,355*		*1*
- Cash and cash equivalents	889	*889*		

31/12/2012	Book value	Liabilities	
		Loans	Derivatives
Non-current liabilities			
- Bank loans and borrowings (long-term portion)	(97,140)	*(97,140)*	
- Other financial payables (long-term portion)	(70,795)	*(65,190)*	*(5,605)*
Current liabilities			
- Trade payables	(6,055)	*(6,055)*	
- Bank loans and borrowings (short-term portion)	(28,196)	*(28,196)*	
- Other financial payables (short-term portion)	(642)	*(642)*	
- Current tax liabilities	(12,344)	*(12,344)*	
- Other payables	(4,145)	*(4,145)*	

30. 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 2013. 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 negative fair value		(8,951)	
Available for sale financial assets:			
- equity investments	102		

There were no transfers between the levels during the year.

31. 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 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 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 2013 and at 31 December 2012 on the basis of undiscounted contractual payments:

	Undiscounted cash flows at 31.12.2013	Within one year	One to five years	Beyond five years	Undiscounted cash flows at 31.12.2012	Within one year	One to five years	Beyond five years
Bank loans and borrowings (*)	(130,306)	(62,692)	(67,614)		(135,211)	(31,911)	(103,300)	
Other financial payables (**)	(116,271)	(25,247)	(13,397)	(77,627)	(94,670)	(3,341)	(11,259)	(80,070)
Trade payables	(3,720)	(3,720)			(6,055)	(6,055)		
Current tax liabilities and other payables	(13,929)	(10,982)	(2,947)		(16,489)	(8,825)	(7,664)	
Total	**(264,226)**	**(102,641)**	**(83,958)**	**(77,627)**	**(252,425)**	**(50,132)**	**(122,223)**	**(80,070)**

(*) The corresponding balance reported in the financial statements is €124,844 thousand at 31 December 2013 and €125,336 thousand at 31 December 2012.
(**) The corresponding balance reported in the financial statements is €87,194 at 31 December 2013 (net of the change in the fair value of financial derivative instruments of €8,951 thousand) and €65,832 thousand at 31 December 2012 and refers to the amount payable to De'Longhi Capital Services S.r.l. for financial services rendered, to medium/long term payables (inclusive of the short-term portion) relating to the Ministry of Industry and Piazza Venezia S.r.l. loans and to the medium/long term securities 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, 14.Trade receivables, 17.Current financial receivables and assets, 21.Bank loans and borrowings, 22.Other financial payables and 25.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 group 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, GBP and JPY) is estimated to produce a change in fair value of around +/- €89 thousand (+/- €87 thousand at 31 December 2012). 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 2013 are described in the paragraph *"Interest rate and currency exchange hedges at 31 December 2013"*.

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 2013, all the Company's financial debt is floating rate, with the exception of the US Private Placement as it was deemed opportune to take advantage of the interest rates which continue to be favourable.
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 2013.

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 €150.0 million on a total of €209.0 million in net debt at 31 December 2013 and total net liabilities of €123.1 million on a total of €192.6 million in net debt in 2012).
The Group'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 €1.5 million at 31 December 2013 (+/- €1.2 million before tax at 31 December 2012).

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 +/- €0.1 million before tax at 31 December 2013 (€0.9 million before tax at 31 December 2012).

Please refer to the paragraph "*Interest rate and currency exchange hedges at 31 December 2013*" for more information.

Interest rate and currency exchange hedges at 31 December 2013

At 31 December 2013 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 2013 is provided below:

	31/12/2013	
	Assets	**Liabilities**
FX forward agreements	-	-
CCIRS on the bond loan issued by the parent company (in USD)	-	(5,045)
Derivatives hedging foreign currency receivables/payables	**-**	**(5,045)**
CCIRS on the bond loan issued by the parent company (in USD)	-	(3,906)
Derivatives covering expected cash flows	**-**	**(3,906)**
Total fair value of the derivatives	**-**	**(8,951)**

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	(213)	-	(213)	-	-	-	-	-
						Total Fair Value	**-**	**-**

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 32,513 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 2013 was a negative €8,951 thousand, recognized under "other financial payables, 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 loss of €2,811 thousand (the gain on the hedged item amounts to €2,800 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 €3,938 thousand at 31 December 2013 was reported in net equity, on which the related tax of €1,083 thousand has been calculated.

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

			Changes in 2013			
Currency	**Notional amount at 31.12.2013** *(in USD/000)*	**Fair value at 31.12.2012(*)**	**Gains/(losses on the hedging instrument (*)**	**Cash flow hedge reserve (exchange rate risk) (*)**	**Cash flow hedge reserve (interest rate risk) (*)**	**Fair value at 31.12.2013(*)**
USD v/EUR	117,513	(5,605)	(2,811)	(864)	329	(8,951)

(*) In €/000.

32. 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.

33. Subsequent events

There have been no significant events since the end of the period.

Treviso, 10 March 2014

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.

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 2012:
- 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 2013:
- 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

(Amounts in thousands of Euro)	*Notes*	2013	2012 (*)
Net profit (loss)		63,540	47,990
Income taxes for the period		(3,960)	(4,989)
Income from dividends receipts		(77,937)	(60,242)
Amortization		43	61
Net change in provisions		3,340	398
Cash flow absorbed by current operations (A)		**(14,974)**	**(16,782)**
Change in assets and liabilities for the period:			
Trade receivables		2,422	(5,909)
Trade payables		(2,335)	282
Other current assets and liabilities		10,638	21,407
Payment of income taxes		(2,576)	(12,007)
Cash flow generated by changes in working capital (B)		**8,149**	**3,773**
Cash flow generated by current operations and changes in working capital (A+B)		**(6,825)**	**(13,009)**
Investment activities:			
Investments in intangible assets		-	(36)
Investments in property, plant and equipment		-	(22)
Net investments in equity investments and other financial assets		(43,700)	(307)
Dividends receipts		77,937	60,242
Cash flow generated (absorbed) by investment activities (C)		**34,237**	**59,877**
Cash flow hedge and IAS 19 reserve related to actuarial valuation of provisions		(532)	(3,502)
Dividends paid		(43,355)	(49,335)
Cash flow generated (absorbed) by changes in net equity (D)		**(43,887)**	**(52,837)**
Cash flow for the period (A+B+C+D)		**(16,475)**	**(5,969)**
Opening net financial position		**(192,555)**	**(186,586)**
Cash flow for the period (A+B+C+D)		(16,475)	(5,969)
Closing net financial position		**(209,030)**	**(192,555)**

(*) As a result of the retroactive application of the new IAS 19 - *Employee benefits* the comparative figures were restated.

List of equity investments in subsidiary companies (art. 2427 of the Italian Civil Code) (*)

Company name	Registered office		Share capital		Net equity		Latest reported profit or (loss)	Interest held (directly)	Book value
Subsidiary companies									*M/Euro*
De'Longhi Appliances S.r.l.	Treviso	Eur	200,000,000	Eur	286,708,200	Eur	24,459,149	100%	242,678
De Longhi Benelux S.A. (1)	Luxembourg	Eur	181,730,990	Eur	251,074,765	Eur	27,752,091	100%	241,737
De'Longhi Deutschland GmbH (2)	Neu Isenburg	Eur	2,100,000	Eur	34,467,238	Eur	6,915,974	100%	40,800
De'Longhi Capital Services S.r.l. (3)	Treviso	Eur	53,000,000	Eur	56,969,799	Eur	2,485,239	11,32%	6,005
De'Longhi Kenwood GmbH	Wr. Neudorf	Eur	36,336	Eur	2,451,494	Eur	2,415,158	100%	2,900
De'Longhi Romania S.r.l. (2) (4)	Cluj-Napoca	Ron	27,399,380	Ron	25,883,951	Ron	7,008,475	5%	307
Clim.Re S.A. (4)	Luxembourg	Eur	1,239,468	Eur	1,489,722	Eur	6,063	4%	54
E-Services S.r.l.	Treviso	Eur	50,000	Eur	5,061,152	Eur	1,059,937	51%	26
De'Longhi Polska Sp.Zoo (2) (4)	Warszawa	Pln	50,000	Pln	6,879,921	Pln	6,936,630	0,1%	-
Totale									**534,507**

(*) Figures at 31 December 2013, unless otherwies specified.
(1) Company previously named De'Longhi Household S.A. Figures from statutory financial statements at 31 December 2012.
(2) Figures used for the purposes of consolidation at 31 December 2013.
(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

(Amounts in thousands of Euro)					
Equity investments	**Book value at 31 December 2012**	**Acquisitions, subscriptions and recapitalizations**	**Demerger**	**Net impairment losses and reversals**	**Book value at 31 December 2013**
Subsidiaries					
De'Longhi Appliances S.r.l.	242,678	-	-	-	242,678
De Longhi Benelux S.A. (1)	241,737	-	-	-	241,737
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.	307	-	-	-	307
Clim.Re S.A.	54	-	-	-	54
E-Services S.r.l.	26	-	-	-	26
De'Longhi Polka Sp.Zo.o.	-	-	-	-	-
Total subsidiaries	**490,807**	**43,700**	**-**	**-**	**534,507**
Other equity investments					
DeLclima S.p.A. (2)	54	-	-	48	102
Total other equity investments	**54**	**-**	**-**	**48**	**102**
Total equity investments	**490,861**	**43,700**	**-**	**48**	**534,609**

(1) Previously named De Longhi Household S.A..
(2) Residual interest connected to the demerger transaction.

Transactions and balances with related parties

Income statement

Pursuant to consob resolution 15519 of 27 july 2006

(Amounts in thousands of Euro)	*Notes*	2013	of which related parties	2012	of which related parties
Revenues	*1*	7,316	5,988	12,520	11,560
Total revenues		**7,316**		**12,520**	
Raw and ancillary materials, consumables and goods	*2*	(67)		(77)	(1)
Materials consumed		**(67)**		**(77)**	
Payroll costs	*3*	(7,871)		(6,128)	
Services and other operating expenses	*4*	(11,365)	(1,584)	(16,898)	(844)
Provisions	*5*	99		(23)	
Amortization	*6*	(43)		(61)	
EBIT		**(11,931)**		**(10,667)**	
Financial income (expenses)	*7*	71,511	78,115	53,668	60,231
PROFIT (LOSS) BEFORE TAXES		**59,580**		**43,001**	
Income taxes	*8*	3,960		4,989	
NET PROFIT (LOSS)		**63,540**		**47,990**	

Statement of financial position
Pursuant to consob resolution 15519 of 27 july 2006

Assets

(Amounts in thousands of Euro)	*Notes*	31.12.2013	of which related parties	31.12.2012 (*)	of which related parties
NON-CURRENT ASSETS					
INTANGIBLE ASSETS		18		30	
- Other intangible assets	*9*	18		30	
PROPERTY, PLANT AND EQUIPMENT		44		75	
- Other tangible assets	*10*	44		75	
EQUITY INVESTMENTS AND OTHER FINANCIAL ASSETS		535,540		491,833	
- Equity investments	*11*	534,609		490,861	
- Receivables	*12*	931	931	972	972
DEFERRED TAX ASSETS	*13*	4,103		3,348	
TOTAL NON-CURRENT ASSETS		**539,705**		**495,286**	
CURRENT ASSETS					
INVENTORIES		-		-	
TRADE RECEIVABLES	*14*	7,402	6,295	9,784	9,138
CURRENT TAX ASSETS	*15*	4,316		4,834	
OTHER RECEIVABLES	*16*	8,141	5,323	14,896	12,494
CURRENT FINANCIAL RECEIVABLES AND ASSETS	*17*	11,000	11,000	2,356	2,356
CASH AND CASH EQUIVALENTS	*18*	29		889	
TOTAL CURRENT ASSETS		**30,888**		**32,759**	
TOTAL ASSETS		**570,593**		**528,045**	

(*) As a result of the retroactive application of the new IAS 19 - *Employee benefits* the comparative figures were restated.

Statement of financial position
Pursuant to consob resolution 15519 of 27 july 2006

Net equity and liabilities

(Amounts in thousands of Euro)	*Notes*	31.12.2013	of which related parties	31.12.2012 (*)	of which related parties
NET EQUITY					
NET EQUITY		323,349		303,500	
- Share capital	*19*	224,250		224,250	
- Reserves	*20*	35,559		31,260	
- Net profit (loss)		63,540		47,990	
TOTAL NET EQUITY		**323,349**		**303,500**	
NON-CURRENT LIABILITIES					
FINANCIAL PAYABLES		138,406		167,935	
- Bank loans and borrowings (long-term portion)	*21*	64,727		97,140	
- Other financial payables (long-term portion)	*22*	73,679		70,795	
NON-CURRENT PROVISIONS FOR CONTINGENCIES AND OTHER CHARGES		8,607		5,228	
- Employee benefits	*23*	7,984		4,423	
- Other provisions	*24*	623		805	
TOTAL NON-CURRENT LIEBILITIES		**147,013**		**173,163**	
CURRENT LIABILITIES					
TRADE PAYABLES	*25*	3,720	1,337	6,055	550
FINANCIAL PAYABLES		82,582		28,838	
- Bank loans and borrowings (short-term portion)	*21*	60,117		28,196	
- Other financial payables (short-term portion)	*22*	22,465	20,986	642	95
CURRENT TAX LIABILITIES	*26*	8,895		12,344	
OTHER PAYABLES	*27*	5,034	1,860	4,145	1,137
TOTAL CURRENT LIABILITIES		**100,231**		**51,382**	
TOTAL NET EQUITY AND LIABILITIES		**570,593**		**528,045**	

(*) As a result of the retroactive application of the new IAS 19 - *Employee benefits* the comparative figures were restated.

Transactions and balances with related parties

Summary by company

(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)
Subsidiary companies								
DE'LONGHI APPLIANCES S.R.L.	3.0	(0.2)	27.0	-	-	7.4	-	(0.3)
DE'LONGHI KENWOOD A.P.A. LTD	1.7	-	0.7	0.7	-	1.7	-	-
E-SERVICES S.R.L.	0.4	(0.1)	0.2	-	-	0.9	-	-
KENWOOD LIMITED	0.2	-	-	-	-	0.2	-	-
DE'LONGHI HOUSEHOLD GMBH	0.1	-	-	-	-	0.1	-	-
DE'LONGHI AMERICA INC.	-	(1.1)	-	-	-	-	-	(1.0)
DE LONGHI BENELUX S.A. (*)	-	-	39.6	-	-	-	-	-
DE'LONGHI DEUTSCHLAND GMBH	-	-	11.0	-	11.0	-	-	-
DE'LONGHI AUSTRALIA PTY LIMITED	-	-	0.1	0.1	-	-	-	-
DE'LONGHI JAPAN CORPORATION	-	-	0.1	0.1	-	-	-	-
DE'LONGHI CAPITAL SERVICES Srl	-	-	(0.6)	-	-	0.7	(21.0)	-
ELLE SRL	0.1	-	-	-	-	0.1	-	(0.3)
Total subsidiary companies (a)	**5.5**	**(1.4)**	**78.1**	**0.9**	**11.0**	**11.1**	**(21.0)**	**(1.6)**
Related companies								
DL RADIATORS S.P.A.	0.3	-	-	-	-	0.3	-	(0.1)
CLIMAVENETA S.P.A.	0.1	-	-	-	-	0.1	-	(0.7)
GAMMA S.R.L.	0.1	(0.2)	-	-	-	0.1	-	(0.4)
R.C. GROUP S.P.A.	-	-	-	-	-	-	-	(0.4)
Total related companies (b)	**0.5**	**(0.2)**	**0.0**	**0.0**	**0.0**	**0.5**	**0.0**	**(1.6)**
Total subsidiaries and related parties (a+b)	**6.0**	**(1.6)**	**78.1**	**0.9**	**11.0**	**11.6**	**(21.0)**	**(3.2)**

(*) Previously named De Longhi Household S.A..
(1) These mostly refer to dealings of a commercial nature and the supply of administrative services by company employees.
(2) This consists of € 6.3 million in "Trade receivables" and of € 5.3 million in "Other receivables".
(3) This consists of € 1.3 million in "Trade payables" and of € 1.9 million in "Other payables".
Information related to directors' and statutory auditors' emoluments are summarized in the Annual Remuneration Report.

External auditors' report on the financial statements

Building a better working world

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Independent auditors' report
pursuant to 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.

1. We have audited the financial statements of De'Longhi S.p.A. as of December 31, 2013 and for the year then ended, comprising the statement of financial position, the income statement, the statement of comprehensive income, the statement of changes in net equity, the statement of cash flows and the related explanatory notes. The preparation of these financial statements in compliance with International Financial Reporting Standards as adopted by the European Union and with art. 9 of Legislative Decree n. 38/2005 is the responsibility of De'Longhi S.p.A.'s Directors. Our responsibility is to express an opinion on these financial statements based on our audit.

2. We conducted our audit in accordance with auditing standards recommended by CONSOB (the Italian Stock Exchange Regulatory Agency). In accordance with such standards, we planned and performed our audit to obtain the information necessary to determine whether the financial statements are materially misstated and if such financial statements, taken as a whole, may be relied upon. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, as well as assessing the appropriateness of the accounting principles applied and the reasonableness of the estimates made by Directors. We believe that our audit provides a reasonable basis for our opinion.

   The financial statements of the prior year are presented for comparative purposes. As described in the explanatory notes, Directors have restated certain comparative data related to the prior year with respect to the data previously presented, on which we issued our auditor's report dated March 27, 2013. We have examined the method used to restate the comparative financial data and the information presented in the explanatory notes in this respect, for the purpose of expressing our opinion on the financial statements as of December 31, 2013 and for the year then ended.

3. In our opinion, the financial statements of De'Longhi S.p.A. at December 31, 2013 have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union and with art. 9 of Legislative Decree n. 38/2005; accordingly, they present clearly and give a true and fair view of the financial position, the results of operations and the cash flows of De'Longhi S.p.A. for the year then ended.

4. The Directors of De'Longhi S.p.A. are responsible for the preparation, in accordance with the applicable laws and regulations, of the Report on Operations and the Report on Corporate Governance and the Company's Ownership Structure published in the section "Investors > Governance > Assemblee" of De'Longhi S.p.A.'s website. Our responsibility is to express an opinion on the consistency with the financial statements of the Report on Operations and of the information presented in compliance with art. 123-bis of Legislative Decree n. 58/1998, paragraph 1, letters c), d), f), l), m) and paragraph 2, letter b) in the Report on Corporate Governance and the Company's Ownership Structure, as required by law. For this purpose, we have performed the procedures required under Auditing Standard 001 issued by the Italian Accounting Profession (CNDCEC) and recommended by CONSOB. In our opinion, the Report on Operations and the information presented in compliance with art. 123-bis of Legislative Decree

n. 58/1998, paragraph 1, letters c), d), f), l), m) and paragraph 2), letter b) in the Report on Corporate Governance and the Company's Ownership Structure, are consistent with the financial statements of De'Longhi S.p.A. at December 31, 2013.

Treviso, March 24, 2014

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 report is available on the corporate website:
www.delonghi.it

De'Longhi S.p.A.
Registered office: Via L. Seitz, 47 - 31100 Treviso
Share capital: Eur 224.250.000
Tax ID and Company Register no.: 11570840154
Treviso Chamber of Commerce no.: 224758
VAT no.: 03162730265