DēLonghi Group

2014

Annual report at 31 December 2014

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

Letter from the Chairman

In 2014 the Group continued to adhere to its growth and investment policies which made it possible to achieve significant results in terms of both margins and cash flow generation.
More in detail, the Group completed the 2012-2014 investment plan for the Cluj plant in Romania on time; as a result, today the Group can count on a new production facility able to support growth of the European markets and further increase the efficiency of its production, including in light of the noticeable strengthening of the dollar and Asian currencies.

2014 was a particularly important year for the Group, also due to the completion of the integration of the Braun Household brand which has yet to express its full commercial potential. The Braun brand achieved significant commercial success in 2014, supported by the gradual renewal of the product portfolio, despite the adverse exchange effect in a few reference markets.
More in general, the Group closed the year with results that confirm the solidity of its industrial and commercial strategies which makes it possible to look to new targets for further strengthening and expansion.
The driving force of the two most important product lines (coffee machines and food preparation appliances) was sustained by the growing contribution of ironing products, thanks also to the new Braun brand products. In terms of geographies, sales improved in all the main regions in which the Group operates.
Even though the results were impacted significantly by the negative exchange effect, overall profitability was up thanks to a better mix and higher volumes.
The current economic conditions continue to be very uncertain. The Group, however, is confident that it will be able to increase sales in 2015 and continue along its growth path, thanks to strong competitive positioning, capacity to innovate and the potential of the Braun brand, in addition to the strong balance sheet and ability to generate cash flow.

Key performance indicators

Key performance indicators

Consolidated results

€/million	**2014**	**% revenues**	**2013 (*)**	**% revenues**	**Change**	**% Change**
Revenues	1,726.7	100.0%	1,616.9	100.0%	109.7	6.8%
Constant currency revenues (**)	*1,769.4*		*1,612.7*		*156.7*	*9.7%*
Gross profit	815.7	47.2%	788.2	48.7%	27.5	3,5%
EBITDA before non-recurring income/expenses	260.1	15.1%	241.6	14.9%	18.5	7.7%
Constant currency EBITDA before non-recurring income/expenses (**)	*288.1*	*16.3%*	*233.9*	*14.5%*	*54.2*	*23.2%*
EBITDA	259.6	15.0%	239.0	14.8%	20.6	8.6%
EBIT	212.7	12.3%	194.3	12.0%	18.4	9.5%

(*) Comparative data at 31 December 2013 were restated following the retrospective application of IFRS 11 - *Joint arrangements.*
(**) Constant currency data have been determined by translating balances in currencies other than Euro based on the exchange rate recorded in 2013 and adjusted for hedging.

Statement of financial position

€/million	**31.12.2014**	**31.12.2013 (**)**
Net working capital	236.2	226.7
Net operating working capital	301.4	277.3
Net capital employed	697.2	679.0
Net debt/(Net financial assets)	(89.0)	9.0
of which:		
- (Net bank financial position)	*(113.2)*	*(40.9)*
- Other financial (receivables) payables (*)	*24.2*	*49.9*
Net equity	786.1	669.9
Net working capital/Net revenues	13.7%	14.0%
Net operating working capital/Net revenues	17.5%	17.1%

(*) Includes the current value of the earn-out (including the interest accrued at the end of the reporting period).
(**) Comparative data at 31 December 2013 were restated following the retrospective application of IFRS 11 - *Joint arrangements.*

Report on operations

Review of performance

2014 was a positive year for the De'Longhi Group, with considerable growth in revenues (due, above all, to the acceleration recorded in the fourth quarter), margins on the rise and good cash flow generation. These results were achieved despite a highly competitive environment and a particularly adverse exchange effect in a market characterized by financial and currency crises, which worsened in the latter part of the year, in a few important reference markets.

The fourth quarter of 2014 closed with consolidated revenues of €639.8 million, an increase of 8.2% against the same period of the prior year (+10% at constant exchange rates).

This positive trend made it possible to post revenues of €1,726.7 million in 2014, an increase of €109.7 million (+6.8% against 2013); the growth was negatively impacted by the adverse exchange effect that penalized a few markets, in particular, including Russia, the Ukraine, Australia and Japan.
Revenues, recalculated at constant 2013 exchange rates, would have improved by €156.7 million or +9.7%.

These results were achieved thanks to the Group's position as leader worldwide in its main product categories, particularly food preparation and coffee machines (GFK data for 47 countries). Growth was posted in all the sales regions; Europe was particularly strong while the APA region, impacted by the adverse exchange effect, was basically unchanged.

In 2014 the Group continued to work on the completion of its production facilities. Work was completed in Romania which made it possible to partially diversify the industrial platform, which is currently concentrated in China, with a new production facility in Europe and support the development strategies relating to the growing international presence.
Work also continued at the new plant in China where progress was made on the construction of the second facility and new machines were introduced.

Braun generated revenues in line with expectations, despite the adverse exchange effect that impacted sales in a few reference markets (above all, Russia).
The Braun business 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 terms of markets, a good performance was recorded in the Group's most important reference markets, with the Euro zone rising 8.5% to €1,197.2 million thanks to the good results posted in the North East (above all the United Kingdom, Russia, the Czech Republic/Hungary) and, to a lesser extent, the South West (with positive results posted in Italy and solid growth in France and the Iberian Peninsula).
Growth of 9% was posted in the MEIA region thanks, above all, to the positive sales trend in Saudi Arabia and Egypt and despite the difficult political situation in a few of the region's most important markets.
In the APA region revenues improved slightly, despite the adverse exchange effect, thanks to the growth recorded in China, South Korea and the United States, which offset the declines posted in Japan and Australia attributable primarily to weaker currencies.

With regard to business lines, growth was posted above all by kitchen and food preparation appliances, particularly the kitchen machines, the fryers (thanks to the excellent reception of the new De'Longhi *Multifry*) and small appliances (blenders, toasters and kettles).
Coffee makers also performed well, thanks to the machines manufactured internally (fully automatic, *Nespresso Lattissima*, traditional and *Jovia Dolcegusto*).

As for margins, EBITDA before non-recurring income/expenses was €260.1 million (+€18.5 million or +7.7% against 2013), rising as a percentage of revenues from the 14.9% posted in 2013 to 15.1%; this result reflects the contribution of the net industrial margin which rose by €27.5 million (from €788.2 million to €815.7 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 strengthening of the Euro with respect to the main export currencies, as well as the negative price effect linked to promotional offers and the repositioning in the period of a few products in a few markets.

At constant exchange rates EBITDA before non-recurring income/expenses would have reached €288.1 million (with the margin coming to 16.3% versus 14.5% in 2013), an increase of €54.2 million (+23.2%) with respect to 2013.

Operating costs (costs for services and other operating income/(expenses), including the non-production payroll costs) fell as a percentage of revenues from 33.8% to 32.2%, thanks to better absorption of fixed costs as a result of organic growth in revenues, as well as lower advertising and promotional costs.

Amortization and depreciation came to €46.8 million, an increase with respect to 2013 (€44.6 million) due to the increased investments made in prior years and the current year.

EBIT amounted to €212.7 million in 2014 (€194.3 million in the previous year), with the margin moving from 12% to 12.3%.

Financial expenses amounted to €41.7 million, rising €4.3 million with respect to 2013 due to the increase in charges linked to the Group's currency hedging; toward this end, the Group's prudent hedging policies prevented significant exchange losses, above all in the latter part of the year, as a result of the devaluation of the ruble and the Ukrainian hryvnia.

Profit pertaining to the Group amounted to €126.5 million after taxes of €43.8 million.

With regard to the Group's financial performance and structure, of note is the solid cash flow generation with the net financial position reaching a positive €89.0 million (compared to a negative €9.0 million in 2013). The net financial position with banks reached a positive €113.2 million (€40.9 million in 2013).

The net financial position at 31 December 2014 reflects items other than bank debt of €24.2 million (€49.9 million at 31 December 2013) and are explained primarily by the potential earn-out linked to 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.
The net financial position versus banks in the last twelve months, net of the non-operating and non-recurring items (which includes the dividends paid, non-recurring investments, translation differences and factoring without recourse), would have had a positive impact on the net financial position of €99.0 million (€127.6 million in the previous twelve months).

The net working capital turnover improved, going from 14% to 13.7%, despite the strong increase in revenues in the latter part of the year and the adverse exchange effect, thanks to more efficient inventory management with respect to September 2014 (when some branches had too much stock) and credit collection which also benefited from an increase in factoring at the end of the year.

Significant events

2014 was characterized by the steps taken by the Group to further strengthen production in both China and Romania and open new commercial/marketing offices in a few markets, as well as a few important projects focused on improving operating efficiency.
In Romania, where the average number of employees in 2014 reached approximately 600, the project (which qualified for subsidies for new industrial initiatives sponsored by the Romanian government) represents the largest Italian investment in Cluj county and one of the largest in Romania; the 2012-2014 production plan was completed year-end and the last production facilities were installed; of note, is the expansion of the plant by an additional 8,000 m2 in order to include new plastic molding machines and the introduction of a new department in order to reduce the use of external plastic suppliers, as well as to increase the ability to respond quickly to changes in retail demand. Investments were also made in the assembly lines in 2014, which resulted in the introduction of new production lines sub-divided into two areas: Beverage and Food Preparation. The Beverage line assembles coffee machines and the Food Preparation line assembles accessories for Braun brand products. The certification received for the products in specific markets and the endorsement of the facility by commercial partners will make it possible to further expand the reference markets and provide the facility with opportunities for further development in the near future.

The second phase of investments continued in the most important Chinese plant which calls for the strengthening of local production facilities through the purchase of additional equipment and machinery, which will make it possible to internalize some production, and the construction of a new warehouse.

Investments in commercial and marketing offices continued, with the completion of start-ups in Scandinavia and Hungary, as well as the opening of a branch in Mexico.

Several important corporate projects, in collaboration with premier consulting companies, were completed in 2014 including the analysis of organizational processes in Europe, in line with the new commercial organization based on which the market has been split into two separate regions (South West and North East); this project was completed in the first quarter of 2014 resulting in the optimization of a few sales support structures in Europe and the integration of commercial back office and supply chain structures.

In the second part of 2014, again with support of an outside consultant, a project was begun focused on improving the efficiency of the global supply chain and, therefore, product availability in order to be able respond to the growing complexities of the market and customers' expectations by reducing the time to market.

2014 was the second year in which the Braun brand business was taken over completely. In 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 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).
Work was done, therefore, 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 2014 it was possible, rather, to proceed with business development and a number of new products were launched thanks to the investments made in product development and in human resources. Growth was posted, above all, in countries where Braun was already present (above in Russia, despite the devaluation of the ruble) and thanks to the launch of the brand in Australia, the United Kingdom, Scandinavia and France.

Lastly, in 2014 important changes to the factoring without recourse terms and conditions were agreed upon, resulting in a simpler procedures and a substantial drop in the cost of the program itself, which will result in lower financial expenses beginning, most likely, in second quarter 2015.

Global market conditions

In 2014 the economy in a few developed countries expanded slightly, sustained by the drop in oil prices, albeit at a pace that differed country to country.
Acceleration was consistent in the United States, while there was a slowdown in China and the emerging markets in Asia, while in Japan a drop in investments caused a further decline in the GDP. Political tensions, escalated in a few Middle Eastern countries and in Russia as a result of the Ukrainian crisis and the sanctions imposed by the western countries.
A situation of weakness and uncertainty persists in the Euro zone, exacerbated recently by the Greek elections which was reflected in extremely volatile financial markets. The Euro weakened further.
Interest rates fell further, both short term (due to excessive liquidity) and long term (a direct reflection of the sluggish growth and the low level of inflation).
GDP fell, in real terms, in the first part of the year with a decline that also affected countries not directly exposed to the tensions of the financial markets; it wasn't until the second half that a modest recovery began thanks also to the gradual increase in foreign demand and the expansive monetary policy.

The ECB's Executive Board recently announced that it will likely leave interest rates at current or lower levels for a prolonged period of time. The Executive Board also announced that in order to offset the risks connected to a prolonged period of low inflation it would continue with further long term repo transactions and to expand the Euro system balance sheet by purchasing additional securities on the open market.

Looking ahead, the recent forecasts of the Bank of Italy and the ECB call for a gradual economic recovery in 2015 and 2016 which should be sustained by the recent drop in oil prices. Internal demand should also be supported by the ECB's expansive monetary policy, more favorable credit markets, as well as the progress made in terms of structural reforms.
At the same time, these forecasts still reflect elements of uncertainty: particularly geopolitical risks, as well as the economic trend in the emerging and world financial markets that could have a negative influence on the economic conditions, in an environment already hindered by a high level of unemployment and spare capacity. (Source: Bank of Italy/ECB).

Group results

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

€/million	2014	% revenues	2013 (*)	% revenues
Revenues	**1,726.7**	**100.0%**	**1,616.9**	**100.0%**
Change 2014/2013	*109.7*	*6.8%*		
Materials consumed & other production costs (production services and payroll costs)	(911.0)	(52.8%)	(828.8)	(51.3%)
Gross profit	**815.7**	**47.2%**	**788.2**	**48.7%**
Costs for services and other expenses	(406.5)	(23.5%)	(406.0)	(25.1%)
Payroll (non-production)	(149.1)	(8.6%)	(140.6)	(8.7%)
EBITDA before non-recurring income/expenses	**260.1**	**15.1%**	**241.6**	**14.9%**
Change 2014/2013	*18.5*	*7.7%*		
Other non-recurring income (expenses)	(0.6)	(0.0%)	(2.6)	(0.2%)
EBITDA	**259.6**	**15.0%**	**239.0**	**14.8%**
Amortization	(46.8)	(2.7%)	(44.6)	(2.8%)
EBIT	**212.7**	**12.3%**	**194.3**	**12.0%**
Change 2014/2013	*18.4*	*9.5%*		
Financial income (expenses)	(41.7)	(2.4%)	(37.4)	(2.3%)
Profit (loss) before taxes	**171.0**	**9.9%**	**157.0**	**9.7%**
Income taxes	(43.8)	(2.5%)	(39.5)	(2.4%)
Profit (loss) after taxes	**127.2**	**7.4%**	**117.5**	**7.3%**
Profit (loss) pertaining to minority interests	0.7	0.0%	0.6	0.0%
Profit (loss) pertaining to the Group	**126.5**	**7.3%**	**116.9**	**7.2%**

(*) Figures at 31 December 2013 were restated following the retrospective application of IFRS 11 - *Joint arrangements*.
The net industrial margin reported in the reclassified income statement differs by €154.5 million in 2014 (€135.5 million in 2013) from the consolidated income statement; this is because, in order to represent period performance better, production-related payroll and service costs have been reclassified from payroll and services respectively.

Revenues

In 2014 the Group posted consolidated revenues of €1,726.7 million, an increase of €109.7 million (+6.8%) against 2013 thanks also to a brilliant fourth quarter during which growth of 8.2% was recorded despite the devaluation of a few of the Group's key currencies; at constant exchange rates (determined by calculating the amounts based on the average exchange rate recorded in 2013 and adjusted for hedging) growth would have reached +9.7% or €156.7 million.

Results by operating segment

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

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

Markets

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

€/million	2014	% revenues	2013 (*)	% revenues	Change	% change
North East Europe	466.1	27.0%	398.9	24.7%	67.2	16.9%
South West Europe	731.1	42.3%	704.6	43.6%	26.5	3.8%
EUROPE	**1,197.2**	**69.3%**	**1,103.5**	**68.2%**	**93.7**	**8.5%**
MEIA (Middle East/India/Africa)	**163.4**	**9.5%**	**149.9**	**9.3%**	**13.6**	**9.0%**
Australia and New Zealand	100.9	5.8%	109.7	6.8%	(8.8)	(8.0%)
United States and Canada	97.6	5.7%	97.4	6.0%	0.2	0.2%
Japan	58.0	3.4%	59.3	3.7%	(1.2)	(2.1%)
Other APA Countries	109.5	6.3%	97.2	6.0%	12.3	12.6%
APA (Asia/Pacific/Americas)	**366.1**	**21.2%**	**363.6**	**22.5%**	**2.5**	**0.7%**
Total revenues	**1,726.7**	**100.0%**	**1,616.9**	**100.0%**	**109.7**	**6.8%**

(*) Figures at 31 December 2013 were restated following the retrospective application of IFRS 11 - *Joint arrangements*.

Net revenues increased, albeit at different speeds, in all the geographic regions. A very positive performance was posted in Europe, above all in the North East, where revenues amounted to €1,197.2 million (an increase of €93.7 million or 8.5% against 2013). The performance in the North East, up by €67.2 million (+16.9%), reflects the good trend recorded in a few markets (above all, the United Kingdom, the Czech Republic and Hungary), as well as the impact of currency devaluation and the difficult situation in the Ukraine and Russia where, despite the adverse exchange effect, excellent growth was recorded.
The noticeable growth posted in the United Kingdom (+21.3%) was driven by small De' Longhi brand appliances (kettles and toasters), by coffee makers and the return of the Braun products to the market; the performance of the Kenwood products was in line with 2013 and was impacted by the increased competition in the low end kitchen machine segment.
Very good results were also posted in the Czech Republic, Slovakia and Hungary (thanks also to the development of direct sales in the latter country), due to continuous growth in De' Longhi brand coffee machines and Kenwood brand kitchen machines.
Sales in Scandinavia grew, as expected, thanks to the good performance of kitchen machines and small appliances.
Russia posted growth of 31.3% despite the strong devaluation of the ruble in the second half of 2014 to which the Group reacted rapidly by raising sales prices; the excellent results were achieved thanks to the commercial reorganization plan undertaken at year-end 2013. The growth was driven by coffee machines, the good results for Braun brand handblenders and irons, as well as De'Longhi brand small appliances.
Sales in the Ukraine (down with respect to 2013 by €2.0 million or -8.3%) were influenced by the armed conflicts underway in a few of the country's regions which precluded sales in Crimea and the Donbass region.

With regard to South West Europe (up €26.5 million, +3.8%), of note is the 2.1% growth posted in the Italian market attributable to Kenwood brand products and coffee machines, in a market environment that continues to be difficult and despite the drop in sales of portable air conditioners due to the below average temperatures recorded in the summer.

Very good growth was recorded in France (+9.3%), thanks above all to the kitchen machine family and the consolidation of coffee machines, as well as in the Iberian peninsula (+18.9%), thanks to the solid performance of coffee machines and the small Braun brand appliances. Sales in Germany were up slightly.

Growth was also reported in the MEIA region where sales rose +9% to €163.4 million in an environment characterized by political problems and greater economic instability as a result of the drop in oil prices.

The Group, however, succeeded in increasing sale volumes and its market share in the main markets: the market share of the Kenwood brand products increased in Saudi Arabia, in South Africa and the United Arab Emirates; Braun grew in both Egypt and the United Arab Emirates; De'Longhi increased its market share as the leader of coffee in Saudi Arabia and the United Arab Emirates.
Growth was recorded, above all, in the more stable and/or recovering markets which include Saudi Arabia (positive performance of all three brands) and Egypt where the market is recovering after the uncertainties of the last few years and thanks to the launch of Braun products with a new distributor, as well as the positive sales trend of the Kenwood brand products; in the MEIA region, in addition to the above mentioned unstable political situation in many countries, the market was lackluster and impacted by the devaluation of the local currency in South Africa and the choice to reduce sales through a few channels.

In the APA region revenues rose slightly (+0.7%) to €366.1 million despite the adverse exchange effect.
Looking at the single markets, good growth was posted in China (+18.1%) which continued along its growth path thanks to more extensive distribution and a stronger e-commerce presence; sales in 2014 were driven by coffee (fully automatic, Dolcegusto and traditional espresso machines).
Revenues were down slightly in Japan, but only as a result of the exchange effect. Growth of 5.6% was reported in local currency, driven by a positive season for radiators after a slow start, as well as the good results posted by coffee and food preparation machines.
In Australia, where revenues fell slightly by 1.8% in local currency (-8% in Euro due to the particularly adverse exchange effect), the effects of the commercial reorganization which resulted in more extensive commercial distribution, improvement in the positioning within the points of sales with more balanced sales and a lower concentration of coffee products (which dropped further with lower average prices for capsule machines), are starting to materialize.
Sales for all three brands grew in South Korea thanks also the strengthening of the local commercial structure and the support of the business.
Sales rose slightly in the USA and Canada which benefited from the good season for comfort (air conditioners and portable heaters).

With regard to revenues by product family, growth was posted, above all, by kitchen and food preparation appliances, particularly the Kenwood brand kitchen machines, the fryers (thanks to the successful launch of the new Multifry) and small appliances (above all, blenders, toasters and kettles).
Coffee makers also reported growth thanks to the fully automatic and traditional espresso machines, as well as the internally produced Nespresso and Dolcegusto machines.

Fully automatic machines reported strong growth in volumes in South West Europe (France, Italy and Spain), in North East Europe (Russia and the United Kingdom), in the United States, Japan and China.

The market for capsule machines was characterized by price pressure due to intense market competition, but positive results were posted thanks to the good results of the Nespresso brand *Lattissima Pro* machine and the Nestlè Dolcegusto brand *Jovia* machine.

Good results were also posted for traditional espresso machines thanks to the success of the high end *Dedica* machine.

The GFK figures for 2014 (47 countries) show that the De'Longhi brand maintained its leadership in espresso coffee machines and that its market share increased.

As for kitchen and food preparation products, good results were reported by all three of the main brands; fryers contributed to the De'Longhi brand's positive result thanks to the launch of the *Multifry* product (a no-oil fryer) in a few markets in the second half. The success of the breakfast collections continued, led by kettles and toasters (particularly in the United Kingdom, Australia and Russia).

With regard to Kenwood brand products, sales of kitchen machines continued to grow. Two new kitchen machine models were launched in 2014: *Chef Sense* (which received the important *iF GOLD Award* in January 2015) and *MultiOne*, a machine with a new versatile and functional format launched for a new market sector, to attract new consumers and enter emerging markets which received the *iF International design Award*).
2014 also saw the launch of the premium "*Persona*" breakfast line which includes a variable temperature kettle, a toaster and a filter coffee machine. A complete multi-color line was also introduced for KMIX, *X Pro blender*, a new, more sophisticated handblender, as well as a new *Multipro* food processor.

As for Braun brand products, of note was the growth posted by the two main product categories (handblenders and irons): the growth in handblenders is also attributable to the investments made in 2013 to completely renew the line. The two new lines were *Multiquick 7* and *Multiquick 5*; the first, which received the "*Red dot award*" for the category, made it possible to strengthen the leadership in the high end of the market, while the second received the *iF International design award*.
Growth in irons took place primarily in Eastern Europe thanks to the renewal of the line year-end 2013 and the increased commercial focus.
In 2014 the new food preparation line "Tribute" was also launched and the main Braun and "Identity" products were restyled.

As for Comfort, the air conditioning season (sales were largely in line with 2013) reflected a solid increase in sales in the US and in Brazil which were, however, offset by the negative season in Italy due to the summer weather conditions.
The sales for heating fell 3% due to the mild weather in Europe and Asia, above all, which caused a slowdown in the sale of these products.

Profit performance

The net industrial margin rose by €27.5 million with respect to 2013 (+3.5%) thanks to increased sales volumes, a good product mix and reduced costs; the result was impacted by the negative exchange effect linked to the devaluation of a few currencies (above all, the ruble and the Ukrainian hryvnia) and the negative price effect explained by a few promotions and the repositioning of a few products in a few markets during the year.

The drop in the net industrial margin as a percentage of revenues was offset by a decrease in operating and non-production payroll costs which allowed for an increase in EBITDA before non-recurring expenses (which rose from €241.6 million to €260.1 million, rising as a percentage of revenues from the 14.9% recorded in 2013 to 15.1% in 2014).

Costs for Services and other operating expenses, including non-production payroll costs fell as a percentage of revenues from 33.8% to 32.2% thanks to better absorption of fixed costs due to organic growth, as well as lower advertising and promotional costs.

EBITDA came to €259.6 million in 2014 (€239.0 million in 2013) after non-recurring expenses of €0.6 million linked, above all, to the residual amount owed by the UK subsidiary for the transfer to third parties of the risks connected to the English pension fund (the non-actuarial component of the GMP-equalisation).

EBIT amounted to €212.7 million in 2014, an increase of €18.4 million against the prior year despite higher amortization and depreciation (€2.2 million) linked to the investments made in production to support the Group's growth, described above.

Net financial expenses came to €41.7 million in 2014 (€37.4 million in 2013) and include currency hedging costs of €11.2 million (an increase of €5.0 million against 2013 explained, above all, by hedging in Russia and the Ukraine): toward this end, the Group's prudent hedging policies prevented significant exchange losses, above all in the latter part of the year, as a result of the devaluation of the ruble and the Ukrainian hryvnia.

Profit pertaining to the Group amounted to €126.5 million, an increase of €9.6 million with respect to 2013.

Review of the statement of financial position

The reclassified consolidated statement of financial position is presented below:

€/million	31.12.2014	31.12.2013 (*)	Change
- Intangibile assets	325.1	327.3	(2.2)
- Tangibile assets	191.1	171.4	19.7
- Financial assets	7.7	7.4	0.3
- Deferred tax assets	42.5	38.1	4.4
Non-current assets	**566.5**	**544.2**	**22.3**
- Inventories	317.8	281.3	36.5
- Trade receivables	366.2	334.6	31.6
- Trade payables	(382.5)	(338.6)	(44.0)
- Other payables (net of receivables)	(65.2)	(50.6)	(14.6)
Net working capital	**236.2**	**226.7**	**9.5**
Total non-current liabilities and provisions	**(105.5)**	**(91.9)**	**(13.6)**
Net capital employed	**697.2**	**679.0**	**18.2**
Net debt/(Net financial assets) (**)	**(89.0)**	**9.0**	**(98.0)**
Total net equity	**786.1**	**669.9**	**116.2**
Total net debt and equity	**697.2**	**679.0**	**18.2**

(*) Figures at 31 December 2013 were restated following the retrospective application of IFRS 11 - *Joint arrangements*.
(**) Net financial position at 31 December 2014 includes €24.2 million in net financial liabilities (net financial liabilities amounted to €49.9 million at 31 December 2013) relating to the fair value of derivatives and options on minority interests, the residual contingent debt owed Procter & Gamble for the Braun acquisition and the financial debt connected to the transaction involving the UK subsidiary's pension fund.

Capital expenditures in 2014 amounted to €60.8 million (€59.7 million in 2013) and include the €25.7 million (versus €14.6 million in 2013) in non-recurring investments made primarily in the start-up of the production facility in Romania and the second wave of investments in the main Chinese plant.
Further, ordinary investments were also made in property, plant and equipment for €27.0 million (above all in presses and equipment for the production of new products).

The trend for net working capital was positive with net working capital turnover going from 14% of revenues in 2013 to 13.7% in 2014.
Trade receivables rose by €31.6 million (+9.4%) explained, on the one hand, by good credit collection and a rise in factoring with respect to 2013 and, on the other, a significant increase linked to the exchange effect.

The trend in inventories, which rose €36.5 million (+13.0%) due to the increased stock accumulated in a few markets in preparation for an expected rise in sales and the negative exchange effect, was positive with respect to the situation described in the interim financial report at 30 September 2014 insofar as the good performance posted in the last quarter of 2014 solved a few problems of excess stock in a few markets (the problem is, therefore, limited to the previously mentioned markets).
Trade payables rose by €44.0 million (+13%) explained by increased purchasing connected to organic growth, as well as a significant increase linked to the exchange effect.

The net financial position at 31 December 2014 was positive by €89.0 million compared to -€9.0 million at year-end 2013, an improvement of €98.0 million.

Details of the net financial position are as follows:

€/million	**31.12.2014**	**31.12.2013 (*)**	**Change**
Cash and cash equivalents	388.5	263.9	124.6
Other financial receivables	55.2	22.9	32.4
Current financial debt	(232.0)	(115.5)	(116.5)
Net current financial assets	**211.8**	**171.3**	**40.4**
Non-current financial debt	**(122.8)**	**(180.4)**	**57.6**
Total net financial position/(net debt)	**89.0**	**(9.0)**	**98.0**
of which:			
- positions with banks and other financial payables	*113.2*	*40.9*	*72.3*
- financial assets/(liabilities) other than bank debt (residual payable to P&G related to the Braun acquisition, fair value of derivatives and options, financial payable connected to the UK subsidiary's pension fund transaction)	*(24.2)*	*(49.9)*	*25.7*

(*) Figures at 31 December 2013 were restated following the retrospective application of IFRS 11 - *Joint arrangements.*

The net financial position at 31 December 2014 reflects items other than bank debt of €24.2 million: the residual amount owed to Procter & Gamble relating to the potential earn-out payable over the next three years and other net assets 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 €49.9 million at 31 December 2013).

The net debt owed banks and other sources of finance, therefore net of the items other than bank debt, at 31 December 2014 amounted to €113.2 million (versus €40.9 million at 31 December 2013); an improvement of €72.3 million in the previous twelve month period.
Excluding the non-recurring or non-operating items (including non-recurring investments, the payment of dividends, translation differences and factoring without recourse), the change in bank debt would have had a positive impact on the net financial position of €99 million (€127.6 million in the previous twelve month period).

In 2014 advance repayment was made of two unsecured loans for a total principal amount of €70 million as part of the Group's policy to optimize its financial structure. No new medium/long term loans were granted in the year.

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

€/million	2014	2013 (*)
Cash flow by current operations	215.3	205.0
Cash flow by changes in working capital	(46.7)	(32.6)
Cash flow by investment activities	(60.8)	(59.7)
Cash flow by operating activities	**107.8**	**112.7**
Dividends paid	(59.8)	(43.4)
Cash flow by changes in fair value and cash flow hedge reserves	19.4	(4.7)
Cash flow by actuarial linked to the pension fund transaction	0.1	(6.2)
Cash flow by other changes in net equity	30.5	(1.4)
Cash flow absorbed by changes in net equity	**(9.8)**	**(55.6)**
Cash flow for the period	**98.0**	**57.0**
Opening net financial position	(9.0)	(66.1)
Closing net financial position/(Net debt)	**89.0**	**(9.0)**

(*) Figures at 31 December 2013 were restated following the retrospective application of IFRS 11 - *Joint arrangements*.

Net cash flow from operating activities (€107.8 million in 2014 versus €112.7 million in 2013) includes the positive flows generated by current operations of €215.3 million (€205.0 million in 2013) and the flows absorbed by changes in working capital of €46.7 million (€32.6 million in 2013), which were impacted by both the adverse exchange effect and the strong growth in business concentrated in the last month of 2014.

Cash flow from operations also includes the above mentioned non-recurring investments (€25.7 million in 2014 versus €14.6 million in 2013).

Cash flows were also affected by changes in net equity: higher dividend payouts, the increase in the fair value of currency hedging instruments and exchange differences which absorbed €9.8 million (versus €55.6 million in 2013).

Research and development - quality control

In 2014 the Group continued to invest in research and development with the costs incurred reaching approximately €42.2 million (€37.3 million in 2013), €7.7 million of which capitalized as intangible assets (operating data).

The R&D activities involving coffee machines were focused on the development of new platforms for the fully automatic machines, as well as for the completion of the *Lattissima Pro* line and the restyling of the *Lattissima* platform, as well as the production of the *Jovia Dolcegusto* model.
New models of manual espresso machines were also developed for the *Distinta* and *Dedica* breakfast collections.

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.

A new range of Braun hand blenders (MQ5 and MQ7) and irons were also launched.

Monitoring of quality control continued which included, among other things, complete implementation of the best practices for food contacts at the European plants which were certified by commercial partners and by Bureau Veritas and the preparatory work for the certification process at the Chinese plants.

The Group's PC&RA (Product Compliance & Regulatory Affairs) unit was also defined and became operational. This unit will work with the different brands' Technical and Production Divisions in order to follow, on a group level, developments in regulations and laws (electrical safety, energy efficiency, ecodesign, food contact, chemical regulations, etc.) and ensure that all product categories are uniformly updated and compliant with the law.

Communication activities

In 2014 the Group continued with its communication activities through traditional channels but, above all, through the use of digital channels and the strengthening of a few new instruments in order to provide value added to customers.

The launch of the new De'Longhi *Multifry* was supported by the creation of web pages full of interactive content describing the benefits of the product. An application was also made available to users which, by helping customers create their own recipes, made it possible to become more familiar with the product. Today more than 300 recipes are available, but the number is destined to increase thanks to daily updates.

In Germany, Austria and the Netherlands, the position of the De'Longhi brand was supported and strengthened through both traditional TV campaigns and digital means.
More in detail, the new range of "*Eletta*" fully automatic coffee machines was launched with the "*Touch the sky*" campaign that celebrates the cappuccino by focusing on the creaminess, the dense milk foam and the perfect temperature that is guaranteed with De'Longhi products.

When selecting "*Distinta*" breakfast line products, consumers were assisted by an app that they could download on their tablet or smartphone that makes it possible to see the items inside their own kitchens.

As for the Kenwood brand, the Group enhanced the "*What do you see*" campaign launched in 2013 which is now present in 13 countries and receiving excellent results. The goal is to change the brand perception by creating a more emotional connection.
The shift from the analytic communication of the past to a more current, engaging, customer focused communication style is very present in the campaign, launched in 15 countries to advertise the new Kenwood *Chef Sense*, "*Savour every moment*", which focuses more on memories and the emotional attachment this creates than on the way the product works.
Kenwood continued to sponsor TV cooking shows (*Master Chef* in Italy, Russia, the Ukraine; *Le meilleur Patissier* in France, the Ukraine and Belgium, local programs in Spain, Portugal and APA) which make it possible to reach a wider target audience.
On-line visibility was enhanced through the production of videos posted through channels like YouTube which not only target trade audiences, but also end consumers.
The visits to the website Kenwoodworld.com, improved through the creation of interactive pages full of content, increased 15% against the prior year.
The Group also invested in two pilot projects; one in Australia based on which it will be possible to interact with distributors' websites, and one in America designed to increase e-commerce.

With regard to Braun, the media activities were focused on maintaining and reinforcing the general perception of the distinct characteristics of the brand with a view to introducing two new collections "*Tribute*" and "*Identity*". More in detail, communication within points of sale, merchandising and the use of publicity material were strengthened.
In the MEIA region a specific TV campaign was used to revive the brand's strong presence in the region.

Human resources

The De'Longhi Group had 6,710 employees at 31 December 2014 (5,674 at 31 December 2013).

Here follows a detail of the average workforce in 2014 and in 2013:

	2014	%	2013 (*)	%	Change
Blue collar	3,782	57.7%	3,182	54.7%	600
White collar	2,676	40.8%	2,545	43.7%	131
Senior managers	96	1.5%	95	1.6%	1
Total	**6,554**	**100.0%**	**5,822**	**100.0%**	**732**

	2014	%	2013 (*)	%	Change
Household	6,459	98.6%	5,730	98.4%	729
Corporate	95	1.4%	92	1.6%	3
Total	**6,554**	**100.0%**	**5,822**	**100.0%**	**732**

(*) Figures at 31 December 2013 were restated following the retrospective application of IFRS 11 - *Joint arrangements*.

The Group had an average of 6,554 employees in 2014, an increase of 732 employees.

A significant part of this increase is tied to the strengthening of the Group's internal production in Romania and in China, while Italy and Germany were largely unchanged.

With regard to the Group's international distribution network, in 2014 personnel grew slightly in relation to the strengthening of the commercial and marketing structures, particularly in the main markets for the Braun brand business. The relaunching of the Braun Household business continued in the year with investments in corporate structures in Germany and Italy involved in new product development (Marketing, Design, Research and Development, Quality Control and centralized support services), as well as on a local level.

As for the production platform, in 2014 expansion of the production carried out in Cluj, Romania continued, resulting in an increase in the labor force as per the relative production plan; similarly, the Group invested further in the Chinese productions facilities in order to reinforce the Dongguan facility and to relaunch the Zhong Shan facility by beginning kettle production.

In 2014 the Group intensified its R&D efforts in Italy, the United Kingdom and Germany (relative to the development of De'Longhi, Kenwood and Braun brand products), as well as in relation to the production facilities in China. Creation of a Product Development unit was also begun in Hong Kong dedicated to "non-European" or "regional" products in order to better meet the specific needs of high potential markets like the Asian and Middle Eastern ones.

With the support of a premier consulting firm the reorganization process begun in 2012 was completed which resulted in the creation of two commercial divisions, South West Europe and North East Europe, responsible for all the Group's businesses and brand. As a result of this process one organization was formed in the first months of 2014 comprised of all the back office and supply chain functions supporting the European business.

In the second part of 2014, again with support of an outside consultant, a project was begun focused on improving the efficiency of the global supply chain and, therefore, product availability in order to be able respond to the growing complexities of the market and customers' expectations by reducing the time to market.
The first phase of the project calls for an "as is" analysis, a better understanding of the ways to improve the existing processes, the identification of the "to be" scenario to be tested in 2015 in a subsequent pilot initiative focused on a few SKUs belonging to important product categories and three of the main markets.
Resources belonging to a few Group branches, the corporate supply chain structure and two production facilities were involved in the project; an analysis of the needs and expectations of a few important retailers preceded this phase which called for an assessment of openness to change of the resources involved in the project in order to establish adequate "change management" policies in order to support the efficacy and success of the project that should be finished in 2015.

In 2014 human resources used the performance appraisal tool launched by the Group in 2013.
The tool, more refined than the one used last year, is designed to promote an open and constructive dialogue between supervisors and staff members, fully aware that the sharing of strong points and areas where there is room for improvement, while focusing on the priorities, namely development and the performance targets, is key to the development, motivation and retention of company resources and, consequently, to the improvement of the company overall.
The launch of the performance appraisal process was anticipated by training and a series of initiatives focused on raising the awareness of management in Italy and abroad.
In preparation for the 2015 edition and to facilitate organization, management and monitoring, the performance appraisal process was computerized and a mini-website was created to make content, videos, pamphlets relating to the topic, available to everyone involved.

A number of assessments were also carried out in 2014, both individual and group, involving resources belonging to different company divisions. 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 Group, with class training sessions or individual coaching.

With regard to training and development projects, an important corporate initiative was begun focused on situational leadership. Initially European Country Managers were involved, but subsequently Italian management, as well as managers reporting directly to the European Country Managers, were also involved. In January 2015 a roll out for the initiative was determined in Hong Kong, with the involvement of non-European country managers and in February in Romania. Other editions will be developed in 2015 in order to involve all the key resources of the different Group companies worldwide.
Investments were also made in training involving management personnel with different levels of seniority (topics for recently appointed and intermediate supervisors included problem solving and staff management) and more specialized courses (certified sensory quality control judge, FMEA and PFMEA methods, update on EN60335 regulations for all technical departments, languages, other).

Two noteworthy projects were also begun: (i) a research project in collaboration with Ca' Foscari University in Venice, focused on identifying the expertise needed to ensure the success of innovative processes in which Italian, English and German Marketing, Design and R&D resources were involved; (ii) an e-learning project for the identification of a platform and the content to make available to Group personnel. 80 resources in 10 different countries were involved in the pilot project.

In 2014 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 continued with the collaboration begun in 2013 with the Summer School program organized by the University of Padua's Department of Economics with Guangzhou University (China), hosting a group of students at the headquarters in Treviso and in a Dongguan, 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 (July 2014 edition), and about ownership structure, in compliance with the legislator's requirements as set out in art. 123-bis of Legislative Decree n. 58/98 ("TUF").

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

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

Direction and Co-ordination

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

Board of Directors

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

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

In 2014 the Board of Directors also:
- confirmed the list of the De'Longhi Group's "strategically important subsidiaries", identifying them as the Italian registered companies De'Longhi Capital Services S.r.l. and De'Longhi Appliances S.r.l., 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, and also resolved to include De' Longhi America and De' Longhi Kenwood MEIA FZE, companies with commercial importance within the Group, within this scope;

- resolved, pursuant to art. 3 of Consob Resolution n. 18079 dated 20 January 2012, to exercise the opt-out clause found in articles 70, paragraph 8 and 71, paragraph 1-*bis* of Consob Regulation n. 11971/99 which grants the option to waive the mandatory publication of information documents relating to mergers, spin-offs, capital increases through in-kind transfers, acquisitions and disposals.

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

Some of the current directors hold appointments in other listed or relevant companies. The most significant appointments are listed in the 2014 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 2014. These meetings were also attended by the Board of Statutory Auditors, while the committee also extended invitations to the Head of Internal Audit, the Financial Reporting Officer, and the Group's Head of Corporate Affairs, who also acted as secretary.
The Compensation and Nominations Committee held three meetings during 2014, 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 2014 Report on Corporate Governance and Ownership Structure and in the annual Remuneration Report prepared in accordance with art. 123-*ter* of TUF and art. 84-*quater* of the Issuer Regulations.

Board of Statutory Auditors

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

External Auditors

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

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

Introduction

The Issuer's and the De'Longhi Group's Internal Control System consists in the set of rules, procedures and organizational structures set in place to ensure that company strategies are adhered to and, based on the corporate governance standards and model included in the COSO report (Committee of Sponsoring Organizations of the Treadway Commission), to guarantee:
a) efficient and effective company operations (administration, production, distribution, etc.);
b) reliable, accurate, trustworthy and timely economic and financial information;
c) compliance with laws and regulations, as well as the corporate articles of associations, rules and company procedures;
d) safeguarding of the company's assets and protection, to the extent possible, from losses;.
e) identification, assessment, management and monitoring of the main risks.

The executive administrative bodies of the Parent Company De'Longhi S.p.A. (Board of Directors, the Risk and Control Committee, Director in Charge of the Internal Control and Risk Management System), the Board of Statutory Auditors, the Head of Internal Audit, the Supervisory Board, the Financial Reporting Officer and all De'Longhi personnel, as well as the Directors and Statutory Auditors of the Issuer's subsidiaries, are involved in the controls, with different roles and in function of their expertise and adhere to the recommendations and principles found in the guidelines.
The Internal Control System that is subject to examination and periodic audits, taking into account changes in the company's operations and reference context, makes it possible to address the main risks to which the Issuer and the Group are exposed to over time, in a timely manner, as well as to identify, assess and control the degree of the exposure of the Issuer and all the other companies of the De'Longhi Group – particularly the strategically important subsidiaries – to the different types of risk, and also makes it possible to manage the overall exposure taking into account:
(i) the possible correlations between the different risk factors;
(ii) the probability that the risk materializes;
(iii) the impact of the risk on the company's operations;
(iv) the overall impact of the risk.

The internal control and risk management system relating to the financial reporting process (administrative and accounting procedures used to draft the separate and consolidated annual financial statements and the other economic and/or financial reports and disclosures prepared in accordance with the law and/or regulations, as well as ensuring correct implementation) coordinated by the Financial Reporting Officer, is an integral and essential part of the De'Longhi Group's Internal Control and Risk Management System.
The Head of Internal Audit – who is in charge of verifying that the internal control and risk management system works efficiently and effectively – prepares a work plan each year that is presented to the Board of Directors for approval, subject to the positive opinion of the Risk and Control 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), during 2013 the Issuer undertook a project designed to strengthen enterprise risk management (ERM) with the support of a premiere consulting company.
This project called for the development and monitoring of a structured ERM model in order to effectively manage the main risks to which the Issuer and the Group are exposed. The project was completed at the end of 2013 and the results were shared with the Director in Charge of Internal Control and Risk Management, the Risk and Control 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; during 2014 the subsequent phases of the ERM project have been implemented with a plan to define the risk management strategy giving priority, in the first phase, to the highest risks and the relative control and management.
Middle-level risks have been updated as well.

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

During 2015 a verification will be also carried out by the functions in charge.

Description of main 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 also take in to account the above mentioned ERM project (completed in December 2013 with follow-up during 2014) and the assessments carried out in 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 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.

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 2014 the economy in a few developed countries expanded slightly, sustained by the drop in oil prices, albeit at a pace that differed country to country.
Acceleration was consistent in the United States, while there was a slowdown in China and the emerging markets in Asia, while in Japan a drop in investments caused a further decline in the GDP. Political tensions, escalated in a few Middle Eastern countries and in Russia as a result of the Ukrainian crisis and the sanctions imposed by the western countries.
A situation of weakness and uncertainty persists in the Euro zone, exacerbated recently by the Greek elections which was reflected in extremely volatile financial markets. The Euro weakened further.
Interest rates fell further, both short term (due to excessive liquidity) and long term (a direct reflection of the sluggish growth and the low level of inflation).
GDP fell, in real terms, in the first part of the year with a decline that also affected countries not directly exposed to the tensions of the financial markets; it wasn't until the second half that a modest recovery began thanks also to the gradual increase in foreign demand and the expansive monetary policy.

The ECB's Executive Board recently announced that it will likely leave interest rates at current or lower levels for a prolonged period of time. The Executive Board also announced that in order to offset the risks connected to a prolonged period of low inflation it would continue with further long term repo transactions and to expand the Euro system balance sheet by purchasing additional securities on the open market.

Looking ahead, the recent forecasts of the Bank of Italy and the ECB call for a gradual economic recovery in 2015 and 2016 which should be sustained by the recent drop in oil prices. Internal demand should also be supported by the ECB's expansive monetary policy, more favorable credit markets, as well as the progress made in terms of structural reforms.
At the same time, these forecasts still reflect elements of uncertainty: particularly geopolitical risks, as well as the economic trend in the emerging and world financial markets that could have a negative influence on the economic conditions, in an environment already hindered by a high level of unemployment and spare capacity. (Source: Bank of Italy/ECB).
Global market conditions and difficulties in preventing economic cycles, energy prices trends, crisis conditions in a few markets due to political tensions, together with other risk factors listed below, could significantly influence the economic and financial conditions of the Group.

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

The Group has therefore long had the characteristics typical of a multinational company and this inevitably exposes it to a number of risks relating to economic conditions and policies of the individual countries in which it operates.
These risks not only affect consumption trends in the various markets concerned, but may also be relevant in terms of concentration of the Group's production sites in foreign markets if polices were introduced that limit or restrict foreign investment, imports and exports or capital repatriation.
These are systemic risks, common to all businesses, for whom the ability to generate value depends first on the dynamics and size of the market and only second, on their ability to compete and consolidate/acquire the largest possible market share.
The Group, in the persons of the Chairman of the Board of Directors, the Chief Executive Officer, and the division and market managers, constantly monitors market trends in order to promptly seize opportunities to increase business and to assess the likelihood of any risks (and their potential effects on the Group's results).
The occurrence of adverse political and economic events in the markets in which the De'Longhi Group operates (and particularly in emerging markets), could have adverse economic and financial consequences for it.

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

The Group competes with other major international industrial groups. The target markets are highly competitive in terms of product quality, innovation, price, energy saving, reliability, safety and assistance.
If the Group were unable to adapt effectively to the external context, this could have an adverse impact on the Group's business prospects, as well as on its economic performance and/or financial position.

4 - Risks relating to the supply agreements with a few strategic partners relating, above all, to coffee machines.

The Group operates including through agreements with strategic partners which call for the development, production and commercialization of coffee machines sold in international markets.
Consequently, the Group's failure to maintain or renew these agreements could impact the Group's economic results and financial position.

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

In this respect, the Group has proved in the past to be a leader in technological innovation and in creating new in-vogue designer products, also thanks to the importance it places on those working in product development and design, which it intends to maintain in the future. By way of confirmation, market shares are increasing in the main markets and product lines in which the Group operates.
In particular, if the Group were unable to develop and continue to deliver innovative, competitive products relative to its major competitors in terms of price, quality and functionality, amongst others, or if there were delays in the market launch of models strategic to its business, the Group could lose market share, with an adverse impact on its business prospects, as well as on its economic performance and/or its financial position.

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

The Group's legal offices are responsible for the legal protection of industrial property rights (patents for inventions, utility models, designs and models as well as trademarks) and constantly monitor and control the situation around the world, using the services of specialist consultants in the various countries concerned.
Such actions cannot absolutely guarantee that the Group's products will not be imitated and furthermore, certain jurisdictions (such as China and the United Arab Emirates) do not protect property rights to the same extent as European law.
The Group's policy is nonetheless based on incurring the necessary costs to ensure that its property rights have the greatest possible global protection in the various markets where it operates.
Moreover, there is no guarantee that protection of the industrial property rights still in the registration process (and, in particular, patents for inventions and utility models) will be actually granted as filed, since the extent of protection may be reduced - even significantly – not only as a result of technical examination by the competent office but also as a result of opposition to the registration and licensing of the rights that might be presented by third parties.
Lastly, although the Group does not believe that its products infringe third-party property rights, it is not possible to exclude that third parties might successfully claim that such infringements exist, including through legal proceedings.

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

For the purposes of protecting its income statement and statement of financial position from such fluctuations, the Group adopts a suitable hedging policy and tools, free from speculative connotations.
Hedging is carried out centrally by a special team on the basis of information obtained from a detailed reporting system, using instruments and policies that comply with international accounting standards. Hedging activities are defined when the yearly budget is approved (or when the three-year plan is approved). The purpose of hedging is to protect - at individual company level - the future revenues/costs contained in budgets and/or long-term plans and trade and financial receivables/payables.
The level of coverage relative to revenues and costs is determined including based on market trends and cost/benefit analyses.
The principal currencies to which the Group is exposed are the US dollar (in which part of its costs of purchasing raw materials, parts and finished products, as well as the bond loan issued by De'Longhi S.p.A. are denominated) and the currencies of the main export markets (the British pound, the US dollar, the Japanese yen, the Australian dollar, the Ruble, etc.).
Despite such hedging transactions, sudden currency fluctuations could have an adverse impact on the Group's results and business prospects.

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

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

(a) a permanent evaluation system for the various suppliers, used for decision-making purposes and to identify the reliability of each recurrent supplier in terms of quality and price of the products supplied;

(b) assessment of the risk of fluctuation by the Chinese currency against the US dollar, the Group's reference currency which is protected by the Group's hedging policies;

(c) review of the financial status of suppliers and hence of the allocation of appropriate production volumes to each supplier;
(d) evaluation of the services provided by suppliers in terms of logistics and timeliness of deliveries and of the consequent decisions adopted each time;
(e) inspections, prior to product shipment by suppliers, intended to prevent any defects in the quality of products acquired.

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

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

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

incentive systems to foster staff retention (production bonuses and retention bonuses spread over time for workers, wage increases linked to length of service, and incentive schemes for management), investment in training and developing more qualified internal resources, improvements in living and working conditions within the various factories (canteens, recreational and leisure activities, internet access).

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

The main risk is that products do not meet the quality standards required by the different regulations in such jurisdictions. This could justify the return of such products, with increased costs of production and an impact on the Group's image that could harm its reputation.
The activities of the De'Longhi Group involve it assuming typical producer liability for damage caused by defective products: part of its sales take place in jurisdictions (like the USA) where the rules governing liability for damage caused by products to people or things are particularly strict.
The Group therefore applies strict standards of control to its products: it has a protocol for managing quality risk that involves a series of activities and procedures in defence of product quality; there is also a special team that controls quality directly in manufacturing units and at supplier locations.
In addition, the Group has product liability insurance that is deemed adequate to cover these risks.
Nonetheless, it is conceivable that such insurance coverage could be inadequate for manufacturing defects in some of the Group's products or in other circumstances. The initiation of significant product liability claims, or the identification of defects in the Group's products, could harm the Group, with adverse consequences for the management and development of its business.

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

In particular, if the Group did not have an adequate quantity of products it could run the risk of failing to adequately and promptly meet customer demand; if, however, the quantity of such products exceeded orders, the Group might face the risk of unsold stock.
Another risk is the efficient management of the supply chain that could affect the adequacy of customer service.
The Group currently has a logistics centre that ensures careful and timely planning and management of every stage of the supply chain.
As for the standard of customer service, the Group's procedures require that each customer's individual needs are taken into account.
If the group is unable to predict and/or respond to issues that could give rise to these risks, there could be adverse consequences for the Group's business, economic performance, assets and liabilities and financial position.

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

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

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

The socio-political (or country) risks discussed earlier (see point 2) could also have an impact on credit risk.
Trade credit risk is monitored using formal procedures for selecting and assessing customers, for defining credit limits, for monitoring expected receipts and for their recovery, and involves taking out insurance policies with major insurers, and in some cases requesting additional guarantees from customers, principally in the form of sureties.
However, these procedures might not be sufficient to prevent losses related to the the credit risk, that could affect the Group's result.

14 - Risks arising from the seasonality of sales: The De'Longhi Group's sells, amongst others, seasonal products as air conditioners and portable radiators.

These products, which represent approximately 12% of the total revenues (13% in 2013), are typically seasonal with their sales concentrated in a limited period of the year.
Seasonality of sales could adversely affect the Group's business prospects, as well as its economic performance and/or financial position.

15 - Risks relating to changes in the regulatory framework, particularly concerning environmental protection: The Group is subject, in the various jurisdictions in which it operates, to the national and international legal requirements and technical standards applicable to the type of products sold.

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

16 - Risks relating to environmental damage: The industrial production carried out by the Group with its factories and equipment could, in certain cases of serious faults or breakdown in such equipment, cause damage to third parties, accidents or environmental damage.

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

17 - Liquidity and financing risks – Interest rate risk: The liquidity risk possibly faced by the Group is the risk of not having the funds needed to fulfil payment obligations arising from operating and investment activities and from the maturity of financial instruments. The Group holds assets and liabilities that are sensitive to interest rate changes and that are necessary to manage its liquidity and financial needs.

It is the Group's policy to maintain a sufficiently large portfolio of counterparties of international repute for the purposes of satisfying its financing and hedging needs.
The Group uses specific policies and procedures for the purposes of monitoring and managing this risk, including the centralized management of financial debt and cash, the raising of medium and long-term finance on capital markets and the obtaining of short-term credit lines that allow wide room for manoeuvre when managing working capital and cash flows.
The Group has medium-term bank credit lines and short-term credit lines (typically renewed on an annual basis), which are used to finance working capital and other operating needs.
The Group has also entered a revolving agreement for the factoring of trade receivables without recourse, thus granting an optimization of receipt cash flows.

About the interest rate risk, at 31 December 2014 the Group’s net financial position is positive and financial debt is mainly medium-long term.
This risk is managed centrally by the same team that manages currency risks. Nevertheless, sudden fluctuations in interest rates could have an adverse impact on the Group's business prospects, as well as on its economic performance and/or financial position.
In 2012, in order to have complete financial coverage of the Braun “Household” acquisition and to have enough financing in place should the credit markets worsen, the Group issued and placed a long term, fixed rate, unsecured bond in US dollars with US institutional investors worth USD 85 million which, due to the effect of a currency and interest rate hedge contract, is denominated in Euro at a fixed rate.
At the date of this report, the Group only has the above mentioned contract to hedge such risks.

18 - Compliance and corporate reporting risks:

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

In 2014, effective implementation of the system of managing financial reporting risks was monitored on a continuous basis and periodically evaluated under the guidance of the functions in charge.

For the purposes of ensuring reliable internal controls over its financial reporting, the Group has implemented a system of administrative and accounting procedures and operations that include:

- an accounting policies manual;
- accounting policy instructions and updates;
- other procedures for preparing the consolidated financial statements and periodic financial reports.

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

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

Under this legislation and amendments and additions thereto, the Group's main Italian companies have adopted, in accordance with art. 6 of Decree 231/2001, the "Model of organization, management and control" suitable for avoiding the occurrence of such liability at their own expense and the related "Ethical code", intended to apply not only to the Group's Italian companies but also, as far as applicable, to its foreign subsidiaries, since De'Longhi S.p.A. is also answerable, under art. 4 of Decree 231/2001, for offences committed abroad.

Therefore, the company's administrative liability under Decree 231/2001 could exist when this is effectively established as a result of an action brought against one of the Group companies, including the foreign subsidiaries; in such a case, it is not possible to exclude, in addition to the resulting application of penalties, adverse consequences for the company's and/or Group's operations, economic performance, assets and liabilities and financial position.

19 - Related parties: The Group has had and continues to have transactions of a commercial nature with related parties. Such transactions carry conditions that are in line with market ones.

The Company adopted a new set of procedures to govern the Group's transactions with related parties, in compliance with the standards set by the supervisory authorities in CONSOB Regulation 17221 dated 12 March 2010.

The procedures identify those related party transactions subject to specific examination and approval rules, which change according to whether such transactions are above or below defined thresholds. The procedures place particular importance on the role of the independent directors, who must always issue a prior opinion on the proposed transaction (if the transaction qualifies as material, this opinion is binding on the Board of Directors); the independent directors must also be involved in the preliminary examination of material transactions prior to their approval.

These procedures are considered to represent an additional guarantee of the transparency of the De'Longhi Group's operations.

Annual remuneration report

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

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

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

Figures in thousands of Euro	Net equity 31 december2014	Profit for 2014	Net equity 31 december 2013	Profit for 2013
De'Longhi S.p.A. financial statements	**328,307**	**66,955**	**323,349**	**63,540**
Share of subsidiaries' equity and results for period attributable to the Group, after deducting carrying value of the investments	468,156	70,264	341,759	51,558
Allocation of goodwill arising on consolidation and related amortization and reversal of goodwill recognized for statutory purposes	27,265	(1,778)	34,042	(2,388)
Elimination of intercompany profits	(34,239)	(7,757)	(26,268)	5,247
Other adjustments	(3,342)	(460)	(2,939)	(466)
Consolidated financial statements	**786,147**	**127,224**	**669,943**	**117,491**
Minority interests	2,910	692	2,530	570
Group portion	**783,237**	**126,532**	**667,413**	**116,921**

Group tax election

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

Related party transactions

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

Alternative performance indicators

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

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

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

Subsequent events

During the month of March 2015 the Company will reimburse in full (in advance of the original maturity) medium-long term debt totaling about € 18 million.

Outlook

The forecasts for 2015 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.

CEO Mr Fabio de' Longhi said: "Global markets remain difficult and very competitive, but the two core segments where the Group operates, espresso coffee makers and food preparation appliances, remain in a positive trend.
I therefore believe that the Group has the chance to continue along its growth trajectory, both through internal and, potentially, external growth, thanks to its strong balance sheet and its cash flow generation capacity".

Treviso, 3 march 2015

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*	2014	of which non-recurring	2013 (*)	of which non-recurring
Revenues from sales and services	*1*	1,704,479		1,591,073	
Other revenues	*1*	22,205		25,863	
Total consolidated revenues		**1,726,684**		**1,616,936**	
Raw and ancillary materials, consumables and goods	*2*	(786,286)		(717,323)	
Change in inventories of finished products and work in progress	*3*	21,056		19,950	
Change in inventories of raw and ancillary materials, consumables and goods	*3*	8,707		4,143	
Materials consumed		**(756,523)**		**(693,230)**	
Payroll costs	*4 -8*	(207,003)	(916)	(193,254)	
Services and other operating expenses	*5 - 8*	(489,547)		(465,379)	(827)
Provisions	*6 - 8*	(14,695)	(285)	(26,086)	(1,806)
Amortization	*9*	(46,818)		(44,638)	
Other income (expenses)	*7 - 8*	643	643		
EBIT		**212,741**	**(558)**	**194,349**	**(2,633)**
Financial income (expenses)	*10*	(41,705)		(37,397)	
PROFIT (LOSS) BEFORE TAXES		**171,036**		**156,952**	
Income taxes	*11*	(43,812)		(39,461)	
CONSOLIDATED PROFIT (LOSS) AFTER TAXES		**127,224**		**117,491**	
Profit (loss) pertaining to minority interests	*28*	692		570	
PROFIT (LOSS) PERTAINING TO THE GROUP		**126,532**		**116,921**	
EARNINGS PER SHARE (in Euro)					
- basic		€ 0.85		€ 0.78	
- diluted		€ 0.85		€ 0.78	

(*)Figures at 31 December 2013 were restated following the retrospective application of IFRS 11 - *Joint arrangements*.

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	2014	2013 (*)
Consolidated profit (loss) after taxes	**127,224**	**117,491**
- Change in fair value of cash flow hedges and financial assets available for sale	19,496	(4,625)
- Tax effect on change in fair value of cash flow hedges and financial assets available for sale	(4,230)	1,346
- Differences from translating foreign companies' financial statements into Euro	37,506	(24,647)
Total other comprehensive income will subsequently reclassified to profit (loss) for the year	*52,772*	*(27,926)*
- Actuarial valuation funds	(5,187)	(8,334)
- Tax effect of actuarial valuation funds	1,452	1,741
Total other comprehensive income will not subsequently reclassified to profit (loss) for the year	*(3,735)*	*(6,593)*
Other components of comprehensive income	**49,037**	**(34,519)**
Total comprehensive income	**176,261**	**82,972**
Total comprehensive income attributables to:		
Owners of the parent	175,624	82,402
Minority interests	637	570

(*) Figures at 31 December 2013 were restated following the retrospective application of IFRS 11 - *Joint arrangements.*

Consolidated statement of financial position

Assets

€/000	*Notes*	31.12.2014	31.12.2013 (*)
NON-CURRENT ASSETS			
INTANGIBLE ASSETS		325,110	327,273
- Goodwill	*12*	92,400	92,400
- Other intangible assets	*13*	232,710	234,873
PROPERTY, PLANT AND EQUIPMENT		189,904	169,465
- Land, property, plant and machinery	*14*	103,876	82,328
- Other tangible assets	*15*	86,028	87,137
EQUITY INVESTMENTS AND OTHER FINANCIAL ASSETS		8,232	7,450
- Equity investments	*16*	5,197	4,846
- Receivables	*17*	2,509	2,538
- Other non-current financial assets	*18*	526	66
DEFERRED TAX ASSETS	*19*	42,515	38,090
TOTAL NON-CURRENT ASSETS		**565,761**	**542,278**
CURRENT ASSETS			
INVENTORIES	*20*	317,763	281,252
TRADE RECEIVABLES	*21*	366,159	334,572
CURRENT TAX ASSETS	*22*	7,250	9,442
OTHER RECEIVABLES	*23*	38,284	37,337
CURRENT FINANCIAL RECEIVABLES AND ASSETS	*24*	55,243	22,893
CASH AND CASH EQUIVALENTS	*25*	388,530	263,934
TOTAL CURRENT ASSETS		**1,173,229**	**949,430**
NON-CURRENT ASSETS HELD FOR SALE	*26*	1,235	1,958
TOTAL ASSETS		**1,740,225**	**1,493,666**

(*) Figures at 31 December 2013 were restated following the retrospective application of IFRS 11 - *Joint arrangements*.

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	*Notes*	31.12.2014	31.12.2013 (*)
NET EQUITY			
GROUP PORTION OF NET EQUITY		783,237	667,413
- Share capital	*27*	224,250	224,250
- Reserves	*28*	432,455	326,242
- Profit (loss) pertaining to the group		126,532	116,921
MINORITY INTERESTS	*28*	2,910	2,530
TOTAL NET EQUITY		**786,147**	**669,943**
NON-CURRENT LIABILITIES			
FINANCIAL PAYABLES		123,311	180,432
- Bank loans and borrowings (long-term portion)	*29*	8,980	64,728
- Other financial payables (long-term portion)	*30*	114,331	115,704
DEFERRED TAX LIABILITIES	*19*	20,156	10,119
NON-CURRENT PROVISIONS FOR CONTINGENCIES AND OTHER CHARGES		85,345	81,763
- Employee benefits	*31*	39,313	28,650
- Other provisions	*32*	46,032	53,113
TOTAL NON-CURRENT LIABILITIES		**228,812**	**272,314**
CURRENT LIABILITIES			
TRADE PAYABLES	*33*	382,545	338,558
FINANCIAL PAYABLES		232,000	115,495
- Bank loans and borrowings (short-term portion)	*29*	203,131	99,652
- Other financial payables (short-term portion)	*30*	28,869	15,843
CURRENT TAX LIABILITIES	*34*	19,878	17,073
OTHER PAYABLES	*35*	90,843	80,283
TOTAL CURRENT LIABILITIES		**725,266**	**551,409**
TOTAL NET EQUITY AND LIABILITIES		**1,740,225**	**1,493,666**

(*) Figures at 31 December 2013 were restated following the retrospective application of IFRS 11 - *Joint arrangements*.

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	2014	2013 (*)
Profit (loss) pertaining to the group		126,532	116,921
Income taxes for the period		43,812	39,461
Amortization		46,818	44,638
Net change in provisions		(1,862)	4,021
Cash flow generated (absorbed) by current operations (A)		**215,300**	**205,041**
Change in assets and liabilities for the period:			
Trade receivables		(8,456)	11,398
Inventories		(31,364)	(26,720)
Trade payables		20,261	24,927
Other current assets and liabilities		5,084	(2,493)
Payment of income taxes		(32,193)	(39,756)
Cash flow generated (absorbed) by movements in working capital (B)		**(46,668)**	**(32,644)**
Cash flow generated (absorbed) by current operations and movements in working capital (A+B)		**168,632**	**172,397**
Investment activities:			
Investments in intangible assets		(9,556)	(7,887)
Other cash flows for intangible assets		(64)	34
Investments in property, plant and equipment		(52,738)	(51,706)
Other cash flows for property, plant and equipment		1,618	465
Net investments in equity investments and other financial assets		(44)	(645)
Cash flow generated (absorbed) by ordinary investment activities (C)		**(60,784)**	**(59,739)**
Dividends paid		(59,800)	(43,355)
Change in currency translation reserve		28,361	(13,731)
Increase (decrease) in minority interests in capital and reserves		379	352
New loans		-	-
Payment of interests on loans		(4,169)	(6,319)
Repayment of loans and other net changes in sources of finance		51,977	(25,021)
Cash flow generated (absorbed) by changes in net equity and by financing activities (D)		**16,748**	**(88,074)**
Cash flow for the period (A+B+C+D)		**124,596**	**24,584**
Opening cash and cash equivalents	*25*	**263,934**	**239,350**
Increase (decrease) in cash and cash equivalents (A+B+C+D)		124,596	24,584
Closing cash and cash equivalents	*25*	**388,530**	**263,934**

(*)Figures at 31 December 2013 were restated following the retrospective application of IFRS 11 - *Joint arrangements*.

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	OTHER RESERVES
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**
Balance at 31 December 2013 (Data published)	**224,250**	**162**	**9,048**	**18,858**
Allocation of 2013 result as per AGM resolution of 15 April 2014				
- distribution of dividends				
- allocation to reserves			3,177	563
Other changes in minority interests				
Movements from transactions with shareholders	**-**	**-**	**3,177**	**563**
Profit (loss) after taxes				
Other components of comprehensive income				
Comprehensive income (loss)	**-**	**-**	**-**	**-**
Balance at 31 December 2014	**224,250**	**162**	**12,225**	**19,421**

(*) 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*.

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
(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**
(3,404)	**(30,194)**	**331,772**	**116,921**	**667,413**	**2,530**	**669,943**
		(59,800)		(59,800)		(59,800)
		113,181	(116,921)	-		-
				-	(257)	(257)
-	**-**	**53,381**	**(116,921)**	**(59,800)**	**(257)**	**(60,057)**
			126,532	126,532	692	127,224
15,266	37,506	(3,680)		49,092	(55)	49,037
15,266	**37,506**	**(3,680)**	**126,532**	**175,624**	**637**	**176,261**
11,862	**7,312**	**381,473**	**126,532**	**783,237**	**2,910**	**786,147**

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 2014 have been prepared on the basis of the international accounting and financial reporting standards issued by the International Accounting Standards Board (IASB), including the SIC and IFRIC interpretations, as endorsed by the European Commission (at the date of 31 December 2014), pursuant to EC Regulation 1606 of 19 July 2002.
The following documents have been used for interpretation and application purposes even though not endorsed by the European Commission:
- Framework for the Preparation and Presentation of Financial Statements 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 2014 are the same as those used for preparing the consolidated financial statements at 31 December 2013, except for certain new amendments and accounting standards described below.

The consolidated financial statements at 31 December 2014 comprise the income statement, the statement of comprehensive income, the statement of financial position, the statement of cash flows, the statement of changes in net equity and these explanatory notes.
The statement of financial position has been prepared on a basis that distinguishes between current and non-current items.
The income statement has been presented on the basis of the nature of expense, being a suitable structure for faithfully representing the Group's performance.
The statement of cash flows has been prepared using the "indirect method" allowed by IAS 7.

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

The present annual financial report was approved and authorized for publication by the Board of Directors on 3 March 2015. The financial statements used for consolidation purposes are the separate ones for the year ended 31 December 2014 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 managemen*t of the present Explanatory notes.

Translation of balances in foreign currencies

The following exchange rates have been used:

Currency		31.12.2014 Period-end exchange rate (*)	31.12.2014 Average exchange rate (*)	31.12.2013 Period-end exchange rate (*)	31.12.2013 Average exchange rate (*)	% change Period-end exchange rate	% change Average exchange rate
US dollar	USD	1.2141	1.3285	1.37910	1.32812	(12.0%)	0.03%
British pound	GBP	0.7789	0.80612	0.83370	0.84926	(6.6%)	(5.1%)
Hong Kong dollar	HKD	9.417	10.3025	10.69330	10.30160	(11.9%)	0.0%
Chinese renminbi (Yuan)	CNY	7.5358	8.18575	8.34910	8.16463	(9.7%)	0.3%
Australian dollar	AUD	1.4829	1.47188	1.54230	1.37770	(3.9%)	6.8%
Canadian dollar	CAD	1.4063	1.46614	1.46710	1.36837	(4.1%)	7.1%
Japanese yen	JPY	145.23	140.306	144.72000	129.66300	0.4%	8.2%
Malaysian ringgit	MYR	4.2473	4.34457	4.52210	4.18551	(6.1%)	3.8%
New Zealand dollar	NZD	1.5525	1.59954	1.67620	1.62057	(7.4%)	(1.3%)
Polish zloty	PLN	4.2732	4.18426	4.15430	4.19749	2.9%	(0.3%)
South African rand	ZAR	14.0353	14.4037	14.56600	12.83300	(3.6%)	12.2%
Singapore dollar	SGD	1.6058	1.68232	1.74140	1.66188	(7.8%)	1.2%
Russian rouble	RUB	72.337	50.9518	45.32460	42.33700	59.6%	20.3%
Turkish lira	TRY	2.832	2.9065	2.96050	2.53354	(4.3%)	14.7%
Czech koruna	CZK	27.735	27.5359	27.42700	25.97970	1.1%	6.0%
Swiss franc	CHF	1.2024	1.21462	1.22760	1.23106	(2.1%)	(1.3%)
Brazilian real	BRL	3.2207	3.12113	3.25760	2.86866	(1.1%)	8.8%
Croatian kuna	HRK	7.658	7.63442	7.62650	7.57862	0.4%	0.7%
Ukrainian hryvnia	UAH	19.206	15.8643	11.32920	10.78770	69.5%	47.1%
Indian rupee	INR	76.719	81.0406	85.36600	77.93000	(10.1%)	4.0%
Romanian leu	RON	4.4828	4.44372	4.47100	4.41899	0.3%	0.6%
South Korean won	KRW	1324.8	1398.14	1450.93000	1453.91000	(8.7%)	(3.8%)
Chilean Peso	CLP	737.297	756.933	724.76900	658.32400	1.7%	15.0%
Swedish krona	SEK	9.393	9.09852	8.85910	8.65154	6.0%	5.2%
Mexican Peso	MXN	17.8679	17.655	18.073	16.9641	(1.1%)	4.1%

(*) Source: Bank of Italy

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

In Regulation n.1254/2012 of 11 December 2012 the European Commission adopted 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.
Application of this new standard did not have a material impact on the information found in this annual report.

IFRS 11 - *Joint arrangements* was adopted in the same Regulation. This standard repeals and substitutes IAS 31 and establishes that 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 as called for in IAS 28 - *Investments in associates and joint ventures*, as amended.
The new accounting rules were applied retroactively, as called for in the new standard, which resulted in the restatement of the comparative figures at 31 December 2013.
The main effects of the retroactive application of IFRS 11 are described in the section "*Restatement of comparative figures*" below.

In the same regulation IFRS 12 - *Disclosure of Interests in Other Entities* was also adopted. This standard establishes what information needs to be provided in the explanatory notes when IFRS 10 and IFRS 11 are applied.

As a result of EC Regulation n.1256/2012, a few amendments to IAS 32 - *Financial Instruments: Presentation* took effect as of 1 January 2014, which clarify the application of the criteria used to offset financial assets and liabilities as per IAS 32.
Application of this new standard did not have a material impact on the information found in this annual report.

As a result of EC Regulation 1374/2013 a few amendments to IAS 36 - *Impairment of Assets* took effect as of 1 January 2014 which clarify, in particular, the measurement of the recoverable value of assets based on fair value less costs of disposal.
Application of this new standard did not have a material impact on the information found in this annual report.

Lastly, as a result of EC Regulation n.1375/2013, a few amendments to IAS 39 - *Financial Instruments: Recognition and Measurement* took effect as of 1 January 2014. These amendments relate to novation of derivatives and the continuation of hedge accounting.
These amendments confirm that hedge accounting may be used even when novation arises as a consequence of laws and regulations.
Application of this new standard did not have a material impact on the information found in this annual report.

International financial reporting standards and/or interpretations endorsed by the European Union in 2014 but not yet applicable

On 14 June 2014 the EC Regulation 634/2014 was published in the Official Gazette L 175 which adopts the IFRIC Interpretation 21 *Levies*.
The Interpretation provides guidance on when to recognize a liability for a levy imposed by a government, both for levies that are accounted for in accordance with IAS 37 and those for which the timing and amount of the levy are uncertain.
The standard is not applicable to income tax (for which reference should be made to IAS 12), penalties or other sanctions resulting from violations of the law.
IFRIC 21 is applicable as of 2015.

On 12 December 2013 the International Accounting Standards Board (IASB) published Annual Improvements to IFRSs 2010–2012 Cycle in order to resolve inconsistencies found in the IFRS or to provide clarifications with respect to terminology. The European Commission adopted the improvements in Regulation 2015/28 of 17 December 2014 effective as of 2015.

With a similar view to clarification and streamlining of the international accounting standards, on 12 December 2013 the International Accounting Standards Board (IASB) published Annual Improvements to IFRSs 2011-2013 Cycle adopted by the European Commission in Regulation n.1361/2014 of 18 December 2014.
These provisions are applicable beginning in 2015.

The Group did not apply any new standards, interpretations or amendments endorsed, but not yet applicable, in advance.

Consolidation procedures

The scope of consolidation includes the parent company, De'Longhi S.p.A., and its subsidiaries at 31 December 2014, meaning those companies in which the parent directly or indirectly owns the majority of share capital or shares with voting rights, or over which the parent has the power, including through contractual agreements, to govern their financial and operating policies.

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

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

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

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

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

Transactions in foreign currency
Transactions in foreign currency are recorded at the exchange rate in force on the transaction date. Monetary assets and liabilities in foreign currency are translated using the exchange rate ruling on the reporting date. Exchange differences arising on the extinguishment of monetary items or their translation at different rates to those used for their translation upon initial recognition or in previous financial statements are recorded in the income statement.
Exchange differences arising on monetary items that are effectively part of the Group's net investment in foreign operations are classified in net equity until the investment’s disposal, at which time such differences are recognized in the income statement as income or expenses.

Restatement of comparative figures

The comparative figures at 31 December 2013 were restated following retroactive application of IFRS 11 – Joint arrangements. Based on the new standard, jointly controlled equity investments may only be consolidated using the equity method as per IAS 28 - Investments in associates and joint ventures amended. The application of the new standard resulted in the consolidation of the jointly controlled equity investments using the equity method rather than the proportionate method, which was used through 31 December 2013.

The main effects are shown below.

Impact on the consolidated statement of financial position:

	At 31 December 2013		
	Published figures	**Impact of the application of IFRS 11**	**Restated figures**
Intangible assets	327,273	-	327,273
Land, property, plant and machinery	84,141	(1,813)	82,328
Other tangible assets	87,287	(150)	87,137
Equity investments (in other companies)	785	4,061	4,846
Deferred tax assets	38,130	(40)	38,090
Non – current financial receivables and assets	2,604	-	2,604
Total non-current assets	**540,220**	**2,058**	**542,278**
Inventories	283,415	(2,163)	281,252
Trade receivables	335,233	(661)	334,572
Other receivables	37,676	(339)	37,337
Cash and cash equivalents	270,742	(6,808)	263,934
Current tax assets and other current financial receivables	32,335	-	32,335
Total current assets	**959,401**	**(9,971)**	**949,430**
Non-current assets held for sale	**1,958**	**-**	**1,958**
TOTAL ASSETS	**1,501,579**	**(7,913)**	**1,493,666**
Net equity	**669,943**	**-**	**669,943**
Total non-current liabilities	**272,314**	**-**	**272,314**
Trade payables	345,666	(7,108)	338,558
Current tax liabilities	17,118	(45)	17,073
Financial payables	115,495	-	115,495
Other payables	81,043	(760)	80,283
Total current liabilities	**559,322**	**(7,913)**	**551,409**
TOTAL NET EQUITY AND LIABILITIES	**1,501,579**	**(7,913)**	**1,493,666**

Impact on the consolidated income statement:

	2013		
	Published figures	**Impact of the application of IFRS 11**	**Restated figures**
Total consolidated revenues	1,632,633	(15,697)	1,616,936
Materials consumed	(705,816)	12,586	(693,230)
Payroll costs	(194,644)	1,390	(193,254)
Services and other operating expenses	(466,252)	873	(465,379)
Provisions	(26,086)	-	(26,086)
Amortization and depreciation	(44,866)	228	(44,638)
EBIT	**194,969**	**(620)**	**194,349**
Financial income (expenses)	(37,876)	479	(37,397)
Profit (loss) before taxes	**157,093**	**(141)**	**156,952**
Income taxes	(39,602)	141	(39,461)
Consolidated profit (loss) after taxes	**117,491**	**-**	**117,491**

Change in the scope of consolidation - business combinations

In 2014 the scope of consolidation didn't change significantly.

Disclosure by operating segments

Note 42. Operating segments contains the required disclosures.
The report on operations contains comments on the economic results by 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 2015 and thereafter take account of the current economic and financial crisis and the new market conditions.

Employee benefits

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

Recoverability of deferred tax assets

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

Provisions for contingencies

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

Product warranty provisions

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

Comments on the income statement

1. Revenues

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

	2014	% revenues	2013 (*)	% revenues	Change	% change
North East Europe	466,104	27.0%	398,878	24.7%	67,226	16.9%
South West Europe	731,074	42.3%	704,622	43.6%	26,452	3.8%
EUROPE	**1,197,178**	**69.3%**	**1,103,500**	**68.2%**	**93,678**	**8.5%**
MEIA (Middle East/India/Africa)	**163,437**	**9.5%**	**149,877**	**9.3%**	**13,560**	**9.0%**
Australia and New Zealand	100,932	5.8%	109,703	6.8%	(8,771)	(8.0%)
United States and Canada	97,637	5.7%	97,399	6.0%	238	0.2%
Japan	58,011	3.4%	59,255	3.7%	(1,244)	(2.1%)
Other countries area APA	109,489	6.3%	97,202	6.0%	12,287	12.6%
APA (Asia/Pacific/Americhe)	**366,069**	**21.2%**	**363,559**	**22.5%**	**2,510**	**0.7%**
Total revenues	**1,726,684**	**100.0%**	**1,616,936**	**100.0%**	**109,748**	**6.8%**

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

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

"Other revenues" is broken down as follows:

	2014	2013 (*)	Change
Freight reimbursement	5,967	5,942	25
Commercial rights	1,906	1,466	440
Out-of-period gains	1,582	3,436	(1,854)
Damages reimbursed	1,142	478	664
Other income	11,608	14,541	(2,933)
Total	**22,205**	**25,863**	**(3,658)**

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

2. Raw and ancillary materials, consumables and goods

The breakdown is as follows:

	2014	2013 (*)	Change
Finished products	397,336	378,813	18,523
Parts	324,556	284,494	40,062
Raw materials	52,326	43,264	9,062
Other purchases	12,068	10,752	1,316
Total	**786,286**	**717,323**	**68,963**

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

3. Change in inventories

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

4. Payroll costs

These costs include €57,032 thousand in production-related payroll (€52,704 thousand at 31 December 2012).

	2014	2013 (*)	Change
Employee wages and salaries	203,249	188,225	15,024
Temporary workers	3,754	5,029	(1,275)
Total	**207,003**	**193,254**	**13,749**

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

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

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

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

	2014	2013 (*)
Blue collar	3,782	3,182
White collar	2,676	2,545
Senior managers	96	95
Total	**6,554**	**5,822**

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

5. Services and other operating expenses

These are detailed as follows:

	2014	2013 (*)	Change
Advertising and promotional expenses	168,223	160,930	7,293
Transport (for purchases and sales)	77,813	69,699	8,114
Subcontracted work	54,663	45,343	9,320
Rentals and leasing	32,422	32,727	(305)
Storage and warehousing	17,777	16,713	1,064
Travel	16,447	14,453	1,994
Technical support	16,063	13,251	2,812
Consulting services	11,790	13,404	(1,614)
Commissions	8,244	9,112	(868)
Power	7,357	7,285	72
Insurance	5,690	5,139	551
Product certification and product inspection fees	4,282	3,630	652
Credit insurance fees	3,762	3,843	(81)
Postage, telegraph and telephones	3,739	3,892	(153)
Maintenance	3,386	3,383	3
Other utilities, cleaning, security, waste disposal	2,508	2,523	(15)
Directors' emoluments	2,297	2,279	18
Expenses for canteen meals	2,235	1,994	241
Statutory auditors' emoluments	322	319	3
Other sundry services	16,209	17,300	(1,091)
Total services	**455,229**	**427,219**	**28,010**
Sundry taxes	31,075	32,576	(1,501)
Out-of-period losses	264	1,362	(1,098)
Bad debts	200	13	187
Other	2,779	4,209	(1,430)
Total other operating expenses	**34,318**	**38,160**	**(3,842)**
Total services and other operating expenses	**489,547**	**465,379**	**24,168**

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

The figure at 31 December 2013 includes non-recurring costs for services totalling €827 thousand .

6. Provisions

These include €15,217 thousand in provisions for contingencies and other charges, partially offset by a net decrease in provisions for doubtful accounts of €522 thousand; the main changes in this item are discussed in note 32. *Other provisions.*

The figure at 31 December 2014 includes non-recurring provisions totaling €285 thousand. Please refer to note 8. *Non-recurring expenses.*

7. Other operating income

This item refers to the adjustment made to the value of the call option on an equity investment held by a foreign subsidiary following renegotiation of the original agreements and execution of a new contract.

8. Non-recurring income/(expenses)

"Non-recurring expenses" of €558 thousand at 31 December 2014 are directly classified in the income statement line items to which they refer (€916 thousand in payroll costs, €285 thousand in provisions and €643 thousand in other operating income).

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

	2014	**2013**	**Change**
Non-recurring income	643	-	643
Reorganization and restructuring costs	(285)	(1,806)	1,521
Other non-recurring expenses	(916)	(827)	(89)
Total	**(558)**	**(2,633)**	**2,075**

9. Amortization

The breakdown is as follows:

	2014	**2013 (*)**	**Change**
Amortization of intangible assets	12,047	11,543	504
Depreciation of property, plant and equipment	34,771	33,095	1,676
Total	**46,818**	**44,638**	**2,180**

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

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:

	2014	2013 (*)	Change
Exchange differences and gains (losses) on currency hedges	**(11,150)**	**(6,123)**	**(5,027)**
Share of profit of equity investments consolidated by the equity method	**869**	**424**	**445**
Financial income from equity investments	**0**	**6**	**(6)**
Net interest expense	(10,819)	(11,926)	1,107
Financial discounts	(16,469)	(16,260)	(209)
Other financial income (expenses)	(4,136)	(3,518)	(618)
Other net financial income (expenses)	(31,424)	(31,704)	280
Financial income (expenses)	**(41,705)**	**(37,397)**	**(4,308)**

(*) 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 exchange losses and fees on derivatives hedging currency risk.

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

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

11. Income taxes

These are analyzed as follows:

	2014	2013 (*)	Change
Current income taxes:			
- Income taxes	37,456	29,744	7,712
- IRAP (Italian regional business tax)	4,263	3,625	638
Deferred (advanced) taxes	2,093	6,092	(3,999)
Total	**43,812**	**39,461**	**4,351**

(*) 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:

	2014	%	2013 (*)	%
Profit before taxes	171,036	100%	156,952	100%
Theoretical taxes	47,035	27.5%	43,162	27.5%
Other (**)	(7,486)	(4.4%)	(7,326)	(4.7%)
Total income taxes	**39,549**	**23.1%**	**35,836**	**22.8%**
IRAP (Italian regional business tax)	4,263	2.5%	3,625	2.3%
Actual taxes	**43,812**	**25.6%**	**39,461**	**25.1%**

(*) 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

	31.12.2014		31.12.2013		
	Gross	**Net**	**Gross**	**Net**	**Change**
Goodwill	99,147	92,400	99,147	92,400	-

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

The following table shows how goodwill is allocated by CGU:

Cash-generating unit	31.12.2014
De'Longhi	26,444
Kenwood	17,120
Braun	48,836
Total	**92,400**

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

Plan data was projected beyond the explicit planning period using a perpetuity growth rate that was no higher than those expected for the markets in which the individual CGUs operate. The growth rate in terminal values used for projecting beyond the planning period was 2% for all the CGUs.
The cash flows and discount rate were determined net of tax. The discount rate of 7%, 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 2014 have not revealed any other significant evidence of goodwill impairment. The results obtained using the discounted cash flow method have been tested for their sensitivity to changes in certain key variables, within reasonable ranges and on the basis of mutually consistent assumptions. The variables altered were the discount rate (between 6.8% and 7.2%) and the growth rate in terminal value (in the range 1.8%-2.2%).
With regard to the CGUs De'Longhi and Kenwood, which represent the Group's traditional business, the impairment tests and sensitivity analyses showed that the estimated recoverable amounts were significantly higher than book value.
The estimated recoverable amount for the CGU Braun was found to be slightly above book value which reflects the fact that this is a recent acquisition for which the Group integration process has yet to be completed, while the commercial strategies and the potential in terms of sales have yet to be fully expressed; toward this end, the three-year plan for 2015-2017 approved includes the Parent Company and general-administrative costs allocated based on the current breakdown which is currently being revisited. The plan also includes prudent growth forecasts which do not take into account the impact of measures implemented and initiatives currently in the process of being finalized that could have a positive impact on profit forecasts.

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

No events of significance have occurred in the first few months of 2015 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:

	31.12.2014		31.12.2013		
	Gross	**Net**	**Gross**	**Net**	**Change**
New product development costs	64,846	12,405	58,000	10,687	1,718
Patents	35,021	6,543	33,841	6,837	(294)
Trademarks and similar rights	280,483	195,805	280,299	199,814	(4,009)
Work in progress and advances	8,403	8,286	7,232	7,115	1,171
Other	21,410	9,671	20,907	10,420	(749)
Total	**410,163**	**232,710**	**400,279**	**234,873**	**(2,163)**

The following table reports movements in the main asset categories during 2014:

	New product development costs	Patents	Trademarks and similar rights	Work in progress and advances	Other	Total
Net opening balance	**10,687**	**6,837**	**199,814**	**7,115**	**10,420**	**234,873**
Additions	3,471	1,203	184	4,277	421	9,556
Amortization	(5,128)	(1,474)	(4,193)	0	(1,252)	(12,047)
Translation differences and other movements (*)	3,375	(23)	0	(3,106)	82	328
Net closing balance	**12,405**	**6,543**	**195,805**	**8,286**	**9,671**	**232,710**

(*)"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 €7,748 thousand in development costs as intangible assets in 2014, of which €3,471 thousand in "New product development costs" for projects already completed at the reporting date and €4,277 thousand in "Work in progress and advances" for projects still in progress.
The Group incurred some €42.2 million in research and development costs during 2014.

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

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

The impairment test carried out at the end of 2014 for both brands based on an indefinite useful life, did not
reveal any evidence that these assets might have suffered an impairment loss. With regard to the Braun brand, in 2014 the recoverability of the carrying amount recognized in the financial statements was confirmed in the valuation prepared by an independent expert. The same valuation was prepared in 2013, the first year that this amount was included in the consolidated financial statements.
No events of significance have occurred in the first few months of 2015 such as might suggest that the carrying amount of trademarks could have suffered any impairment loss.
The method used to test impairment involves discounting to present value the royalties that the Group would be able to earn from permanently granting third parties the right to use the trademarks in question.
This method, which is based on royalty receipts and reasonably estimated sales volumes, is the most commonly used for company valuation purposes since it is able to provide a suitable expression of the relationship between the strength of the trademark and business profitability.
The post-tax discount rate (in the range 7.6% and 8.2%) 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 7.4% and 8.4%) and the growth rate in terminal value (in the range 1.8%-2.2%).
The sensitivity analysis has revealed relatively stable results; in fact, the minimum and maximum amounts diverged by around 10% from the central point when both variables were changed, while the divergence was considerably smaller when more reasonable assumptions regarding the change in variables were adopted.

14. Land, property, plant and machinery

These are analyzed as follows:

	31.12.2014		31.12.2013 (*)		
	Gross	**Net**	**Gross**	**Net**	**Change**
Land and buildings	60,893	45,361	49,400	37,356	8,005
Plant and machinery	135,505	58,515	115,210	44,972	13,543
Total	**196,398**	**103,876**	**164,610**	**82,328**	**21,548**

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

The following table reports movements during 2014:

	Land and buildings	Plant and machinery	Total
Net opening balance	**37,356**	**44,972**	**82,328**
Additions	3,792	15,952	19,744
Disposals	(72)	(366)	(438)
Depreciation	(3,135)	(5,728)	(8,863)
Translation differences and other movements	7,420	3,685	11,105
Net closing balance	**45,361**	**58,515**	**103,876**

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

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

	31.12.2014	31.12.2013	Change
Plant and equipment	4,911	5,261	(350)
Other	39	157	(118)
Total	**4,950**	**5,418**	**(468)**

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:

	31.12.2014		31.12.2013 (*)		
	Gross	Net	Gross	Net	Change
Industrial and commercial equipment	249,832	44,414	228,269	43,859	555
Other	68,432	25,420	63,837	28,072	(2,652)
Work in progress and advances	16,194	16,194	15,206	15,206	988
Total	**334,458**	**86,028**	**307,312**	**87,137**	**(1,109)**

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

The following table reports movements during 2014:

	Industrial and commercial equipment	Other	Work in progress and advances	Total
Net opening balance	**43,859**	**28,072**	**15,206**	**87,137**
Additions	14,441	6,657	11,896	32,994
Disposals	(233)	(536)	(36)	(805)
Depreciation	(17,693)	(8,215)	0	(25,908)
Translation differences and other movements	4,040	(558)	(10,872)	(7,390)
Net closing balance	**44,414**	**25,420**	**16,194**	**86,028**

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

The increase in “Work in progress” is explained primarily by the investments connected to the development of the Chinese subsidiary and the new plant in Romania.

16. Equity investments

Details of equity investments are as follows:

	31.12.2014	31.12.2013 (*)	Change
Equity investments consolidated using the equity method	4,355	4,061	294
Other equity investments available-for-sale	842	785	57
Total	**5,197**	**4,846**	**351**

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

“Equity investments consolidated using the equity method” refers to the equity investments subject to joint control as per contractual agreements, accounted for using the equity method in accordance with IAS 28 - *Investments in associates and joint venture*. The changes in 2014 are shown below:

	31.12.2014
Opening net balance	**4,061**
Interest in net profit	869
Exchange differences	470
Payment of dividends	(1,045)
Closing net balance	**4,355**

17. Non-current receivables

The balance at 31 December 2014 comprises €2,509 thousand in security deposits (€2,538 at 31 December 2013).

18. Other non-current financial assets

At 31 December 2014, these refer, for €74 thousand, to bonds held by subsidiaries (€66 thousand at 31 December 2013) and, for €452 thousand, to the fair value measurement of derivatives.

19. Deferred tax assets and deferred tax liabilities

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

	31.12.2014	31.12.2013 (*)	Change
Deferred tax assets (**)	42,515	38,090	4,425
Deferred tax liabilities	(20,156)	(10,119)	(10,037)
Net asset balance	**22,359**	**27,971**	**(5,612)**

(*) 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:

	31.12.2014	31.12.2013 (*)	Change
Temporary differences	16,070	20,564	(4,494)
Tax losses	6,289	7,407	(1,118)
Net asset balance	**22,359**	**27,971**	**(5,612)**

(*) 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 €1,452 thousand relating to the recognition of actuarial gains/(losses) pursuant to the new IAS 19 - *Employee Benefits* in the comprehensive income statement and a decrease of €4,230 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:

	31.12.2014	31.12.2013 (*)	Change
Finished products and goods	274,785	252,144	22,641
Raw, ancillary and consumable materials	47,080	37,328	9,752
Work in progress and semi-finished products	25,795	23,457	2,338
Inventory writedown allowance	(29,897)	(31,677)	1,780
Total	**317,763**	**281,252**	**36,511**

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

The value of inventories is stated after deducting an allowance for obsolete or slow-moving goods totaling €29,897 thousand (€31,677 thousand at 31 December 2013) in relation to products and raw materials that are no longer of strategic interest to the Group.
The inventory writedown allowance is lower with respect to 2013 as a result of utilizations following the scrapping/sale of obsolete or slow-moving goods, net of the provisions made during the year based on updated valuations.

21. Trade receivables

These are analyzed as follows:

	31.12.2014	31.12.2013 (*)	Change
Trade receivables			
- due within 12 months	382,967	351,577	31,390
- due beyond 12 months	94	2	92
Allowance for doubtful accounts	(16,902)	(17,007)	105
Total	**366,159**	**334,572**	**31,587**

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

Trade receivables are stated net of an allowance for doubtful accounts of €16,902 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 2014 is €124,653 thousand. The total amount of receivables factored by the Group during 2014 (under Law 52/1991 known as the Factoring Law) was €613,213 thousand.

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

	31.12.2013	Net increases	Utilization	Translation differences and other movements	31.12.2014
Allowance for doubtful accounts	17,007	(522)	(256)	673	16,902

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.*

22. Current tax assets

These are analyzed as follows:

	31.12.2014	31.12.2013	Change
Direct tax receivables	4,642	5,626	(984)
Tax payments on account	1,410	2,276	(866)
Tax refunds requested	1,198	1,540	(342)
Total	**7,250**	**9,442**	**(2,192)**

There are no current tax assets due beyond 12 months.

23. Other receivables

"Other receivables" are analyzed as follows:

	31.12.2014	31.12.2013 (*)	Change
VAT	20,237	24,423	(4,186)
Advances to suppliers	5,492	4,096	1,396
Other tax receivables	3,992	1,604	2,388
Prepaid insurance costs	1,084	984	100
Employees	276	300	(24)
Other	7,203	5,930	1,273
Total	**38,284**	**37,337**	**947**

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

This item includes €7 thousand in amounts due beyond 12 months (there were no amounts due beyond 12 months at 31 December 2013).

24. Current financial receivables and assets

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

	31.12.2014	31.12.2013	Change
Fair value of derivatives	23,160	2,184	20,976
Other financial receivables	32,083	20,709	11,374
Total	**55,243**	**22,893**	**32,350**

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 €153.2 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 €153.1 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 2014 include €2,802 thousand in current accounts of certain subsidiaries, that are restricted, having been given as collateral.

26. Non-current assets held for sale

The item refers to the value of a freehold property of a 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.

	31.12.2013	Translation differences	31.12.2014
Non-current assets held for sale	1,958	(723)	1,235

Comments on the statement of financial position: net equity

NET EQUITY

Net equity is made up as follows:

	31.12.2014	31.12.2013	Change
Group portion	783,237	667,413	115,824
Minority interests	2,910	2,530	380
Total	**786,147**	**669,943**	**116,204**

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 15 April 2014 approved a dividend totalling €59,800 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:

	31.12.2014	31.12.2013	Change
Share premium reserve	162	162	-
Legal reserve	12,225	9,048	3,177
Other reserves			
- Extraordinary reserve	19,421	18,858	563
- Fair value and cash flow hedge reserve	11,862	(3,404)	15,266
- Currency translation reserve	7,312	(30,194)	37,506
- Profit (loss) carried forward	381,473	331,772	49,701
Total	**432,455**	**326,242**	**106,213**

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 €9,048 thousand at 31 December 2013. The increase of €3,177 thousand is explained by the allocation of profit for the year approved by shareholders during De'Longhi S.p.A.'s AGM held on 15 April 2014.

The "Extraordinary reserve" increased by €563 thousand due to the allocation of the profit for the year, as approved by shareholders of De'Longhi S.p.A. during the above AGM.

The "Fair value and cash flow hedge reserve" reports a positive balance of €11,862 thousand, net of €2,889 thousand in tax. The change in the “Fair value and cash flow hedge” reserve in 2014, 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 €15,266 thousand net of €4,230 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 €113,181 thousand, net of the dividends paid which amounted to €59,800 thousand and the negative change in fair value of €3,680 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 €2,910 (including the profit for the period of €692 thousand), refer to the minority interest (49%) held in E-Services S.r.l..

The net increase of €380 thousand in minority interests in net equity with respect to 31 December 2013 is explained by the increase in the profit for the period attributable to minority interests of €692 thousand and the overall decline of €312 thousand relating, for €257 thousand, to dividends paid to minorities and, for the remaining €55 thousand, other components of comprehensive income.

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

	Net equity 31 december 2014	Profit for 2014	Net equity 31 december 2013	Profit for 2013
De'Longhi S.p.A. financial statements	**328,307**	**66,955**	**323,349**	**63,540**
Share of subsidiaries' equity and results for period attributable to the Group, after deducting carrying value of the investments	468,156	70,264	341,759	51,558
Allocation of goodwill arising on consolidation and related amortization and reversal of goodwill recognized for statutory purposes	27,265	(1,778)	34,042	(2,388)
Elimination of intercompany profits	(34,239)	(7,757)	(26,268)	5,247
Other adjustments	(3,342)	(460)	(2,939)	(466)
Consolidated financial statements	**786,147**	**127,224**	**669,943**	**117,491**
Minority interests	2,910	692	2,530	570
Group portion	**783,237**	**126,532**	**667,413**	**116,921**

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:

	31.12.2014	31.12.2013	Change
Overdrafts	2,097	1,929	168
Short-term loans	195,077	68,430	126,647
Long-term loans (current portion)	5,957	29,293	(23,336)
Total short-term bank loans and borrowings	**203,131**	**99,652**	**103,479**
Long-term loans, one to five years	8,980	64,728	(55,748)
Total long term loans	**8,980**	**64,728**	**(55,748)**
Total bank loans and borrowings	**212,111**	**164,380**	**47,731**

Long-term loans comprise the following:

Loans (including short-term portion)	31.12.2014	31.12.2013
Centrobanca – Banca Popolare di Vicenza	14,937	20,899
Bank of America – *Milan branch*	-	34,793
Intesa S.Paolo	-	34,791
Banca Popolare Friuladria	-	2,885
Banca di Treviso	-	653
Total long-term loans	**14,937**	**94,021**

No new loans were granted in 2014, In the first half of 2014 two loans granted by Bank of America - Milan Branch and Intesa San Paolo were repaid in advance for a total principal amount of €70,000 thousand; both loans were taken out in 2012 to finance the Braun Household acquisition and had an original maturity of 5 years.

The fair value of existing loan at 31 December 2014, obtained by discounting expected future interest payments at current market rates, is not materially different from the value reported in the financial statements insofar as it is a floating rate loan, namely the interest payable is linked to benchmarks (typically the 1 or 3M Libor/Euribor) plus a spread that varies based on the type and expiration of the loan.
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 covenants had not been breached at 31 December 2014.

30. Other financial payables

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

	31.12.2014	31.12.2013 (*)	Change
Negative fair value of derivatives	6,493	3,907	2,586
Payables to lease companies (short-term portion)	976	1,095	(119)
Ministry of Industry loans (short-term portion)	-	502	(502)
Other short term financial payables	21,400	10,339	11,061
Total short-term payables	**28,869**	**15,843**	**13,026**
Private placement (one to five years)	19,059	11,089	7,970
Payables to lease companies (one to five years)	1,836	2,794	(958)
Negative fair value CCIRS (hedging the bond loan - one to five years)	-	1,413	(1,413)
Other financial payables (one to five years)	37,865	42,036	(4,171)
Total long-term payables (one to five years)	**58,760**	**57,332**	**1,428**
Private placement (beyond five years)	51,344	50,834	510
Negative fair value CCIRS (hedging the bond loan - beyond five years)	4,227	7,538	(3,311)
Total long-term payables (beyond five years)	**55,571**	**58,372**	**(2,801)**
Total other financial payables	**143,200**	**131,547**	**11,653**

(*) 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 2014.

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

The bond loan refers to the issue and placement of unsecured bonds with US institutional investors (the US Private Placement), completed in the prior year of USD 85,000 thousand (equal to, at 31 December 2014, €70,403 thousand based on the amortized cost method).
The securities were issued by De'Longhi S.p.A. in a single tranche and have a duration of 14 years. The bonds will accrue interest from the subscription date at a fixed rate of 4.25%.
The bond loan will be repaid yearly in equal capital instalments beginning September 2017 and ending September 2027, without prejudice to the ability to repay the entire amount in advance, for an average life of 10 years.
The securities are unrated and are not intended to be listed on any regulated markets.
The bond loan is subject to financial covenants in line with those contemplated in other existing loan transactions. At 31 December 2014 the covenants had not been breached. The issue is not secured by collateral of any kind.

"Other financial payables (one to five years)" refer primarily to the earn-out payable under the Braun sales agreement linked to the sales performance of the Braun brand over the first five years following the acquisition. The item also includes the residual financial payable linked to the transfer by the UK subsidiary of pension fund liabilities to third parties (see note *31. Employee benefits* below for additional information), and the residual balance of the loan originally granted by Banca Popolare di Vicenza S.C.p.A. which was transferred to by the bank to a financial company, as well as the residual amounts payable for the purchase of equity investments.

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:

	31.12.2014	31.12.2013 (*)	Change
A . Cash	132	125	7
B. Cash equivalents	388,398	263,809	124,589
C. Securities	-	-	-
D. Total liquidity (A+B+C)	**388,530**	**263,934**	**124,596**
E. Current financial receivables and other securities	**55,243**	**22,893**	**32,350**
of which:			
Fair value of derivatives	*23,160*	*2,184*	*20,976*
F. Current bank loans and borrowings	(197,174)	(70,359)	(126,815)
G. Current portion of non-current debt	(5,957)	(29,293)	23,336
H. Other current financial payables	(28,869)	(15,843)	(13,026)
of which:			
Fair value of derivatives	*(7,493)*	*(3,907)*	*(3,586)*
I. Current financial debt (F+G+H)	**(232,000)**	**(115,495)**	**(116,505)**
J. Net current financial receivables (payables) (D+E+I)	**211,773**	**171,332**	**40,441**
Non-current financial receivables	526	66	460
of which:			
Fair value of derivatives	*452*	*-*	*452*
K. Non-current bank loans and borrowings	(8,980)	(64,728)	55,748
L. Bonds	(70,403)	(61,923)	(8,480)
M. Other non-current payables	(43,928)	(53,781)	9,853
of which:			
Fair value of derivatives and options on equity investment, residual payables due to pension fund transaction and residual payables for Braun acquisition (earn-out)	*(40,289)*	*(48,182)*	*7,893*
N. Non-current financial debt (K+L+M)	**(122,785)**	**(180,366)**	**57,581**
Total	**88,988**	**(9,034)**	**98,022**

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

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:

	31.12.2014	31.12.2013	Change
Provision for severance indemnities	11,663	10,391	1,272
Other defined benefit plans	15,977	10,706	5,271
Medium/long term benefits	11,673	7,553	4,120
Total	**39,313**	**28,650**	**10,663**

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	31.12.2014	31.12.2013	Change
Current service cost	175	165	10
Interest cost on defined benefit obligation	323	331	(8)
Total	**498**	**496**	**2**

Change in present value of obligations	31.12.2014	31.12.2013	Change
Present value at 1 January	**10,391**	**10,657**	**(266)**
Current service cost	175	165	10
Utilization of provision	(612)	(654)	42
Interest cost on obligation	323	331	(8)
Actuarial gains & losses recognized in the comprehensive income statement	1,386	(108)	1,494
Present value at reporting date	**11,663**	**10,391**	**1,272**

Other defined benefit plans:

Movements in the year are as follows:

Net cost charged to income	31.12.2014	31.12.2013	Change
Current service cost	2,119	1,159	960
Return on plan assets	(1,716)	(1,665)	(51)
Interest cost on obligations	2,211	1,851	360
Total	**2,614**	**1,345**	**1,269**

Change in present value of obligations	31.12.2014	31.12.2013	Change
Present value at 1 January	**10,706**	**10,256**	**450**
Net cost charged to income	2,614	1,345	1,269
Benefits paid	(154)	(2,527)	2,373
Translation difference	49	(750)	799
Financial payable linked to transfer of liabilities to third parties	(1,039)	(6,223)	5,184
Actuarial gains & losses recognized in the comprehensive income statement	3,801	8,442	(4,641)
Other movements	-	163	(163)
Present value at reporting date	**15,977**	**10,706**	**5,271**

The outstanding liability at 31 December 2014 of €15,977 thousand (€10,706 thousand at 31 December 2013) 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).
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 has essentially neutralized the risk linked to this plan relative to all the beneficiaries; at the end of 2013 a delayed payment schedule was also agreed upon which had been largely settled at year-end 2014. The residual liability at 31 December 2014 of €1,031 thousand reflects the amount to be paid to the pension fund based on the GMP equalisator. The transaction should close in 2015 once the calculation of the GMP equalisator is completed by the independent experts.

The actuarial loss resulting from the transaction described above was recognized in the statement of comprehensive income for 2013 and 2014, 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 2014	Severance indemnity 2013	Other plans 2014	Other plans 2013
Discount rate	3.20%	3.2%	1%-3.47%	1.25%-4.51%
Future salary increases	3.50%	2.0-4.0%	1.5%-3.2%	1.0%-3.5%
Inflation rate	2.00%	2.0%	0%-3.3%	0.0%-3.6%

The other employee benefits refer to two incentive plans 2012 – 2014 for which relative provisions were made. These plans, benefitting the Chief Executive Officer, as well as a few other executives of De'Longhi S.p.A. and other Group companies which were approved by the Company's Board of Directors on 12 November 2013 and 14 February 2013, were audited by the relative bodies in the first months of 2015; for more information please refer to the Annual Report on Remuneration.

32. Other provisions for non-current contingencies and charges

These are analyzed as follows:

	31.12.2014	31.12.2013	Change
Agents' leaving indemnity provision	2,094	2,156	(62)
Product warranty provision	29,411	33,044	(3,633)
Provision for contingencies and other charges	14,527	17,913	(3,386)
Total	**46,032**	**53,113**	**(7,081)**

Movements are as follows:

	31.12.2013	Utilization	Accrual	Other	31.12.2014
Agents' leaving indemnity provision	2,156	(197)	135	-	2,094
Product warranty provision	33,044	(17,242)	13,503	106	29,411
Provision for contingencies and other charges	17,913	(4,991)	1,579	26	14,527
Total	**53,113**	**(22,430)**	**15,217**	**132**	**46,032**

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 2014. 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 €12,466 thousand (€10,670 thousand at 31 December 2013) for legal disputes and product complaint liabilities (limited to the Group's insurance deductible), the provision of €755 thousand (€1,974 thousand at 31 December 2013) for restructuring and reorganization, as well as the provisions made by the parent company, as well as a few subsidiaries, relating to commercial risks and other charges.

CURRENT LIABILITIES

33. Trade payables

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

The item does not include amounts due beyond 12 months.

34. Current tax liabilities

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

35. Other payables

These are analyzed as follows:

	31.12.2014	31.12.2013 (*)	Change
Employees	28,044	23,686	4,358
Indirect taxes	19,418	20,013	(595)
Social security institutions	5,955	6,247	(292)
Withholdings payables	4,848	4,331	517
Advances	955	604	351
Other taxes	7,507	6,629	878
Other	24,116	18,773	5,343
Total	**90,843**	**80,283**	**10,560**

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

36. Commitments

These are detailed as follows:

	31.12.2014	31.12.2013	Change
Guarantees given to third parties	1,458	1,252	206
Other commitments	6,443	6,597	(154)
Total	**7,901**	**7,849**	**52**

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

In addition De'Longhi S.p.A., as part of its factoring of trade receivables without recourse, the total exposure for which amounted to €124,653 at 31 December 2014, the Group issued a surety and a credit mandate.

37. Ifrs 7 classification of financial assets and liabilities

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

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

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

31/12/2013 (*)	Book value	Assets		
		Loans and receivables	Available for sale	Derivatives
Non-current assets				
- Equity investments	4,846		*4,846*	
- Receivables	2,538	*2,538*		
- Other non-current financial assets	66		*66*	
Current assets				
- Trade receivables	334,572	*334,572*		
- Current tax assets	9,442	*9,442*		
- Other receivables	37,337	*37,337*		
- Current financial receivables and assets	22,893	*20,709*		*2,184*
- Cash and cash equivalents	263,934	*263,934*		

31/12/2013 (*)	Book value	Liabilities	
		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	(338,558)	*(338,558)*	
- 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	(17,073)	*(17,073)*	
- Other payables	(80,283)	*(80,283)*	

(*)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 2014. 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	-	23,612	-
- derivatives with negative fair value	-	10,720	-
Available for sale financial assets:			
- equity investments	159	-	-
- other non-current financial assets	74	-	-

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 €383,061 thousand at 31 December 2014 and €351,579 thousand at 31 December 2013.
This amount corresponds to the gross balance of trade receivables of €418,668 thousand at 31 December 2014 (€383,667 thousand at 31 December 2013), 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 €418,668 thousand at 31 December 2014 comprise €369,578 thousand in current balances and €49,090 thousand in past due amounts, of which €39,758 thousand past due by less than 90 days and €9,332 thousand past due by more than 90 days.
The amount of insured or guaranteed receivables at 31 December 2014 is €300,725 thousand, of which €274,083 thousand is current, €25,469 thousand past due by less than 90 days and €1,173 thousand past due by more than 90 days.
The Group has recognized €16,902 thousand in allowances for doubtful accounts against unguaranteed receivables of €107,866 thousand (of which €4,219 thousand past due by less than 90 days and €8,152 thousand past due by more than 90 days).

Trade receivables of €383,667 thousand at 31 December 2013 comprise €332,485 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 €104,481 thousand (of which €12,392 thousand past due by less than 90 days and €7,292 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 2014 and 31 December 2013 on the basis of undiscounted contractual payments.

	Undiscounted cash flows at 31.12.2014	Within one year	One to five years	Beyond five years	Undiscounted cash flows at 31.12.2013 (*)	Within one year	One to five years	Beyond five years
Bank loans and borrowings (**)	212,558	203,411	9,147	-	169,845	102,232	67,613	-
Other financial payables (***)	164,115	31,602	71,028	61,485	164,386	21,249	40,500	102,637
Trade payables	382,545	382,545	-	-	338,558	338,558	-	-
Current tax payables and other payables	110,721	110,670	51	-	97,356	94,362	2,994	-

(*) The comparative figures were restated as described in the section "Restatement of comparative figures".
(**) The corresponding balance in the accounts is €212,111 thousand at 31 December 2014 and €164,380 thousand at 31 December 2013.
(***) The corresponding balance in the accounts is €143,200 thousand at 31 December 2014 and €131,547 at 31 December 2013 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 and GBP/USD), being the currency in which a significant part of the cost of raw materials, parts and finished products, and the bond loan issued by De'Longhi S.p.A are denominated;
- the Japanese yen (JPY/EUR and JPY/HKD exchange rates) for sales on the Japanese market;
- the Ruble (RUB/GBP), for sales on the Russian market;
- the Hyrvnia (UAH/GBP), for sales on the Ukrainian 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 2014:

(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 2014, 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 +/- €8.8 million before tax (+/- €8.9 million before tax at 31 December 2013). 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 +/-€0.4 million before tax (+/- €0.1 million before tax at 31 December 2013).

The hedging transactions at 31 December 2014 are described in the paragraph "*Interest rate and currency exchange hedges at 31 December 2014*".

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 2014 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 2014.

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 €135.7 million on a total of €89.0 million in net debt at 31 December 2014 and total net assets of €56.0 million on a total of €9.0 million in net debt in 2013).
The Group's debt is currently all at floating rates and, with the exception of the Private Placement completed by the parent company, therefore unhedged, so any change in market rates has a direct impact on its total cost, in terms of higher/lower interest payments.
A +/- 1% change in interest rates would have an impact of +/-Euro 1.4 million before tax at 31 December 2014 recognized entirely in the income statement (+/- €0.6 million before tax at 31 December 2013).
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 2014 (+/- €0.1 million before tax at 31 December 2013).

Interest rate and currency exchange hedges at 31 December 2014
At 31 December 2014 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 2014 is provided below:

	Fair Value at 31 December 2014
FX forward agreements	672
CCIRS on the bond loan issued by the parent company (in USD)	3,423
Derivatives hedging foreign currency receivables/payables	**4,095**
FX fFX forwards	15,747
CCIRS on the bond loan issued by the parent company (in USD)	(6,950)
Derivatives covering expected cash flows	**8,797**
Total fair value of the derivatives	**12,892**

Forward agreements to hedge against a change in 2015 trade flows:

A list of the forward agreements hedging a change in 2015 trade flows at 31 December 2014:

	Notional amount *(in thousands)*			**Fair value** *(in €/000)*	
Currency	**Purchases**	**Sales**	**Total**	**Asset**	**Liability**
AUD v/HKD	-	59,640	59,640	139	-
GBP v/EUR	-	49,000	49,000	-	(1,149)
JPY v/HKD	-	5,510,000	5,510,000	3,847	-
RMB v/HKD	(500,000)	-	(500,000)	-	(645)
ZAR v/USD	-	212,900	212,900	-	(216)
USD v/EUR	(240,000)	-	(240,000)	10,845	-
USD v/GBP	(86,200)	-	(86,200)	2,926	
				17,757	**(2,010)**

A positive cash flow hedge reserve of €16,925 thousand has been recorded in net equity at 31 December 2014 in relation to these hedges, after €4,809 thousand in related tax (at 31 December 2013 this same reserve was a negative €523 thousand at, after the related tax of €258 thousand.

During 2014 the Group reversed to the income statement a net amount of €523 thousand from the cash flow hedge reserve at 31 December 2013.
This amount was reported in the following lines of the income statement:

	2014	**2013**
Increase (reduction) in revenues	298	(9)
(Increase) reduction in materials consumed	(1,931)	2,546
Financial income (expenses)	850	-
Taxes	260	(715)
Total recognized in income statement	**(523)**	**1,822**

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	(1,722)	74,636	72,914	514	(4)
BRL v/HKD	-	19,124	19,124	32	(9)
CAD v/USD	(900)	7,034	6,134	53	(1)
CHF v/EUR	(7,038)	8,705	1,667	7	(1)
CLP v/HKD	-	1,952,647	1,952,647	-	(44)
CZK v/EUR	(20,131)	-	(20,131)	-	(3)
CZK v/GBP	(27,280)	201,097	173,817	210	(16)
DKK v/GBP	-	15,774	15,774	49	-
EUR v/GBP	(1,863)	40,396	38,533	893	(20)
EUR v/HKD	-	3,194	3,194	50	-
EUR v/USD	(179)	3,565	3,386	84	(5)
GBP v/EUR	(21,864)	48,340	26,476	330	(952)
HKD v/EUR	(1,851)	-	(1,851)	3	-
HUF v/EUR	(611,029)	890,938	279,909	87	(13)
JPY v/EUR	(11,060)	-	(11,060)	2	-
JPY v/HKD	(697,390)	2,894,872	2,197,482	152	(9)
KRW v/HKD	(246,404)	792,030	545,626	1	(7)
NOK v/EUR	(519)	-	(519)	-	(2)
NOK v/GBP	(293)	-	(293)	-	-
PLN v/EUR	-	3,527	3,527	16	(1)
PLN v/GBP	(2,615)	44,584	41,969	480	(16)
RMB v/HKD	(396,933)	203,225	(193,708)	46	(153)
RON v/EUR	(33,628)	130,230	96,602	194	(50)
RUB v/GBP	(991,609)	2,504,267	1,512,658	358	(1,505)
SEK v/GBP	-	8,786	8,786	24	-
SGD v/HKD	-	867	867	3	-
ZAR v/USD	-	59,264	59,264	-	(20)
USD v/EUR	(108,465)	38,942	(69,523)	1,424	(1,128)
USD v/GBP	(23,910)	13,200	(10,710)	82	(27)
NZD v/AUD	(800)	(19,117)	(18,317)	-	(497)
EUR v/RON	(4,000)	13,888	9,888	44	-
USD v/RON	-	1,335	1,335	17	-
				5,155	**(4,483)**

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 28,900 thousand, and the repayable amount (the nominal amount of the bond loan recognized, therefore, in the financial statements) of USD 85,000 thousand.

The fair value of the derivative at 31 December 2014, calculated using the exchange rate at the date of the financial statements and the discounted cash flow method based on the swap curve, not including the spread but taking into account counterparty risk in accordance with the new IFRS 13, was a negative €3,527 thousand.

As it qualifies as an effective hedge, the effects of the exchange and interest rate hedge on the nominal debt and the interest accrued in the period are reported in the income statement as income of €8,468 thousand (the loss on the hedged item amounts to €8,415 thousand).

As the hedge on interest flows qualifies as an effective hedge of both exchange rate and interest rate risk a negative cash flow hedge reserve of €6,983 thousand at 31 December 2014 was reported in net equity, after the related tax of €1,920 thousand.

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

			Changes 2014			
Currency	**Notional amount (in USD/000)**	**Fair value at 31.12.2013 (*)**	**Gains/(losses on the hedging instrument (*)**	**Cash flow hedge reserve (exchange rate risk) (*)**	**Cash flow hedge reserve (interest rate risk) (*)**	**Total fair value at 31.12.2014 (*)**
USD v/EUR	113,900	(8,951)	8,468	2,755	(5,799)	(3.527)
				of which:		
				Short-term positive fair value		*248*
				Long-term positive fair value		*452*
				Long-term negative fair value		*(4,227)*

(*) In €/000.

40. Tax position

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

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

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

41. Transactions and balances with related parties

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

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

42. Operating segments

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

Information relating to operating segments is presented below:

Income statement Data

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

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

Data from statement of financial position

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

Income statement Data

	2013 (*)				
	Europe	**APA**	**MEIA**	**Intersegment eliminations (***)**	**Total**
Total revenues (**)	1,214,549	773,908	134,508	(506,029)	1,616,936
EBITDA	**151,971**	**66,533**	**19,907**	**576**	**238,987**
Amortization	(35,553)	(8,971)	(114)	-	(44,638)
EBIT	**116,418**	**57,562**	**19,793**	**576**	**194,349**
Financial income (expenses)					(37,397)
Profit (loss) before taxes					**156,952**
Income taxes					(39,461)
Profit (loss) after taxes					**117,491**
Profit (loss) pertaining to minority interests					570
Profit (loss) for the year					**116,921**

(*)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 2013 (*)				
	Europe	**APA**	**MEIA**	**Intersegment eliminations (***)**	**Total**
Total assets	1,057,698	557,396	43,128	(164,556)	1,493,666
Total liabilities	(728,398)	(242,494)	(17,384)	164,553	(823,723)

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

43. Subsequent events

During the month of March 2015 the Company will reimburse in full (in advance of the original maturity) medium-long term debt totaling about € 18 million.

Treviso, 3 March 2015

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 31/12/2014 (4)	
				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 285,000,000.00		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	26,550,000.00		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	100,332,501.00		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	7,700,000.00		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	7,406,582.00		100%
DE'LONGHI POLSKA SP. Z.O.O.	Varsavia	PLN	50,000.00	0.1%	99.9%

Company name	Registered office	Currency	Share capital (1)	Interest held at 31/12/2014 (4)	
				Directly	Indirectly
DE'LONGHI APPLIANCES TECHNOLOGY SERVICES (Shenzen) Co. Ltd	Shenzen	CNY	USD 175,000.00		100%
DE'LONGHI UKRAINE LLC	Kiev	UAH	549,843.00		100%
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	47,482,500.00	10%	90%
DE'LONGHI KENWOOD KOREA LTD	Seoul	KRW	900,000,000.00		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%
DELONGHI MEXICO SA DE CV	Bosques de las Lomas	MXN	2,576,000.00		100%

INVESTMENTS VALUED IN ACCORDANCE WITH THE EQUITY METHOD

Company name	Registered office	Currency	Share capital (1)	Interest held at 31/12/2014	
				Directly	Indirectly
DL-TCL HOLDINGS (HK) LTD.	Hong Kong	HKD	USD 5,000,000		50%
TCL-DE'LONGHI HOME APPLIANCES (ZHONGSHAN) CO.LTD.	Zhongshan City	CNY	USD 5,000,000		50%

OTHER SUBSIDIARIES (IN LIQUIDATION OR DORMANT)

Company name	Registered office	Currency	Share capital
Controlled companies: (5)			
DE'LONGHI LTD.	Wellingborough	GBP	4,000,000.00
KENWOOD APPLIANCES INC.	Wilmington	USD	25,000

(1) Figures at 31 December 2014, 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) The amount includes options that can be exercised on minority interest .
(5) Dormant company, whose financial statement is unavailable.

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

€/000	2014	2013 (*)
Profit (loss) pertaining to the group	126,532	116,921
Income taxes for the period	43,812	39,461
Amortization	46,818	44,638
Net change in provisions	(1,862)	4,021
Cash flow generated by current operations (A)	**215,300**	**205,041**
Change in assets and liabilities for the period:		
Trade receivables	(8,456)	11,398
Inventories	(31,364)	(26,720)
Trade payables	20,261	24,927
Other current assets and liabilities	5,084	(2,493)
Payment of income taxes	(32,193)	(39,756)
Cash flow absorbed by movements in working capital (B)	**(46,668)**	**(32,644)**
Cash flow generated by current operations and movements in working capital (A+B)	**168,632**	**172,397**
Investment activities:		
Investments in intangible assets	(9,556)	(7,887)
Other cash flows for intangible assets	(64)	34
Investments in property, plant and equipment	(52,738)	(51,706)
Other cash flows for property, plant and equipment	1,618	465
Net investments in equity investments and other financial assets	(44)	(645)
Cash flow absorbed by ordinary investment activities (C)	**(60,784)**	**(59,739)**
Dividends paid	(59,800)	(43,355)
Fair value and cash flow reserves	19,439	(4,672)
Actuarial losses on pension fund operation	83	(6,223)
Change in currency translation reserve	30,073	(1,740)
Increase (decrease) in minority interests in capital and reserves	379	352
Cash flow absorbed by changes in net equity and by financing activities (D)	**(9,826)**	**(55,638)**
Cash flow for the period (A+B+C+D)	**98,022**	**57,020**
Opening net financial position	**(9,034)**	**(66,054)**
Cash flow for the period (A+B+C+D)	98,022	57,020
Closing net financial position	**88,988**	**(9,034)**

(*) Figures at 31 December 2013 were restated following the retrospective application of IFRS 11 - *Joint arrangements*

Transactions and balances with related parties

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

€/000	2014	of which with related parties	2013 (*)	of which with related parties
Revenues from sales and services	1,704,479	1,886	1,591,073	2,371
Other revenues	22,205	1,453	25,863	1,836
Total consolidated revenues	**1,726,684**		**1,616,936**	
Raw and ancillary materials, consumables and goods	(786,286)	(57)	(717,323)	(355)
Change in inventories of finished products and work in progress	21,056		19,950	
Change in inventories of raw and ancillary materials, consumables and goods	8,707		4,143	
Materials consumed	**(756,523)**		**(693,230)**	
Payroll costs	(207,003)		(193,254)	
Services and other operating expenses	(489,547)	(5,614)	(465,379)	(5,540)
Provisions	(14,695)		(26,086)	
Amortization	(46,818)		(44,638)	
Other income (expenses)	643			
EBIT	**212,741**		**194,349**	
Financial income (expenses)	(41,705)		(37,397)	
PROFIT (LOSS) BEFORE TAXES	**171,036**		**156,952**	
Income taxes	(43,812)		(39,461)	
CONSOLIDATED PROFIT	**127,224**		**117,491**	
Profit (loss) pertaining to minority interests	692		570	
PROFIT PERTAINING TO THE GROUP	**126,532**		**116,921**	

(*) Figures at 31 December 2013 were restated following the retrospective application of IFRS 11 - *Joint arrangements*

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

€/000	31.12.2014	of which with related parties	31.12.2013 (*)	of which with related parties
NON-CURRENT ASSETS				
INTANGIBLE ASSETS	325,110		327,273	
- Goodwill	92,400		92,400	
- Other intangible assets	232,710		234,873	
PROPERTY, PLANT AND EQUIPMENT	189,904		169,465	
- Land, property, plant and machinery	103,876		82,328	
- Other tangible assets	86,028		87,137	
EQUITY INVESTMENTS AND OTHER FINANCIAL ASSETS	8,232		7,450	
- Equity investments	5,197		4,846	
- Receivables	2,509		2,538	
- Other non-current financial assets	526		66	
DEFERRED TAX ASSETS	42,515		38,090	
TOTAL NON-CURRENT ASSETS	**565,761**		**542,278**	
CURRENT ASSETS				
INVENTORIES	317,763		281,252	
TRADE RECEIVABLES	366,159	1,446	334,572	2,049
CURRENT TAX ASSETS	7,250		9,442	
OTHER RECEIVABLES	38,284	301	37,337	403
CURRENT FINANCIAL RECEIVABLES AND ASSETS	55,243		22,893	1,523
CASH AND CASH EQUIVALENTS	388,530		263,934	
TOTAL CURRENT ASSETS	**1,173,229**		**949,430**	
NON-CURRENT ASSETS HELD FOR SALE	1,235		1,958	
TOTAL ASSETS	**1,740,225**		**1,493,666**	

(*) Figures at 31 December 2013 were restated following the retrospective application of IFRS 11 - *Joint arrangements*

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

€/000	31.12.2014	of which with related parties	31.12.2013 (*)	of which with related parties
NET EQUITY				
GROUP PORTION OF NET EQUITY	783,237		667,413	
- Share capital	224,250		224,250	
- Reserves	432,455		326,242	
- Profit (loss) pertaining to the group	126,532		116,921	
MINORITY INTERESTS	2,910		2,530	
TOTAL NET EQUITY	**786,147**		**669,943**	
NON-CURRENT LIABILITIES				
FINANCIAL PAYABLES	123,311		180,432	
- Bank loans and borrowings (long-term portion)	8,980		64,728	
- Other financial payables (long-term portion)	114,331		115,704	
DEFERRED TAX LIABILITIES	20,156		10,119	
NON-CURRENT PROVISIONS FOR CONTINGENCIES AND OTHER CHARGES	85,345		81,763	
- Employee benefits	39,313		28,650	
- Other provisions	46,032		53,113	
TOTAL NON-CURRENT LIABILITIES	**228,812**		**272,314**	
			-	
CURRENT LIABILITIES				
TRADE PAYABLES	382,545	232	338,558	689
FINANCIAL PAYABLES	232,000		115,495	
- Bank loans and borrowings (short-term portion)	203,131		99,652	
- Other financial payables (short-term portion)	28,869	1	15,843	1,523
CURRENT TAX LIABILITIES	19,878		17,073	
OTHER PAYABLES	90,843	1,165	80,283	1,819
TOTAL CURRENT LIABILITIES	**725,266**		**551,409**	
TOTAL NET EQUITY AND LIABILITIES	**1,740,225**		**1,493,666**	

(*) Figures at 31 December 2013 were restated following the retrospective application of IFRS 11 - *Joint arrangements*

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 2014 and related balances with commercial nature at 31 December 2014:

€/million	Revenues	Costs	Trade and other receivables	Trade and other payables	Financial payables/ receivables
Related companies:					
DeLclima Group:					
DeLclima S.p.A.	0.5	-	0.1	-	-
Climaveneta S.p.A.	1.0	0.1	0.7	0.9	-
DL Radiators S.p.A.	1.6	0.3	0.7	0.1	-
R.C. Group S.p.A.	-	-	-	0.4	-
Other related companies:					
Gamma S.r.l.	0.1	5.2	0.1	0.1	-
TOTAL RELATED PARTIES	**3.2**	**5.6**	**1.6**	**1.5**	**-**

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 2014
Auditing	Reconta Ernst & Young S.p.A.	De'Longhi SpA (parent company)	147
	Reconta Ernst & Young S.p.A.	Italian subsidiaries	228
	Network of parent company auditor	Foreign subsidiaries	734
Other services	Reconta Ernst & Young S.p.A.	De'Longhi SpA (parent company) (*)	7
	Reconta Ernst & Young S.p.A.	Italian subsidiaries	35
	Other auditors	Foreign subsidiaries	76

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 2014:

- 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 2014:

- 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 Office

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, 2014 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 24, 2014. 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 2014 and for the year then ended.

3. In our opinion, the consolidated financial statements of De'Longhi Group at December 31, 2014 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 "Investor > 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 compliances 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 compliances 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 consolidated financial statements of De'Longhi Group at December 31, 2014.

Treviso, March 20, 2015.

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 2014

Report on operations to the separate financial statements

Review of the income statement

€/million	2014	% revenues	2013	% revenues
Revenues	**22.5**	**100.0%**	**7.1**	**100.0%**
Changes 2014/2013	*15.4*	*215.3%*		
Materials consumed	(0.1)	(0.3%)	(0.1)	(0.9%)
Other services and expenses	(28.2)	(125.6%)	(10.9)	(152.5%)
Payroll	(0.3)	(1.1%)	(7.9)	(110.3%)
EBITDA before non-recurring income/expenses	**(6.1)**	**(27.0%)**	**(11.7)**	**(163.7%)**
Changes 2014/2013	*5.8*	*(48.1%)*		
Other non-recurring income (expenses)	-	-	(0.2)	(2.8%)
EBITDA	**(6.1)**	**(27.0%)**	**(11.9)**	**(166.5%)**
Amortization and depreciation	(0.1)	(0.3%)	-	-
EBIT	**(6.1)**	**(27.2%)**	**(11.9)**	**(166.5%)**
Changes 2014/2013	*5.8*	*(48.6%)*		
Dividends	77.3	343.5%	77.9	1.091.8%
Financial income (expenses)	(6.2)	(27.4%)	(6.4)	(90.0%)
Profit (loss) before taxes	**65.0**	**288.8%**	**59.6**	**834.7%**
Income taxes	1.9	8.7%	4.0	55.5%
Profit (loss) after taxes	**67.0**	**297.5%**	**63.5**	**890.1%**

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

"Payroll costs" reflect adjustments of €5,3 million relating to the 2012 – 2014 incentive plans (ended in 2014 and subject to final evaluation in the first months of 2015). The gains are attributable to the transfer of the relative expenses to the Group companies that employ the beneficiaries of these plans.

In 2014 net revenues and dividends amounted to €84.5 million (€85.1 million in 2013) while operating expenses came to €18.8 million (€18.8 million in 2013), net of the above mentioned gains relating to the incentive plan adjustments. Net financial expenses amounted to €6.2 million (€6.4 million in 2013). Net profit, consequently, came to €67 million (€ 63.5 million in 2013).

Review of the statement of financial position

The reclassified statement of financial position is presented below:

€/million	31 December 2014	31 December 2013	Change	% change
- Tangible and intangibile assets	0.2	0.1	0.1	142.9%
- Financial assets	535.4	534.6	0.8	0.2%
- Deferred tax assets	3.7	4.1	(0.4)	(9.0%)
Non-current assets	**539.3**	**538.8**	**0.5**	**0.1%**
- Trade Receivables	24.1	7.4	16.7	225.8%
- Trade payables	(19.8)	(3.7)	(16.1)	432.4%
- Other current payables (net of other receivables)	(0.8)	(1.5)	0.7	(48.8%)
Net working capital	**3.6**	**2.2**	**1.4**	**61.1%**
Total non-current liabilities and provisions	**(4.5)**	**(8.6)**	**4.1**	**(47.2%)**
Net capital employed	**538.3**	**532.4**	**6.0**	**1.1%**
Net debt	**210.0**	**209.0**	**1.0**	**0.5%**
Total net equity	**328.3**	**323.3**	**5.0**	**1.5%**
Total net debt and equity	**538.3**	**532.4**	**6.0**	**1.1%**

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

€/million	2014	2013
Cash flow by current operations	(16.4)	(15.0)
Cash flow by other changes in working capital	1.9	8.1
Cash flow by current operations and changes in working capital	**(14.6)**	**(6.7)**
Cash flow by investment activities	76.4	34.2
Cash flow by operating activities	**61.9**	**27.4**
Cash flow by changes in net equity	(62.8)	(43.9)
Cash flow for the period	**(1.0)**	**(16.5)**
Opening net financial position	(209.0)	(192.6)
Closing net financial position	**(210.0)**	**(209.0)**

Net cash flow from operating activities amounted to €61.9 million (€27.4 million in 2013), an increase of €34.4 million with respect to the prior year. This change is attributable primarily to the dividends received and the comparison with 2013 which was impacted by the purchase of equity investments belonging to Group companies. Cash flow to net equity reached a negative €62.8 million (negative €43.9 million in 2013), explained primarily by dividend payments and the change in the cash flow hedge reserve relating to the fair value of derivatives.

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

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

€/thousands	Net equity 31 december 2014	Profit for 2014	Net equity 31 december 2013	Profit for 2013
De'Longhi S.p.A. financial statements	**328,307**	**66,955**	**323,349**	**63,540**
Share of subsidiaries' equity and results for period attributable to the Group, after deducting carrying value of the investments	468,156	70,264	341,759	51,558
Allocation of goodwill arising on consolidation and related amortization and reversal of goodwill recognized for statutory purposes	27,265	(1,778)	34,042	(2,388)
Elimination of intercompany profits	(34,239)	(7,757)	(26,268)	(5,247)
Other adjustments	(3,342)	(460)	(2,939)	(466)
Consolidated financial statements	**786,147**	**127,224**	**669,943**	**117,491**
Minority interests	2,910	692	2,530	570
Group portion	**783,237**	**126,532**	**667,413**	**116,921**

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 40 employees at 31 December 2014 (39 at 31 December 2013).

The following table summarizes the average number of employees during 2014 compared with 2013:

	2014	%	2013	%	Change
White collar	31	78%	30	77%	1
Senior managers	9	22%	9	23%	-
Total	**40**	**100%**	**39**	**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 Corporate Governance Code for Listed Companies (July 2014 edition), and about ownership structure, in compliance with the legislator's requirements as set out in art. 123-*bis* of Legislative Decree n. 58/98 (“TUF”).

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

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

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

Direction and Co-ordination

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

Board of Directors

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

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

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

Pursuant to Article 1.C.1., lett. g) of the Corporate Governance Code, during the meeting on 3 March 2015 the Board of Directors resolved to begin a board review or self-assessment process in order to evaluate, among other things, the functioning, size and composition of the Board. The methods used and findings are discussed in the detail in the 2014 Report on Corporate Governance and Ownership Structure.

In 2014 the Board of Directors also:
- confirmed the list of the De’Longhi Group’s "*strategically important subsidiaries*", identifying them as the Italian registered companies De’Longhi Capital Services S.r.l. and De’Longhi Appliances S.r.l., 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, and also resolved to include De' Longhi America and De' Longhi Kenwood MEIA FZE, companies with commercial importance within the Group, within this scope;
- resolved, pursuant to art. 3 of Consob Resolution n. 18079 dated 20 January 2012, to exercise the opt-out clause found in articles 70, paragraph 8 and 71, paragraph 1-*bis* of Consob Regulation n. 11971/99 which grants the option to waive the mandatory publication of information documents relating to mergers, spin-offs, capital increases through in-kind transfers, acquisitions and disposals.

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

Some of the current directors hold appointments in other listed or relevant companies. The most significant appointments are listed in the 2014 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 2014. These meetings were also attended by the Board of Statutory Auditors, while the committee also extended invitations to the Head of Internal Audit, the Financial Reporting Officer, and the Group's Head of Corporate Affairs, who also acted as secretary.
The Compensation and Nominations Committee held three meetings during 2014, 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 2014 Report on Corporate Governance and Ownership Structure and in the annual Remuneration Report prepared in accordance with art. 123-*ter* of TUF and art. 84-*quater* of the Issuer Regulations.

Board of Statutory Auditors

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

External Auditors

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

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

Introduction

The Company's Internal Control System consists in the set of rules, procedures and organizational structures set in place to ensure that company strategies are adhered to and, based on the corporate governance standards and model included in the COSO report (Committee of Sponsoring Organizations of the Treadway Commission), to guarantee:
a) efficient and effective company operations (administration, production, distribution, etc.);
b) reliable, accurate, trustworthy and timely economic and financial information;
c) compliance with laws and regulations, as well as the corporate articles of associations, rules and company procedures;
d) safeguarding of the company's assets and protection, to the extent possible, from losses;.
e) identification, assessment, management and monitoring of the main risks.

The Company's executive administrative bodies (Board of Directors, the Risk and Control Committee, Director in Charge of the Internal Control and Risk Management System), the Board of Statutory Auditors, the Head of Internal Audit, the Supervisory Board, the Financial Reporting Officer and all the Company personnel, as well as the Directors and Statutory Auditors of the Company's subsidiaries, are involved in the controls, with different roles and in function of their expertise and adhere to the recommendations and principles found in the guidelines.
The Internal Control System that is subject to examination and periodic audits, taking into account changes in the company's operations and reference context, makes it possible to address the main risks to which the Company and the Group are exposed to over time, in a timely manner, as well as to identify, assess and control the degree of the exposure of the Company and all the other companies of the De'Longhi Group – particularly the strategically important subsidiaries - to the different types of risk, and also makes it possible to manage the overall exposure taking into account:
(i) the possible correlations between the different risk factors;
(ii) the probability that the risk materializes;
(iii) the impact of the risk on the company's operations;
(iv) the overall impact of the risk.

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

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

In order to identify and manage the Company's main risks, with regard particularly to corporate governance and compliance with the law and regulatory standards (including the Corporate Governance Code for Listed Companies), during 2013 the Company undertook a project designed to strengthen enterprise risk management (ERM) with the support of a premiere consulting company.
This project called for the development and monitoring of a structured ERM model in order to effectively manage the main risks to which the Company and the Group are exposed. The project was completed at the end of 2013 and the results were shared with the Director in Charge of Internal Control and Risk Management, the Risk and Control Committee and the Board of Statutory Auditors.
It was possible, therefore, to map the main risks based on the Group's value chain, identify inherent and residual risk, while emphasizing the biggest risk and proposing solutions; during 2014 the subsequent phases of the ERM project have been implemented with a plan to define the risk management strategy giving priority, in the first phase, to the highest risks and the relative control and management. Middle-level risks have been updated as well.

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

During 2015 a verification will be also carried out by the functions in charge.

Description of main characteristics

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

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

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

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

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

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

Risk factors

The risk factors and uncertainties that could materially affect the Company's business are discussed below.
These risk factors also take in to account the above mentioned ERM project (completed in December 2013 with follow-up during 2014) and the assessments carried out in prior years, including through more in depth analysis shared with the Risk and Control Committee and Company's Board of Statutory Auditors.

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

Risks relating to macroeconomic trends: the Company's economic performance and financial position are also affected by macroeconomic trends.

In 2014 the economy in a few developed countries expanded slightly, sustained by the drop in oil prices, albeit at a pace that differed country to country.
Acceleration was consistent in the United States, while there was a slowdown in China and the emerging markets in Asia, while in Japan a drop in investments caused a further decline in the GDP. Political tensions, escalated in a few Middle Eastern countries and in Russia as a result of the Ukrainian crisis and the sanctions imposed by the western countries.
A situation of weakness and uncertainty persists in the Euro zone, exacerbated recently by the Greek elections which was reflected in extremely volatile financial markets. The Euro weakened further.
Interest rates fell further, both short term (due to excessive liquidity) and long term (a direct reflection of the sluggish growth and the low level of inflation).
GDP fell, in real terms, in the first part of the year with a decline that also affected countries not directly exposed to the tensions of the financial markets; it wasn’t until the second half that a modest recovery began thanks also to the gradual increase in foreign demand and the expansive monetary policy.
The ECB’s Executive Board recently announced that it will likely leave interest rates at current or lower levels for a prolonged period of time. The Executive Board also announced that in order to offset the risks connected to a prolonged period of low inflation it would continue with further long term repo transactions and to expand the Euro system balance sheet by purchasing additional securities on the open market.
Looking ahead, the recent forecasts of the Bank of Italy and the ECB call for a gradual economic recovery in 2015 and 2016 which should be sustained by the recent drop in oil prices. Internal demand should also be supported by the ECB’s expansive monetary policy, more favorable credit markets, as well as the progress made in terms of structural reforms.
At the same time, these forecasts still reflect elements of uncertainty: particularly geopolitical risks, as well as the economic trend in the emerging and world financial markets that could have a negative influence on the economic conditions, in an environment already hindered by a high level of unemployment and spare capacity. (Source: Bank of Italy/ECB).
Global market conditions and difficulties in preventing economic cycles, energy prices trends, crisis conditions in a few markets due to political tensions, together with other risk factors listed below, could significantly influence the economic and financial conditions of the Company.

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

The principal risks relating to human resources are linked to the Company's ability to attract, develop, motivate, retain and empower staff who have the necessary talent, values, and specialist and/or managerial skills to satisfy the Company's changing needs.

The loss of such individuals or other key employees without adequate replacement, or the failure to attract and retain new qualified resources could therefore adversely affect the Company's business prospects, as well as its economic performance and/or financial position.
In terms of being able to attract quality resources, the Company not only have specialist qualified professional human resources teams, but they also plan actions to improve the quality of working environment for its employees and staff as well as the Company's external image (communication, contact with schools and universities, testimonials, internships, etc.), in some cases using the services of specialist professional firms with a proven track record.

In terms of motivating and developing personnel, actions taken include the strengthening of managerial, specialist, business and regulative competencies, with initiatives that involve managers and staff from different areas of the business.

The salary review process also includes reward systems for employees at various levels in the organization - from the staff through to top management and key people - which are linked to the achievement of short-term and/or medium/long term targets.

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

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

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

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

For the purposes of protecting its income statement and statement of financial position from such fluctuations, the Company adopts a suitable hedging policy and tools, free from speculative connotations.
Hedging is carried out centrally by a special team on the basis of information obtained from a detailed reporting system, using instruments and policies that comply with international accounting standards.

The principal currency to which the Company is exposed is the US dollar (in which the bond loan issued by Company in 2012 is denominated).
Despite the Company's effort to minimize the abovementioned risk, sudden currency fluctuations could have an adverse impact on the Company's results and business prospects.

Liquidity, financing and interest rate risks: the liquidity risk possibly faced by the Company is the risk of not having the funds needed to fulfil payment obligations arising from operating and investment activities and from the maturity of financial instruments. The Company holds assets and liabilities that are sensitive to interest rate changes and that are necessary to manage its liquidity and financial needs.

It is the Company's policy to maintain a sufficiently large portfolio of counterparties of international repute for the purposes of satisfying its financing and hedging needs.
The Company uses specific policies and procedures for the purposes of monitoring and managing this risk, including the centralized management of financial debt and cash, the raising of medium and long-term finance on capital markets and the obtaining of short-term credit lines that allow wide room for manoeuvre when managing working capital and cash flows.
The Company has 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.

About the interest rate risk, at 31 December 2014 the Company's net financial position is negative and financial debt is mainly medium-long term.
This risk is managed centrally by the same team that manages currency risks. Nevertheless, sudden fluctuations in interest rates could have an adverse impact on the Company's business prospects, as well as on its economic performance and/or financial position.
In 2012, in order to have complete financial coverage of the "Braun Household" acquisition and to have enough financing in place should the credit markets worsen, the Company issued and placed a long term, fixed rate, unsecured bond in US dollars with US institutional investors worth USD 85 million which, due to the effect of a currency and interest rate hedge contract, is denominated in Euro at a fixed rate.

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

Compliance and corporate reporting risks:

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

In 2014, effective implementation of the system of managing financial reporting risks was monitored on a continuous basis and periodically evaluated under the guidance of the functions in charge.
For the purposes of ensuring reliable internal controls over its financial reporting, the Group has implemented a system of administrative and accounting procedures and operations that include:
- an accounting policies manual;
- accounting policy instructions and updates;
- other procedures for preparing the consolidated financial statements and periodic financial reports.

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

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

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

Related parties: The Company has had and continues to have transactions of a commercial nature with related parties. Such transactions carry conditions that are in line with market ones.

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

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

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

Number and value of shares

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

Group tax election

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

Related party transactions

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

Alternative performance indicators

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

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

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

Subsequent events

During the month of March 2015 the Company will reimburse in full (in advance of the original maturity) medium-long term debt totaling about € 18 million.

Proposed allocation of profit

Dear Shareholders,

In submitting for your approval the financial statements for 2014, which report a net profit of €66,954,862, we propose:

- to approve the Directors' Report on Operations and the financial statements at 31 December 2014;
- to allocate the net profit of €66,954,862 as follows: €3,347,743 to the legal reserve, €2,312,119 to the extraordinary reserve and the remaining €61,295,000 to shareholders as a gross dividend of €0.41 for each of the 149,500,000 outstanding shares;
- to pay the dividend of €0.41 as of 22 April 2015, with shares going ex-coupon on 20 April 2015 and with the record date, pursuant to art. 83-*terdecies* of Legislative Decree n. 58/98, as at 21 April 2015.

Treviso, 3 March 2015

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

Separate financial statements 2014

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*	2014	of which non-recurring	2013	of which non-recurring
Revenues	*1*	22,508,322		7,315,882	177,660
Total revenues		**22,508,322**		**7,315,882**	
Raw and ancillary materials, consumables and goods	*2*	(64,803)		(66,611)	
Materials consumed		**(64,803)**		**(66,611)**	
Payroll costs	*3*	(253,035)		(7,870,602)	
Services and other operating expenses	*4*	(28,258,549)		(11,365,307)	(379,660)
Provisions	*5*	(727)		98,510	
Amortization and depreciation	*6*	(57,688)		(42,482)	
EBIT		**(6,126,480)**		**(11,930,610)**	
Financial income (expenses)	*7*	71,133,485		71,510,672	
PROFIT (LOSS) BEFORE TAXES		**65,007,005**		**59,580,062**	
Income taxes	*8*	1,947,857		3,959,732	
NET PROFIT (LOSS)		**66,954,862**		**63,539,794**	

Statement of comprehensive income

Amounts in Euro	2014	2013
Net profit (loss)	**66,954,862**	**63,539,794**
- Change in fair value of cash flow hedges and financial assets available for sale	(2,987,083)	(486,652)
- Tax effect on change in fair value of cash flow hedges and financial assets available for sale	837,156	147,051
Total other comprehensive income will subsequently reclassified to profit (loss) for the year	*(2,149,927)*	*(339,601)*
- Actuarial valuation funds	(64,761)	4,890
- Tax effect of actuarial valuation funds	17,809	(1,345)
Total other comprehensive income will not subsequently reclassified to profit (loss) for the year	*(46,952)*	*3,545*
Other components of comprehensive income	**(2,196,879)**	**(336,056)**
Total comprehensive income	**64,757,983**	**63,203,738**

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*	31.12.2014	31.12.2013
NON-CURRENT ASSETS			
INTANGIBLE ASSETS		29,807	18,300
- Other intangible assets	*9*	29,807	18,300
PROPERTY, PLANT AND EQUIPMENT		121,807	44,122
- Other tangible assets	*10*	121,807	44,122
EQUITY INVESTMENTS AND OTHER FINANCIAL ASSETS		536,780,740	535,539,606
- Equity investments	*11*	535,424,220	534,608,788
- Receivables	*12*	904,342	930,818
- Other financial assets	*13*	452,178	-
DEFERRED TAX ASSETS	*14*	3,735,306	4,103,245
TOTAL NON-CURRENT ASSETS		**540,667,660**	**539,705,273**
CURRENT ASSETS			
INVENTORIES		-	-
TRADE RECEIVABLES	*15*	24,117,740	7,402,174
CURRENT TAX ASSETS	*16*	3,736,106	4,316,272
OTHER RECEIVABLES	*17*	8,218,072	8,141,158
CURRENT FINANCIAL RECEIVABLES AND ASSETS	*18*	2,255,633	11,000,000
CASH AND CASH EQUIVALENTS	*19*	27,468	28,705
TOTAL CURRENT ASSETS		**38,355,019**	**30,888,309**
TOTAL ASSETS		**579,022,679**	**570,593,582**

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

Statement of financial position

Net equity and liabilities

Amounts in Euro	*Notes*	31.12.2014	31.12.2013
NET EQUITY			
NET EQUITY		328,306,713	323,348,729
- Share capital	*20*	224,250,000	224,250,000
- Reserves	*21*	37,101,851	35,558,935
- Net profit (loss)		66,954,862	63,539,794
TOTAL NET EQUITY		**328,306,713**	**323,348,729**
NON-CURRENT LIABILITIES			
FINANCIAL PAYABLES		85,413,385	138,407,024
- Bank loans and borrowings (long-term portion)	*22*	8,979,635	64,727,515
- Other financial payables (long-term portion)	*23*	76,433,750	73,679,509
NON-CURRENT PROVISIONS FOR CONTINGENCIES AND OTHER CHARGES		4,542,577	8,606,786
- Employee benefits	*24*	3,929,927	7,983,807
- Other provisions	*25*	612,650	622,979
TOTAL NON-CURRENT LIABILITIES		**89,955,962**	**147,013,810**
CURRENT LIABILITIES			
TRADE PAYABLES	*26*	19,803,560	3,719,826
FINANCIAL PAYABLES		128,249,512	82,582,523
- Bank loans and borrowings (short-term portion)	*22*	117,424,476	60,116,939
- Other financial payables (short-term portion)	*23*	10,825,036	22,465,584
CURRENT TAX LIABILITIES	*27*	8,383,066	8,894,904
OTHER PAYABLES	*28*	4,323,866	5,033,790
TOTAL CURRENT LIABILITIES		**160,760,004**	**100,231,043**
TOTAL NET EQUITY AND LIABILITIES		**579,022,679**	**570,593,582**

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

Statement of cash flow

Amounts in Euro	***Notes***	**2014**	**2013**
Net profit (loss)		66,954,862	63,539,794
Income taxes for the period		(1,947,857)	(3,959,732)
Income for dividends receipt		(77,307,634)	(77,937,383)
Amortization and depreciation		57,688	42,482
Net change in provisions		(4,170,343)	3,340,163
Cash flow absorbed by current operations (A)		**(16,413,284)**	**(14,974,676)**
Change in assets and liabilities for the period:			
Trade receivables		(16,673,969)	2,421,559
Trade payables		16,083,733	(2,335,032)
Other current assets and liabilities		6,063,148	10,638,253
Payment of income taxes		(3,611,120)	(2,576,332)
Cash flow generated by changes in working capital (B)		**1,861,792**	**8,148,448**
Cash flow absorbed by current operations and changes in working capital (A+B)		**(14,551,492)**	**(6,826,228)**
Investment activities:			
Investments in intangible assets		(27,876)	-
Investments in tangible assets		(119,004)	-
Net investments in equity investments and other financial assets		(758,312)	(43,699,900)
Dividends receipt		86,307,634	66,937,383
Cash flow generated by investment activities (C)		**85,402,442**	**23,237,483**
Dividends paid		(59,800,000)	(43,355,000)
Payment of interests on loans		(4,138,675)	(6,268,511)
Repayment of loans and other net changes in source of finance		(6,913,512)	32,351,618
Cash flow absorbed by changes in net equity and by financing activities (D)		**(70,852,187)**	**(17,271,893)**
Increase (decrease) in cash and cash equivalents (A+B+C+D)		**(1,237)**	**(860,638)**
Opening cash and cash equivalents	*19*	**28,705**	**889,343**
Increase (decrease) in cash and cash equivalents (A+B+C+D)		(1,237)	(860,638)
Closing cash and cash equivalents	*19*	**27,468**	**28,705**

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

Statement of changes in net equity

Amounts in Euro	SHARE CAPITAL	SHARE PREMIUM RESERVE	LEGAL RESERVE
Balance at 31 December 2012	**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**
Balance at 31 December 2013	**224,250,000**	**162,545**	**9,048,406**
Allocation of 2013 result as per AGM resolution of 23 April 2014			
- distribution of dividends			
- allocation to reserves			3,176,990
Movements from transactions with shareholders	**-**	**-**	**3,176,990**
Profit (loss) after taxes			
Other components of comprehensive income			
Comprehensive income (loss)	**-**	**-**	**-**
Balance at 31 December 2014	**224,250,000**	**162,545**	**12,225,396**

EXTARORDINARY RESERVE	FAIR VALUE AND CASH FLOW HEDGE RESERVE	ACTUARIAL EVALUATION RESERVE	PROFIT (LOSS) CARRIED FORWARD	PROFIT (LOSS) FOR THE PERIOD	TOTAL
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**
18,858,105	**(2,883,668)**	**(67,777)**	**10,441,324**	**63,539,794**	**323,348,729**
				(59,800,000)	(59,800,000)
562,804				(3,739,794)	-
562,804	**-**	**-**	**-**	**(63,539,794)**	**(59,800,000)**
				66,954,862	66,954,862
	(2,149,927)	(46,951)			(2,196,878)
-	**(2,149,927)**	**(46,951)**	**-**	**66,954,862**	**64,757,984**
19,420,909	**(5,033,595)**	**(114,728)**	**10,441,324**	**66,954,862**	**328,306,713**

Explanatory notes

Company business

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

Accounting standards

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

The accounting policies and measurement bases used for preparing the financial statements at 31 December 2014 are the same as those used for preparing the financial statements at 31 December 2013, except for certain new amendments and accounting standards described below.

The financial statements at 31 December 2014 comprise the income statement, the statement of comprehensive income, the statement of financial position, the statement of cash flows, the statement of changes in net equity and these explanatory notes.
The statement of financial position has been prepared on a basis that distinguishes between current and non-current items.
The income statement has been presented on the basis of the nature of expense, being a suitable structure for faithfully representing the company's performance.
The statement of cash flows has been prepared using the "indirect method" allowed by IAS 7.

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

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

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

The amendments to international financial reporting standards that apply as from the financial statements at 31 December 2014 are described below:

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

In Regulation n.1254/2012 of 11 December 2012 the European Commission adopted 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.

IFRS 11 - *Joint arrangements* was adopted in the same Regulation. This standard repeals and substitutes IAS 31 and establishes that 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 as called for in IAS 28 - *Investments in associates and joint ventures*, as amended.

In the same regulation IFRS 12 - *Disclosure of Interests in Other Entities* was also adopted. This standard establishes what information needs to be provided in the explanatory notes when IFRS 10 and IFRS 11 are applied.

As a result of EC Regulation n.1256/2012, a few amendments to IAS 32 - *Financial Instruments: Presentation* took effect as of 1 January 2014, which clarify the application of the criteria used to offset financial assets and liabilities as per IAS 32.

As a result of EC Regulation 1374/2013 a few amendments to IAS 36 - *Impairment of Assets* took effect as of 1 January 2014 which clarify, in particular, the measurement of the recoverable value of assets based on fair value less costs of disposal.

Lastly, as a result of EC Regulation n.1375/2013, a few amendments to IAS 39 - *Financial Instruments: Recognition and Measurement* took effect as of 1 January 2014. These amendments relate to novation of derivatives and the continuation of hedge accounting.
These amendments confirm that hedge accounting may be used even when novation arises as a consequence of laws and regulations.

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

International financial reporting standards and/or interpretations endorsed by the European Union in 2014 but not yet applicable

On 14 June 2014 the EC Regulation 634/2014 was published in the Official Gazette L 175 which adopts the IFRIC Interpretation 21 *Levies*.
The Interpretation provides guidance on when to recognize a liability for a levy imposed by a government, both for levies that are accounted for in accordance with IAS 37 and those for which the timing and amount of the levy are uncertain.
The standard is not applicable to income tax (for which reference should be made to IAS 12), penalties or other sanctions resulting from violations of the law.
IFRIC 21 is applicable as of 2015.

On 12 December 2013 the International Accounting Standards Board (IASB) published Annual Improvements to IFRSs 2010–2012 Cycle in order to resolve inconsistencies found in the IFRS or to provide clarifications with respect to terminology. The European Commission adopted the improvements in Regulation 2015/28 of 17 December 2014 effective as of 2015.

With a similar view to clarification and streamlining of the international accounting standards, on 12 December 2013 the International Accounting Standards Board (IASB) published Annual Improvements to IFRSs 2011-2013 Cycle adopted by the European Commission in Regulation n.1361/2014 of 18 December 2014.
These provisions are applicable beginning in 2015.

The Company did not apply any new standards, interpretations or amendments endorsed, but not yet applicable, in advance.

Disclosure by operating segments

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

Principal accounting policies

Intangible assets

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

Property, plant and equipment

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

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

Industrial and commercial equipment	1 year
Other	4 – 8 years

Impairment of non-financial assets

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

Assets and liabilities held for sale and Discontinued Operations

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

Financial instruments

Financial assets

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

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

Financial assets at fair value through profit or loss:

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

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

Receivables:

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

Available-for-sale financial assets:

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

Equity investments in subsidiary and associated companies:

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

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

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

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

Financial liabilities

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

Derivatives

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

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

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

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

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

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

Employee benefits

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

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:

	2014	2013	Change
Damages reimbursed	100	-	100
Out-of-period gains	81	190	(109)
Gain on fixed assets disposal	23	-	23
Other income	22,304	7,126	15,178
Total	**22,508**	**7,316**	**15,192**

"Revenues" include €21,495 thousand in revenue from related parties, as reported in Appendix 4.
“Other revenues” refers to centralized shared costs that are subseqently charged back to the different Group companies. Please refer to the Report on operations for more information.

2. Raw and ancillary materials, consumables and goods

These are analyzed as follows:

	2014	2013	Change
Other purchases	65	67	(2)
Total	**65**	**67**	**(2)**

“Raw and ancillary materials, consumables and goods” include €2 thousand from related parties, as reported in Appendix 4.

3. Payroll costs

“Payroll costs” reflect adjustments of €5,318 thousand relating to the 2012 – 2014 incentive plans (ended in 2014 and subject to final evaluation in the first months of 2015). The gains are attributable to the transfer of the relative expenses to the Group companies that employ the beneficiaries of these plans.

4. Services and other operating expenses

These are analyzed as follows:

	2014	2013	Change
Commercial costs due to International Groups - global marketing expenses	15,121	-	15,121
Travel and entertaining	4,758	3,145	1,613
Insurance	3,952	3,321	631
Directors' emoluments	1,765	1,744	21
Consulting services	1,285	1,532	(247)
Rentals and leasing	316	318	(2)
Statutory auditors' emoluments	146	146	-
Telecommunication costs	90	129	(39)
Advertising and promotional activities	17	19	(2)
Other sundry services	497	563	(66)
Total services	**27,947**	**10,917**	**17,030**
Sundry taxes	209	213	(4)
Out-of-period losses	11	145	(134)
Other	92	90	2
Total other operating expenses	**312**	**448**	**(136)**
Total services and other operating expenses	**28,259**	**11,365**	**16,894**

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

"Services and other operating expenses" include €9,021 thousand in costs from related parties, as reported in Appendix 4.

5. Provisions

These include provisions for doubtful accounts (please refer to note *15.Trade receivables*).

6. Amortization and depreciation

These are analyzed as follows:

	2014	2013	Change
Depreciation of property, plant and equipment	41	31	10
Amortization of intangible assets	16	12	4
Total	**57**	**43**	**14**

7. Financial income (expenses)

Net financial income and expenses are broken down as follows:

	2014	2013	Change
Dividends	77,307	77,937	(630)
Financial income (expenses) from equity investments	**77,307**	**77,937**	**(630)**
Gains (losses) on currency hedging transactions	8,411	(2,828)	11,239
Exchange gains (losses)	(8,466)	2,841	(11,307)
Exchange gains (losses)	**(55)**	**13**	**(68)**
Interest income from loans	-	1	(1)
Bank interest income	12	16	(4)
Financial income	**12**	**17**	**(5)**
Interest expense on long-term loans and borrowings	(1,880)	(3,442)	1,562
Interest expenses on bonds	(2,670)	(2,789)	119
Interest expense on short-term loans and borrowings	(1,925)	(707)	(1,218)
Financial expenses	**(6,475)**	**(6,938)**	**463**
Other sundry income (expenses)	344	482	(138)
Other financial income (expenses)	**344**	**482**	**(138)**
Financial income (expenses)	**71,133**	**71,511**	**(378)**

"Financial income (expenses)" includes €76,377 thousand in income from group companies, as reported in Appendix 4.
Dividends relate primarily to amounts declared by the subsidiaries De'Longhi Appliances S.r.l., De Longhi Benelux S.A., De'Longhi Deutschland Gmbh, De'Longhi Kenwood Gmbh, E-Services S.r.l. and De'Longhi Capital Services S.r.l..

8. Income taxes

These are analyzed as follows:

	2014	2013	Change
Current income taxes	3,171	3,350	(179)
Advanced (deferred) taxes	(1,223)	610	(1,833)
Total	**1,948**	**3,960**	**(2,012)**

The company has made an election to file for income tax on a group basis for companies based in Italy, as allowed by art. 117 et seq of the Income Tax Consolidation Act (Presidential Decree 917/86).
"Deferred income tax liabilities (assets)" report the taxes calculated on the temporary differences arising between the accounting values of assets and liabilities and the corresponding tax base (particularly for taxed provisions).
More details on deferred taxes can be found in note "*14.Deferred tax assets*".

The actual and theoretical tax charge are reconciled as follows:

	2014	%	2013	%
Profit before taxes	65,007	100%	59,580	100%
Theoretical taxes	(17,877)	27.5%	(16,384)	27.5%
Permanent tax differences (dividends, net of disallowable costs) and other effects	19,825	30.5%	20,344	34.1%
Actual taxes	**1,948**	**3.0%**	**3,960**	**6.7%**

Comments on the statement of financial position: assets

NON-CURRENT ASSETS

9. Intangible assets

These are analyzed as follows:

	31 December 2014		31 December 2013		
	Gross	**Net**	**Gross**	**Net**	**Change**
Patents	115	30	87	18	12

The following table reports movements during 2014:

	Patents
Net opening balance	**18**
Additions	28
Amortization	(16)
Net closing balance	**30**

10. Property, plant and equipment

These are analyzed as follows:

	31 December 2014		31 December 2013		
	Gross	**Net**	**Gross**	**Net**	**Change**
Industrial and commercial equipment	17	-	9	-	-
Other	203	122	265	44	78
Total	**220**	**122**	**274**	**44**	**78**

The following table reports movements during 2014:

	Industrial and commercial equipment	**Other**	**Total**
Net opening balance	**-**	**44**	**44**
Additions	8	111	119
Depreciation	(8)	(33)	(41)
Net closing balance	**-**	**122**	**122**

The net change of €78 thousand reflects new investments of €119 thousand and depreciation of €41 thousand.

11. Equity investments

These are analyzed as follows:

	31 December 2014	31 December 2013	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.	1,065	307	758
Clim.Re S.A.	54	54	-
E-Services S.r.l.	26	26	-
De'Longhi Polska Sp.Zo.o.	-	-	-
Total subsidiaries	**535,265**	**534,507**	**758**
DeLclima S.p.A.	159	102	57
Total other equity investments	**159**	**102**	**57**
Total equity investments	**535,424**	**534,609**	**815**

The list of equity investments and the related movements during 2014 can be found in Appendix 3.

The most significant change in the year refers to the relevant portion of the subsidiary De'Longhi Romania S.r.l.'s capital increase which amounted to €758 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 2015 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 7.0%, 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 2014 have not revealed any significant evidence that equity investments are impaired. The results obtained using the discounted cash flow method have been tested for their sensitivity to changes in certain key variables, within reasonable ranges and on the basis of mutually consistent assumptions. The variables altered were the discount rate (between 6.8% and 7.2%) 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 2014	31 December 2013	Change
Receivables from subsidiary companies	904	931	(27)
Total	**904**	**931**	**(27)**

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

13. Other non-current financial assets

This item refers, for € 452 thousand, to the fair value measurement of derivatives.

14. Deferred tax assets

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

Details are as follows:

	31 December 2014			31 December 2013			Effect on income statement
	Taxable amount	Tax rate	Total tax	Taxable amount	Tax rate	Total tax	
Provisions for contingencies and other charges	5,025	27.5%	1,382	9,206	27.5%	2,532	(1,150)
Other temporary differences	1,418	27.5%	390	1,683	27.5%	463	(73)
Total deferred tax assets booked to the income statement	**6,443**		**1,772**	**10,889**		**2,995**	**(1,223)**
Deferred tax assets on tax losses	**-**	**-**		**-**	**-**	**-**	**-**
Fair value of cash flow hedge derivatives	6,983	27.5%	1,920	3,938	27.5%	1,083	-
Actuarial valuation of provision according to IAS 19	158	27.5%	44	93	27.5%	25	-
Total temporary differences booked to net equity	**7,141**		**1,964**	**4,031**		**1,108**	**-**
Net total	**13,584**		**3,736**	**14,920**		**4,103**	**(1,223)**

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

Current assets

15. Trade receivables

These are analyzed as follows:

	31 December 2014	31 December 2013	Change
Trade receivables due within 12 months	25,128	8,454	16,674
Allowance for bad debts	(1,010)	(1,052)	42
Total	**24,118**	**7,402**	**16,716**

Trade receivables are stated net of an allowance for doubtful accounts of €1,010 thousand, representing the estimated risk at the reporting date.

"Trade receivables" include €23,724 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 2013	Increases	Utilization	31 December 2014
Allowance for bad debts	1,052	1	(43)	1,010

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

16. Current tax assets

These are detailed as follows:

	31 December 2014	31 December 2013	Change
Direct taxes	3,736	4,316	(580)
Total	**3,736**	**4,316**	**(580)**

For the purposes of optimizing the financial management of its tax affairs, the company has filed for income tax on a group basis in 2014 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.

17. Other receivables

These are analyzed as follows:

	31 December 2014	31 December 2013	Change
Prepaid costs	520	835	(315)
VAT receivables	331	936	(605)
Employees	21	3	18
Tax refunds requested	-	372	(372)
Advances to suppliers	-	29	(29)
Other	7,346	5,966	1,380
Total	**8,218**	**8,141**	**77**

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

Other receivables include €5,618 thousand in amounts due from related parties, as reported in Appendix 4.

None of the other receivables is due beyond 12 months.

18. Current financial receivables and assets

These are analyzed as follows:

	31 December 2014	31 December 2013	Change
Financial receivables	2,000	11,000	(9,000)
Fair value of derivatives	256	-	256
Total	**2,256**	**11,000**	**(8,744)**

"Current financial receivables and assets" include €2,008 thousand in amounts due from related parties, as reported in Appendix 4.

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

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

19. Cash and cash equivalents

This balance consists of surplus liquidity on bank current accounts.

Comments on the statement of financial position: net equity

NET EQUITY

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

The annual general meeting (AGM) of De'Longhi S.p.A. held on 15 April 2014 declared a dividend totalling €59,800 thousand.

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

20. Share capital

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

21. Reserves

These are analyzed as follows:

	31 December 2014	31 December 2013	Change
Share premium reserve	163	163	-
Legal reserve	12,225	9,048	3,177
Other reserves:			
- Extraordinary reserve	19,421	18,858	563
- Fair value and cash flow hedge reserve	(5,033)	(2,883)	(2,150)
- Actuarial valuation reserve	(115)	(68)	(47)
- Profit (loss) carried forward	10,441	10,441	-
Total	**37,102**	**35,559**	**1,543**

The "Share premium reserve" was set up following the public offering at the time of the parent company's flotation on the Milan stock exchange on 23 July 2001. The residual amount of this reserve was €325 thousand at 31 December 2011; following the demerger transaction in favour of DeLclima S.p.A. the share premium reserve was reduced to €163 thousand.
The "Legal reserve" has a balance of €12,225 thousand at 31 December 2014. The increase of €3,177 thousand with respect to 31 December 2013 follows the allocation of profit for 2013, as approved by the AGM on 15 April 2014.
The "Extraordinary reserve" has a balance of €19,421 thousand; the of €563 thousand with respect to 31 December 2013 follows the allocation of profit for 2013, as approved by the AGM on 15 April 2014.
The "Fair value and cash flow hedge reserve" reports a negative balance of €5,033 thousand, net of €1,920 thousand in tax. This figure reflects the negative fair value of the cash flow hedge derivatives of €5,062 thousand (net of €1,920 thousand in tax) and the positive fair value of the equity investment in DeLclima S.p.A. of €29 thousand.

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

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

Nature / Description:	Amount		Permitted use	Available amount
Share capital	224,250	(1)		
Capital reserves:				
- Share premium reserve	163	(2)	A, B	
Earnings reserves:				
- Legal reserve	12,225		B	
- Extraordinary reserve	19,421		A, B, C	19,421
- Fair value and cash flow hedge reserve	(5,033)			
- Actuarial valuation reserve	(115)			
- Profit (loss) carried forward	10,441		A, B, C	1,866
Total	**261,352**	**(3)**		**21,287**
Undistributable amount				5,148
Distributable amount				**16,139**

(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 2014 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 2014 tax return.

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

Comments on the statement of financial position: liabilities

NON-CURRENT LIABILITIES

22. Bank loans and borrowings

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

	Within one year	One to five years	Beyond five years	Balance 31.12.2014	Within one year	One to five years	Beyond five years	Balance 31.12.2013	Change
Overdrafts	111,466	-	-	111,466	31,476	-	-	31,476	79,990
Long-term loans (current portion)	5,958	-	-	5,958	28,641	-	-	28,641	(22,683)
Total short-term bank loans and borrowings	**117,424**	**-**	**-**	**117,424**	**60,117**	**-**	**-**	**60,117**	**57,307**
Long-term loans	-	8,980	-	8,980	-	64,727	-	64,727	(55,747)
Total bank loans and borrowings	**117,424**	**8,980**	**-**	**126,404**	**60,117**	**64,727**	**-**	**124,844**	**1,560**

Bank loans and borrowings are analyzed as follows:

Loans (including short-term portion)	31.12.2014	31.12.2013	Change
Centrobanca S.p.A. (club loan with Banca Popolare di Vicenza S.C.p.A.)	14,938	20,899	(5,961)
Bank of America N.A. - Milan Branch	-	34,793	(34,793)
Intesa Sanpaolo S.p.A.	-	34,791	(34,791)
Banca Popolare Friuladria S.p.A.	-	2,885	(2,885)
Total long-term loans	**14,938**	**93,368**	**(78,430)**

In 2014 the medium/long term loans, taken out in 2012 to finance the acquisition of the Braun license, were repaid in advance for a total principal amount of €70,000 thousand.
These include the two loans granted by Bank of America - Milan Branch and Intesa San Paolo which had an original maturity of 5 years.

The loan granted by Centrobanca-Banca di Credito Finanziario e Mobiliare S.p.A calls for the observance of financial covenants, compliance with which is verified on an annual basis.
The covenants had not been breached at 31 December 2014.

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).

23. Other financial payables

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

	31 December 2014	31 December 2013	Change
Financial loans (short-term portion)	1,000	1,480	(480)
Other short-term financial payables	9,825	20,986	(11,161)
Total short-term payables	**10,825**	**22,466**	**(11,641)**
Financial loans (one to five years)	1,803	2,805	(1,002)
Negative fair value of CCIRSS (hedging the private placement - one to five years)	-	404	(404)
Private placement (one to five years)	19,059	11,089	7,970
Total long-term payables (one to five years)	**20,862**	**14,298**	**6,564**
Negative fair value of CCIRSS (hedging the private placement - beyond five years)	4,227	8,547	(4,320)
Private placement (beyond five years)	51,345	50,834	511
Total long-term payables (beyond five years)	**55,572**	**59,381**	**(3,809)**
Total other financial payables	**87,259**	**96,145**	**(8,886)**

"Other short term financial payables" include €9,749 thousand owed to De'Longhi Capital Services S.r.l. for financial services rendered in connection with the centralized treasury service, and €76 thousand for financial services rendered.

Private placement refers to the issue and placement of unsecured bonds with US institutional investors (the US Private Placement), completed in the prior years of USD 85,000 thousand (equal to, at 31 December 2014, €70,404 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 13 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 2014 the covenants had not been breached.
The issue is not secured by collateral of any kind.

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

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

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

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

The balance includes €9,825 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 2014	31 December 2013	Change
A. Cash	18	16	2
B. Cash equivalents	9	13	(4)
C. Securities	-	-	-
D. Total liquidity (A+B+C)	**27**	**29**	**(2)**
E. Current financial receivables and other securities	**2,256**	**11,000**	**(8,744)**
of which:			
Fair value of derivatives	*256*	*-*	*256*
F. Current bank loans and borrowings	(1,457)	(1,469)	12
G. Current portion of non-current debt	(115,968)	(58,648)	(57,320)
H. Other current financial payables	(10,825)	(22,466)	11,641
I. Current financial debt (F+G+H)	**(128,250)**	**(82,583)**	**(45,667)**
J. Net current financial debt (I +E + D)	**(125,967)**	**(71,554)**	**(54,413)**
Non-current financial receivables and other securities	1,357	931	426
of which:			
Fair value of derivatives	*452*	*-*	*452*
K. Non-current bank loans and borrowings	(8,980)	(64,727)	55,747
L. Bonds	(70,404)	(61,923)	(8,481)
M. Other non-current payables	(6,029)	(11,757)	5,728
of which:			
Fair value of derivatives	*(4,227)*	*(8,951)*	*4,724*
N. Non-current financial debt (K+L+M)	**(84,056)**	**(137,476)**	**53,420**
Total net financial debt (J+N)	**(210,023)**	**(209,030)**	**(993)**

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

For a better understanding of changes in the company's net financial position, reference should be made to the full statement of cash flows and the reclassified table in the report on operations.

24. Employee benefits

These are analyzed as follows:

	31 December 2014	31 December 2013	Change
Provision for severance indemnities	508	431	77
Long-term benefits	3,422	7,553	(4,131)
Total employee benefits	**3,930**	**7,984**	**(4,054)**

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

	31 December 2014	Average 2014	31 December 2013	Average 2013
White collar	31	30	30	30
Senior managers	9	9	9	9
Total	**40**	**39**	**39**	**39**

Provision for severance indemnities

The provision for severance indemnities includes amounts payable to the company's employees and not transferred to alternative pension schemes or the pension fund set up by INPS (Italy's national social security agency). This provision has been classified as a defined benefit plan, governed as such by IAS 19 - *Employee benefits*. Severance indemnity, as an unfunded obligation, does not have any assets servicing it.
This plan is valued on an actuarial basis to express the present value of the benefit payable at the end of service that employees have accrued at the reporting date.

Movements in the year are summarized below:

Severance indemnity obligations	31 December 2014	31 December 2013	Change
Defined benefit obligations	508	431	77

Net cost charged to income statement	31 December 2014	31 December 2013	Change
Current service cost	-	-	-
Interest cost on obligations	12	12	-
Total	**12**	**12**	**-**

Change in present value of obligations	31 December 2014	31 December 2013	Change
Present value at 1 January	**431**	**424**	**7**
Current service cost	-	-	-
Utilization of provision	-	-	-
Interest cost on obligations	12	12	-
Actuarial gain losses booked in the statement of comprehensive income	65	(5)	70
Present value at reporting date	**508**	**431**	**77**

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

Assumptions used	TFR 2014	TFR 2013
Discount rate	1.8%	3.2%
Future salary increases	1.8% – 3.8%	2.0% – 4.0%
Inflation rate	1.8%	2.0%

The medium-long term benefits refer to two incentive plans 2012 – 2014 for which relative provisions were made on accrual basis. These plans, benefitting the Company's Chief Executive Officer as well as a few other executives of De'Longhi S.p.A. and other Group companies, which were approved by the Company's Board of Directors on 12 November 2013 and 14 February 2013, were subject to final evaluation by the relative bodies in the first months of 2015. The balance recognized at 31 December 2014 refers to De'Longhi S.p.A.'s portion of the amount accrued; for more information please refer to the Annual Report on Remuneration.

25. Other provisions

Movements are as follows:

	31 December 2013	Utilization	Accrual	31 December 2014
Provision for uninsured liabilities	230	(10)	-	220
Other provisions for contingencies	393	-	-	393
Total	**623**	**(10)**	**-**	**613**

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

CURRENT LIABILITIES

26. Trade payables

This balance of €19,804 thousand represents the amount owed by the company to third parties and Group companies for the supply of services. Details of amounts owed to Group companies are reported in Appendix 4.

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

27. Current tax liabilities

These are analyzed as follows:

	31 December 2014	31 December 2013	Change
Direct taxes	5,436	1,131	4,305
Other taxes	2,947	4,817	(1,870)
Total current tax liabilities (short-term)	**8,383**	**5,948**	**2,435**
Other taxes	-	2,947	(2,947)
Total current tax liabilities (beyond one year)	**-**	**2,947**	**(2,947)**
Total current tax liabilities	**8,383**	**8,895**	**(512)**

28. Other payables

These are analyzed as follows:

	31 December 2014	31 December 2013	Change
Payables towards Group companies	1,165	1,860	(695)
Employees	967	883	84
Withholdings payable	960	980	(20)
Social security institutions	319	306	13
Other	913	1,005	(92)
Total	**4,324**	**5,034**	**(710)**

"Payables towards Group companies" mostly refer to amounts owed as a result of the company's decision to adopt a group tax election, under Chapter II Section II of Presidential Decree 917/86, and to pay VAT on a group basis, under the Ministerial Decree dated 13 December 1979, as described in note *16. Current tax assets.*

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

"Social security institutions" include €228 thousand in payables to Italy's principal social security agency (INPS), €53 thousand in payables to pension funds and €38 thousand in amounts owed to other welfare agencies.

There are no other payables due beyond 12 months.

29. Commitments

These are detailed as follows:

	31 December 2014	31 December 2013	Change
Guarantees given for the benefit of:			
De'Longhi Capital Services S.r.l.	421,797	421,797	-
DL Kenwood A.P.A. Ltd.	93,681	73,354	20,327
De'Longhi Australia PTY Ltd.	18,210	15,891	2,319
De'Longhi Japan Corp.	11,086	11,125	(39)
Dong Guan De'Longhi Kenwood Appliances Co. Ltd.	8,237	7,251	986
De'Longhi Brasil Ltda.	5,713	4,451	1,262
De'Longhi Romania S.r.l.	5,403	49	5,354
De'Longhi America Inc.	2,471	2,175	296
De'Longhi Kenwood Korea Ltd.	854	765	89
De'Longhi Kenwood MEIA FZE	824	725	99
Elle S.r.l.	470	522	(52)
De'Longhi Appliances S.r.l.	189	184	5
Kenwood Home Appliances Pty Ltd. S.A. – South Africa	104	1,481	(1,377)
De'Longhi Ukraine LLC	82	73	9
De'Longhi Scandinavia A.B.	32	34	(2)
De'Longhi New Zeland Ltd.	32	-	32
De'Longhi Polska Sp.Zo.o.	23	24	(1)
E-Services S.r.l.	13	13	-
DL Chile S.A.	12	-	12
Kenwood Appliances Singapore Pte. Ltd.	12	-	12
Kenwood Appliances Malaysia Sdn. Bhd.	4	-	4
Total De'Longhi Group companies	**569,249**	**539,914**	**29,335**

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 €124,653 at 31 December 2014 (€104,934 at 31 December 2013), the Company issued a surety and a credit mandate in the interest of its subsidiaries involved;
- the Company also issued third party guarantees totalling €31 thousand.

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

30. Classification of financial assets and liabilities

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

		Assets		
31/12/2014	**Book value**	**Loans and receivables**	**Available for sale**	**Derivatives**
Non-current assets				
- Equity investments (other)	159		*159*	
- Receivables	904	*904*		
- Other non-current financial assets	452			*452*
Current assets				
- Trade receivables	24,118	*24,118*		
- Current tax assets	3,736	*3,736*		
- Other receivables	8,218	*8,218*		
- Current financial receivables and assets	2,256	*2,000*		*256*
- Cash and cash equivalents	27	*27*		

		Liabilities	
31/12/2014	**Book value**	**Loans**	**Derivatives**
Non-current liabilities			
- Bank loans and borrowings (long-term portion)	(8,980)	*(8,980)*	
- Other financial payables (long-term portion)	(76,434)	*(72,207)*	*(4,227)*
Current liabilities			
- Trade payables	(19,804)	*(19,804)*	
- Bank loans and borrowings (short-term portion)	(117,424)	*(117,424)*	
- Other financial payables (short-term portion)	(10,825)	*(10,825)*	
- Current tax liabilities	(8,383)	*(8,383)*	
- Other payables	(4,324)	*(4,324)*	

31/12/2013	Book value	Assets		
		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*		

31/12/2013	Book value	Liabilities	
		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. 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 2014. 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		708	
- derivatives with negative fair value		(4,227)	
Available for sale financial assets:			
- equity investments	159		

There were no transfers between the levels during the year.

32. Risk management

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

Credit risk

Credit risk consists of the company's exposure to potential losses arising from failure by a counterparty to fulfil its obligations.
Trade credit risk is associated with the normal conduct of trade and is monitored using formal procedures for assessing customers and extending them credit.
Positions are written down when there is objective evidence that they will be partially or entirely uncollected, bearing in mind that a significant proportion of receivables are covered by insurance policies with major insurers.
This is not a material risk for De’Longhi S.p.A., whose principal credit exposures are to group companies.

As far as financial credit risk is concerned, it is the company's policy to maintain a sufficiently large portfolio of counterparties of high international repute for the purposes of satisfying its financing and hedging needs.

Liquidity risk

Liquidity risk is the risk of not having the funds needed to fulfil payment obligations arising from operating and investment activities and from the maturity of financial instruments.

The company complies with specific group policies and procedures for the purposes of monitoring and managing this risk, including:
- centralized management of financial payables and cash, supported by reporting and information systems and, where possible, cash pooling arrangements;
- raising of medium and long-term finance on capital markets;
- diversification of the type of financing instruments used;
- obtaining of short-term credit lines such as to ensure wide room for manoeuvre for the purposes of managing working capital and cash flows;
- monitoring of current and forecast financing needs and distribution within the group.

The company has medium-term bank credit lines (related to the outstanding loans) 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 2014 and at 31 December 2013 on the basis of undiscounted contractual payments:

	Undiscounted cash flows at 31.12.2014	Within one year	One to five years	Beyond five years	Undiscounted cash flows at 31.12.2013	Within one year	One to five years	Beyond five years
Bank loans and borrowings (*)	(126,850)	(117,703)	(9,147)		(130,306)	(62,692)	(67,614)	
Other financial payables (**)	(108,444)	(13,558)	(30,028)	(57,258)	(116,271)	(25,247)	(13,397)	(77,627)
Trade payables	(19,804)	(19,804)			(3,720)	(3,720)		
Current tax liabilities and other payables	(12,707)	(12,707)			(13,929)	(10,982)	(2,947)	
Total	**(267,805)**	**(163,772)**	**(39,175)**	**(57,258)**	**(264,226)**	**(102,641)**	**(83,958)**	**(77,627)**

(*) The corresponding balance reported in the financial statements is €126,404 at 31 December 2014 and €124,844 at 31 December 2013.
(**) The corresponding balance reported in the financial statements is €83,032 at 31 December 2014 (net of the fair value of financial derivative instruments for €4,227 thousand) and €87,194 thousand at 31 December 2013 (net of the fair value of financial derivative instruments for €8,951 thousand) 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 Piazza Venezia S.r.l. loans and to the medium/long term bond loan issued (inclusive of the short-term portion).

More details about the maturity of the company's financial assets and liabilities can be found in notes *12.Other non-current receivables, 15.Trade receivables, 18.Current financial receivables and assets, 22.Bank loans and borrowings, 23.Other financial payables and 26.Trade payables.*

Exchange rate risk

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

Details of the policies, instruments and purpose of hedging at group level can be found in the notes to the consolidated financial statements.

Sensitivity analysis:
The potential impact, in terms of change in fair value, of a hypothetical, sudden +/-5% change in year-end exchange rates was estimated in light solely of receivables/payables in unhedged currencies insofar as the impact on the income statement of the receivables/payables in hedged currencies is mitigated or offset by the respective hedges.
A +/- 5% change in year-end exchange rates of the principal exposed currencies (USD, GBP and JPY) is estimated to produce a change in fair value of around +/- €111 thousand (+/- €89 thousand at 31 December 2013). 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 2014 are described in the paragraph "*Interest rate and currency exchange hedges at 31 December 2014*".

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 2014, all the Company's financial debt is floating rate, with the exception of the US Private Placement.
The purpose of interest rate risk management is to fix in advance the maximum cost (in terms of the interbank rate, which represents the benchmark for these borrowings) for a part of the debt.
There was only one interest rate hedge, the Cross Currency Interest Rate Swap relating to the Private Placement, at 31 December 2014.

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 €138.9 million on a total of €210.0 million in net debt at 31 December 2014 and total net liabilities of €150.0 million on a total of €209.0 million in net debt in 2013).
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 €1.4 million at 31 December 2014 (+/- €1.5 million before tax at 31 December 2013), affecting the income statement of the period.
With regard to the Private Placement, based on the hedge agreement the fixed rate USD dollar debt is exchanged for fixed rate Euro denominated debt. Therefore, any change in interest rates would not have an impact on the income statement.
However, as the value of the hedge will be measured at fair value and the future interest flows will be reported in equity, a +/- 1% change in interest rates would have an impact on the cash flow hedge reserve of +/- €0.1 million before tax at 31 December 2014 (€0.1 million before tax at 31 December 2013).

Please refer to the paragraph "*Interest rate and currency exchange hedges at 31 December 2014*" for more information.

Interest rate and currency exchange hedges at 31 December 2014

At 31 December 2014 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 2014 is provided below:

	31/12/2014
	Fair value
CCIRS on the bond loan (in USD)	3,423
Derivatives hedging foreign currency receivables/payables	**3,423**
CCIRS on the bond loan issued (in USD)	(6,950)
Derivatives covering expected cash flows	**(6,950)**
Total fair value of the derivatives	**(3,527)**

Hedges against foreign currency receivables and payables (other than the bond loan):

	Notional amount						Fair value with Group	
Currency	**Group**			**Third parties**			**Asset**	**Liability**
	Purchases	**Sales**	**Total**	**Purchases**	**Sales**	**Total**		
USD/EUR	1,208	-	1,208	-	-	-	-	(8)
						Total Fair Value	**-**	**(8)**

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 28,900 thousand, and the repayable amount (the nominal amount of the bond loan recognized, therefore, in the financial statements) of USD 85,000 thousand.

The fair value of the derivative, 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 2014 was a negative net balance of €3,527 thousand, recognized under "other financial receivables" and "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 gain of €8,468 thousand (the loss on the hedged item amounts to €8,415 thousand).

As the hedge on interest flows qualifies as an effective hedge of both exchange rate and interest rate risk, a negative cash flow hedge reserve of €6,982 thousand at 31 December 2014 was reported in net equity, on which the related tax of €1,920 thousand has been calculated.

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

Currency	Notional amount at 31.12.2014 *(amounts in M/USD)*	Fair value at 31.12.2013(*)	Changes in 2014 Gains/(losses on the hedging instrument (*)	Changes in 2014 Cash flow hedge reserve (exchange rate risk) (*)	Changes in 2014 Cash flow hedge reserve (interest rate risk) (*)	Fair value at 31.12.2014(*)
USD vs/EUR	113,900	(8,951)	8,468	2,755	(5,799)	(3,527)
				of which:		
				positive short-term fair value		*256*
				positive medium/long-term fair value		*452*
				negative medium/long-term fair value		*(4,227)*

(*) Amounts in thousands of Euro.

33. Transactions and balances with related parties

Appendix 4 contains the information concerning transactions and balances with group companies and related parties required by CONSOB Regulations 97001574 dated 20 February 1997, 98015375 dated 27 February 1998 and DEM/2064231 dated 30 September 2002; all such transactions have fallen within the Group's normal operations, except as otherwise stated in these notes, and have been settled under arm's-length terms and conditions.

34. Subsequent events

During the month of March 2015 the Company will reimburse in full (in advance of the original maturity) medium-long term debt totaling about € 18 million.

Treviso, 3 March 2015

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 2014:

- 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 2014:

- 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 Euro	2014	2013
Net profit (loss)	66,955	63,540
Income taxes for the period	(1,948)	(3,960)
Income for dividends receipt	(77,308)	(77,937)
Amortization and depreciation	58	43
Net change in provisions	(4,170)	3,340
Cash flow absorbed by current operations (A)	**(16,413)**	**(14,974)**
Change in assets and liabilities for the period:		
Trade receivables	(16,674)	2,422
Trade payables	16,084	(2,335)
Other current assets and liabilities	6,062	10,638
Payment of income taxes	(3,611)	(2,576)
Cash flow generated by changes in working capital (B)	**1,861**	**8,149**
Cash flow absorbed by current operations and changes in working capital (A+B)	**(14,552)**	**(6,825)**
Investment activities:		
Investments in intangible assets	(28)	-
Investments in tangible assets	(119)	-
Net investments in equity investments and other financial assets	(758)	(43,700)
Dividends receipt	77,308	77,937
Cash flow generated by investment activities (C)	**76,403**	**34,237**
Cash flow hedge and IAS 19 reserve related to actuarial evaluation of provisions	(3,044)	(532)
Dividends paid	(59,800)	(43,355)
Cash flow absorbed by changes in net equity (D)	**(62,844)**	**(43,887)**
Cash flow for the period (A+B+C+D)	**(993)**	**(16,475)**
Opening net financial position	**(209,030)**	**(192,555)**
Cash flow for the period (A+B+C+D)	(993)	(16,475)
Closing net financial position	**(210,023)**	**(209,030)**

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									*€/thousands*
De'Longhi Appliances S.r.l.	Treviso	Eur	200,000,000	Eur	289,049,427	Eur	37,773,351	100%	242,678
De Longhi Benelux S.A. (1)	Luxembourg	Eur	181,730,990	Eur	254,828,026	Eur	41,815,003	100%	241,737
De'Longhi Deutschland GmbH (2)	Neu Isenburg	Eur	2,100,000	Eur	28,044,675	Eur	5,577,437	100%	40,800
De'Longhi Capital Services S.r.l. (3)	Treviso	Eur	53,000,000	Eur	58,055,605	Eur	3,434,525	11.32%	6,005
De'Longhi Kenwood GmbH (2)	Wr. Neudorf	Eur	36,336	Eur	2,092,408	Eur	1,288,855	100%	2,900
De'Longhi Romania S.r.l. (2) (4)	Cluj-Napoca	Ron	47,482,500	Ron	58,079,043	Ron	12,484,563	10%	1,065
Clim.Re S.A. (1) (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	5,298,964	Eur	876,156	51%	26
De'Longhi Polska Sp.Zoo (2) (4)	Warszawa	Pln	50,000	Pln	6,829,921	Pln	5,106,046	0.1%	-
Total									**535,265**

(*) Statutory figures at 31 December 2014, unless otherwies specified.
(1) Statutory figures at 31 December 2013.
(2) Figures used for the purposes of consolidation at 31 December 2014.
(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 2013**	**Acquisitions, subscriptions and recapitalizations**	**Demerger**	**Net impairment losses and reversals**	**Book value at 31 December 2014**
Subsidiaries					
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	758	-	-	1,065
Clim.Re S.A.	54	-	-	-	54
E-Services S.r.l.	26	-	-	-	26
De'Longhi Polka Sp.Zo.o.	-	-	-	-	-
Total subsidiaries	**534,507**	**758**	**-**	**-**	**535,265**
Other equity investments					
DeLclima S.p.A. (1)	102	-	-	57	159
Total other equity investments	**102**	**-**	**-**	**57**	**159**
Total equity investments	**534,609**	**758**	**-**	**57**	**535,424**

(1) 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*	2014	of which related parties	2013	of which related parties
Revenues	*1*	22,508	21,495	7,316	5,988
Total revenues		**22,508**		**7,316**	
Raw and ancillary materials, consumables and goods	*2*	(65)	(2)	(67)	
Materials consumed		**(65)**		**(67)**	
Payroll costs	*3*	(253)		(7,871)	
Services and other operating expenses	*4*	(28,258)	(9,021)	(11,365)	(1,584)
Provisions	*5*	(1)		99	
Amortization and depreciation	*6*	(57)		(43)	
EBIT		**(6,126)**		**(11,931)**	
Financial income (expenses)	*7*	71,133	76,377	71,511	78,115
PROFIT (LOSS) BEFORE TAXES		**65,007**		**59,580**	
Income taxes	*8*	1,948		3,960	
NET PROFIT (LOSS)		**66,955**		**63,540**	

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

Assets

Amounts in thousands of Euro	*Notes*	31.12.2014	of which related parties	31.12.2013	of which related parties
NON-CURRENT ASSETS					
INTANGIBLE ASSETS		30		18	
- Other intangible assets	*9*	30		18	
PROPERTY, PLANT AND EQUIPMENT		122		44	
- Other tangible assets	*10*	122		44	
EQUITY INVESTMENTS AND OTHER FINANCIAL ASSETS		536,781		535,540	
- Equity investments	*11*	535,424		534,609	
- Receivables	*12*	904	904	931	931
- Other financial assets	*13*	453			
DEFERRED TAX ASSETS	*14*	3,735		4,103	
TOTAL NON-CURRENT ASSETS		**540,668**		**539,705**	
CURRENT ASSETS					
INVENTORIES		-		-	
TRADE RECEIVABLES	*15*	24,118	23,724	7,402	6,295
CURRENT TAX ASSETS	*16*	3,736		4,316	
OTHER RECEIVABLES	*17*	8,218	5,618	8,141	5,323
CURRENT FINANCIAL RECEIVABLES AND ASSETS	*18*	2,256	2,008	11,000	11,000
CASH AND CASH EQUIVALENTS	*19*	27		29	
TOTAL CURRENT ASSETS		**38,355**		**30,888**	
TOTAL ASSETS		**579,023**		**570,593**	

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

Net equity and liabilities

Amounts in thousands of Euro	*Notes*	31.12.2014	of which related parties	31.12.2013	of which related parties
NET EQUITY					
NET EQUITY		328,307		323,349	
- Share capital	*20*	224,250		224,250	
- Reserves	*21*	37,102		35,559	
- Net profit (loss)		66,955		63,540	
TOTAL NET EQUITY		**328,307**		**323,349**	
NON-CURRENT LIABILITIES					
FINANCIAL PAYABLES		85,414		138,406	
- Bank loans and borrowings (long-term portion)	*22*	8,980		64,727	
- Other financial payables (long-term portion)	*23*	76,434		73,679	
NON-CURRENT PROVISIONS FOR CONTINGENCIES AND OTHER CHARGES		4,542		8,607	
- Employee benefits	*24*	3,930		7,984	
- Other provisions	*25*	612		623	
TOTAL NON-CURRENT LIABILITIES		**89,956**		**147,013**	
CURRENT LIABILITIES					
TRADE PAYABLES	*26*	19,804	8,797	3,720	1,337
FINANCIAL PAYABLES		128,249		82,582	
- Bank loans and borrowings (short-term portion)	*22*	117,424		60,117	
- Other financial payables (short-term portion)	*23*	10,825	9,825	22,465	20,986
CURRENT TAX LIABILITIES	*27*	8,383		8,895	
OTHER PAYABLES	*28*	4,324	1,165	5,034	1,860
TOTAL CURRENT LIABILITIES		**160,760**		**100,231**	
TOTAL NET EQUITY AND LIABILITIES		**579,023**		**570,593**	

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.	11.7	(4.0)	43.0	-	-	18.3	-	(4.9)
KENWOOD LIMITED	4.4	(2.9)	-	-	-	4.4	-	(2.9)
DE'LONGHI KENWOOD A.P.A. LTD	3.7	-	0.6	0.7	-	3.7	-	-
DE'LONGHI KENWOOD MEIA FZE	0.7	-	-	-	-	0.7	-	-
E-SERVICES S.R.L.	0.5	(0.1)	0.3	-	-	0.6	-	-
ELLE SRL	0.1	-	-	-	-	0.2	-	-
DE'LONGHI HOUSEHOLD GMBH	0.1	-	-	-	-	0.1	-	-
DE'LONGHI AMERICA INC.	-	(1.9)	-	-	-	-	-	(1.0)
DE LONGHI BENELUX S.A. (LUXEMBOURG BRANCH)	-	-	20.0	-	-	-	-	-
DE'LONGHI DEUTSCHLAND GMBH	-	-	12.0	-	-	-	-	-
DE'LONGHI-KENWOOD GMBH - AUSTRIA	-	-	2.0	-	2.0	-	-	-
DE'LONGHI AUSTRALIA PTY LIMITED	-	-	0.1	0.1	-	-	-	-
DE'LONGHI JAPAN CORPORATION	-	-	0.1	0.1	-	-	-	-
DE'LONGHI CAPITAL SERVICES Srl	-	-	(1.7)	-	-	1.0	(9.8)	-
Total subsidiary companies (a)	**21.2**	**(8.9)**	**76.4**	**0.9**	**2.0**	**29.0**	**(9.8)**	**(8.8)**
Related companies								
DL RADIATORS S.P.A.	0.1	-	-	-	-	0.1	-	(0.1)
CLIMAVENETA S.P.A.	0.1	-	-	-	-	0.1	-	(0.7)
GAMMA S.R.L.	0.1	(0.1)	-	-	-	0.1	-	-
R.C. GROUP S.P.A.	-	-	-	-	-	-	-	(0.4)
Total related companies (b)	**0.3**	**(0.1)**	**0.0**	**0.0**	**0.0**	**0.3**	**0.0**	**(1.2)**
Total subsidiaries and related companies (a+b)	**21.5**	**(9.0)**	**76.4**	**0.9**	**2.0**	**29.3**	**(9.8)**	**(10.0)**

(1) These mostly refer to dealings of a commercial nature and the supply of administrative services by company employees.
(2) These consist of € 23.8 million in "Trade receivables" and € 5.6 million in "Other receivables".
(3) These consist of € 8.8 million in "Trade payables" and € 1.2 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

EY
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, 2014 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.

   For the opinion on the financial statements of the prior year, which are presented for comparative purposes, reference should be made to our report dated March 24, 2014.

3. In our opinion, the financial statements of De'Longhi S.p.A. at December 31, 2014 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 "Investor > 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 compliances 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 compliances 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, 2014.

Treviso, March 20, 2015.

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.com
www.delonghigroup.com

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Share capital: Eur 224.250.000
Tax ID and Company Register no.: 11570840154
Treviso Chamber of Commerce no.: 224758
VAT no.: 03162730265