Annual report at 31 december 2009

Contents

Company officers Page 5

Group annual report and financial statements

Report on operations Page 15

Consolidated financial statements:
- Consolidated income statement Page 43
- Statement of comprehensive income Page 43
- Consolidated balance sheet Page 44
- Consolidated cash flow statement Page 46
- Statement of changes in consolidated net equity Page 48

Explanatory notes Page 51

External auditors' report on the consolidated financial statements Pag. 125

Individual annual report and financial statements

Report on operations Page 133

Individual financial statements of De'Longhi S.p.A.:
- Income statement Page 151
- Statement of comprehensive income Page 151
- Balance sheet Page 152
- Cash flow statement Page 154
- Statement of changes in net equity Page 156

Explanatory notes Page 159

External auditors' report on the financial statements Pag. 207

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
Dario Melò ***	Director
Giorgio Sandri	Director
Silvio Sartori	Director
Giovanni Tamburi**	Director

Board of Statutory Auditors

Gianluca Ponzellini	Chairman
Massimo Lanfranchi	Standing member
Giuliano Saccardi	Standing member
Roberto Cortellazzo-Wiel	Alternate member
Enrico Pian	Alternate member

External auditors

PricewaterhouseCoopers S.p.A. ***

Internal Auditing and Corporate Governance Committee

Renato Corrada **
Silvio Sartori
Giovanni Tamburi **

Compensation Committee

Alberto Clò **
Silvio Sartori
Giovanni Tamburi **

* The company officers were elected at the shareholders' meeting of 18 April 2007 for the period 2007-2009; Silvia De'Longhi was appointed as a director at the shareholders' meeting held on 22 April 2008.
** Independent directors.
*** In accordance with art. 2386, par.1 of the Italian Civil Code, the Board of Directors appointed Dario Melò as a director on 15 July 2009 to replace Carlo Garavaglia, who had resigned.

Letter from the Chairman

Letter from the Chairman

The year 2009 was particularly difficult, with weak demand for both consumer and investment goods; only in the second half of the year there were some signs of improvement in the overall situation.
The De'Longhi Group has had to face this adverse situation and, despite the difficulties, the actions taken in the past and taken forward in these twelve months have allowed it to keep the negative impacts to a minimum.
Revenues have contracted by 8.4%, although there was a partial reversal of this trend in the fourth quarter.
The group has worked on improving its product mix and has taken actions to control and reduce costs and make supply chain management more efficient, resulting in a major improvement in profitability and the financial position.
Corporate reorganization and restructuring measures have been taken with the aim to reducing costs and rationalizing the group's structure.
Investment in communication for product support has been kept at its past level. Communication and research and development have made the product portfolio stronger.
Our leadership is firmly established in the food preparation sector with the Kenwood brand and in the espresso coffee sector with the De'Longhi brand.
Net debt has come down to €117.1 million, representing a reduction of €129.4 million.
The group believes that market conditions have not yet fully stabilized. However, its actions on product structure and working capital put the group in a position of financial and balance-sheet strength.

Group annual report and financial statements

Report on operations

The year 2009 closed in a satisfying fashion, with an improvement in the principal performance indicators, despite the decline in revenues. The group benefited from its ability to generate cash, its solid balance sheet and the measures adopted to improve efficiency and reduce costs.

Revenues amounted to €1,404.1 million (-8.4% versus 2008). The decrease was 8.2% on a constant currency basis.
EBITDA before non-recurring expenses was €143.0 million (€151.1 million at 31 December 2008), with an increase in margin from 9.9% to 10.2%. Assuming the same group perimeter and ignoring the demerger of the property activities at the end of 2008, EBITDA before non-recurring expenses would have been €148.3 million (with a margin of 10.6%).

The net financial position reported net debt of €117.1 million, an improvement of €129.4 million since 31 December 2008 (€246.5 million) thanks to cash flow from operating activities which benefited from better working capital management (above all a reduction in inventories).

The group's two divisions reported different trends; the *Household* division, which accounts for 77% of total revenues, proved resilient, thanks to its global leadership in coffee machines and its European leadership in the food preparation market, both high-margin high-growth sectors; the division's revenues came to €1,077.0 million (-5.3%).
The *Professional* division was affected by the difficult economic context and, above all, by the construction sector crisis and the steep contraction in investments by the industrial and commercial sectors. The division's revenues came to €334 million, down €77.2 million on the prior year (-18.8%).

The fourth quarter of the year confirmed the signs of improvement, with a slight growth in revenue for the *Household* division and an 11% decline for the *Professional* division.

In terms of geographical markets, negative trends in consumption caused sales to fall across the globe, except for in the "Rest of the world" (primarily Australia).

Gross profit amounted to €598.3 million, with the margin improving from 39.4% to 42.6% thanks to a positive effect from the sales mix and savings in purchasing and production costs.

EBITDA before non-recurring expenses came to €143.0 million in 2009 (€151.1 million in 2008), reporting an improvement in margin from 9.9% to 10.2%.
The lower profitability arising from a reduction in sales and higher advertising and promotional costs was offset not only by the increase in gross profit margin, but also by a reduction in other services.
EBITDA was also affected by unfavourable exchange rates with respect to 2008 (primarily against the British pound, Hong Kong dollar and Russian rouble).
Constant currency EBITDA (before non-recurring income/expenses), inclusive of the impact of hedges, would have been €156.6 million. The margin would then have been 11.1% in 2009 compared with 10.1% in 2008.

EBITDA amounted to €129.9 million after €13.1 million in non-recurring expenses (versus €11.8 million in non-recurring income in 2008 mainly for the gains on disposal of the property activities and insurance reimbursements).

EBIT amounted to €92.4 million in 2009 (€111.3 million in 2008), with a margin of 6.6% versus 7.3% in 2008. At constant exchange rates and also taking account of hedges, EBIT would have been €106.1 million, with a margin of 7.5% (€115.4 million with a margin of 7.5% in 2008).
EBIT before non-recurring expenses improved from €99.4 million in 2008 (6.5% margin) to €105.5 million in 2009 (7.5% margin).
Net financial expenses were €17.3 million lower at 31 December 2009; of this decrease €18.7 million was due to lower average debt and interest rates that was partially offset by an increase in expenses for currency hedges, particularly those against liabilities of the group's Russian subsidiaries.

Profit pertaining to the group amounted to €32.4 million (€40.2 million at 31 December 2008) after deducting €24.4 million in tax (€18.3 million in 2008 which included €7.3 million in tax savings as a result of special operations).

Consolidated income statement - highlights

(€/million)	2009	% of revenues	2008	% of revenues	Change	% change
Revenues	1,404.1	100.0%	1,533.4	100.0%	(129.3)	(8.4%)
Constant currency revenues (*)	1,407.8		1,534.1		(126.3)	(8.2%)
Gross profit	598.3	42.6%	603.5	39.4%	(5.2)	(0.9%)
EBITDA before non-recurring income/expenses	**143.0**	**10.2%**	**151.1**	**9.9%**	**(8.1)**	**(5.4%)**
EBITDA (**)	129.9	9.3%	162.9	10.6%	(33.0)	(20.3%)
EBIT before non-recurring income/expenses	**105.5**	**7.5%**	**99.4**	**6.5%**	**6.1**	**6.1%**
EBIT (**)	92.4	6.6%	111.3	7.3%	(18.8)	(16.9%)
Profit (loss) pertaining to the group	32.4	2.3%	40.2	2.6%	(7.8)	(19.4%)

(*) Constant currency revenues have been determined by translating 2009 revenues in currencies other than the euro at the average rates for 2008 and adjusting them for the effect of hedges.
(**) This document contains a number of alternative performance indicators, presented to help better evaluate the group's performance. EBIT reports earnings before interest and tax, while EBITDA reports EBIT before depreciation, amortization and impairment.

(€/million)	2009	% of revenues	2008	% of revenues	Change	% change
EBITDA before non-recurring income/expenses (constant group perimeter) (*)	148.3	10.6%	151.1	9.9%	(2.8)	(1.8%)

(*) The figure for 2009 has been adjusted to assume the same group perimeter as in 2008, ie. net of the effects of selling the property activities.

Consolidated balance sheet - highlights

(€/million)	31.12.2009	31.12.2008
Net working capital	264.4	356.3
Net capital employed	805.6	908.7
Net financial position	(117.1)	(246.5)
Net financial position/Net equity	17.0%	37.2%
Net working capital/Revenues	18.8%	23.2%

The figures contained in this 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.

Macroeconomic scenario

The economic recovery commencing over the summer in the largest advanced economies and continuing to strengthen in the emerging ones, carried on through to the end of the year thanks to expansionary economic policies adopted in the major nations.
In the third quarter of 2009 GDP started to grow again in the United States and the Euro-zone and continued to expand in Japan, while accelerating in the emerging economies of Asia and Latin America.
In the fourth quarter of 2009, industrial output continued to recover from the lows seen in the first half of the year, while confidence generally improved; tensions on international financial markets eased and bank credit became less tight.
The recovery in the Euro-zone carried on in the last part of 2009 but with no acceleration on the summer quarter. The improvement in business and consumer confidence was not accompanied by an equally strong resurgence in productive activity and business. Despite a relatively favourable trend in exports, this reflected a persistent weakness in domestic demand; consumption was affected by the rise in unemployment, which continued to climb during the autumn. (Source: Bank of Italy)

Interest rates

Euro-zone money market rates fell considerably in 2009 to below one percent (on maturities of less than 12 months). This reflected the policy of special liquidity support adopted by the European Central Bank, like by all other major OECD central banks, aimed at preventing a collapse in financial markets and in credit. Only recently has the US Federal Reserve reversed this downward trend in rates by announcing a timid 25 basis point rise in the Fed Discount Rate (while the Fed Funds rates have stayed at 0.25%). In brief, the market's widely held opinion is that a gradual rise in rates will not start before the end of 2010 and will nonetheless strictly depend on recovery by the European and North American economies.

Currency markets

The general strength of the euro against the other major currencies was the defining feature of 2009. In particular, as far as the EUR/USD exchange rate was concerned, this followed a highly volatile pattern, initially rising to over 1.50 (but without reaching the peak values seen in 2008), and then falling back towards year end.
Another important feature of the year was China's confirmation of its intent to stabilize the yuan against the US dollar, continuing with the revaluation process that started in 2005 and led the Chinese currency to appreciate by about 20% in the space of three years. Even today, the issue of stabilizing the yuan-USD exchange rate is one of the key sources of political and economic conflict between the two superpowers, which will influence the chances of US and hence European economic recovery.

Rationalization of the group's structure

During 2009 the group took numerous steps to restructure and reorganize both its operating divisions with a view to reducing costs and rationalizing corporate structure. These actions mainly involved centralizing the administrative and back office functions of certain group companies and opening new commercial offices to ensure better penetration of specific markets.

Household division

During 2009 the division opened a new commercial office for the De' Longhi brand in Portugal, as well as new commercial offices in Brazil and Poland.

The Ariete subsidiary continued to be reorganized in Italy, Spain and Portugal, with the aim of restoring profitability to target levels; this process, which had started in 2008 with measures to reduce costs by completely reorganizing the Portuguese subsidiary and restructuring the sales network of the Spanish subsidiary, continued in 2009 with the plan to merge Ariete S.p.A. into De'Longhi Appliances S.r.l.; this merger was approved by the companies' extraordinary shareholders' meetings on 25 November 2009, while the merger deed was signed on 16 December 2009, effective from 1 January 2010. This process will generate savings by centralizing certain functions with the parent company in Treviso and by optimizing certain business processes, while retaining the principal operational functions (marketing, sales, R&D, supply chain) at the operational headquarters in Campi Bisenzio (Florence).
In addition, the activities of Ariete in the Iberian peninsula were also merged in 2009 into the Spanish commercial subsidiary of De'Longhi Appliances S.r.l., with the creation of a single commercial and administrative back office in Barcelona serving the entire Iberian peninsula, including the Portuguese company.
All the back office activities of the Canadian subsidiary were also centralized with the US subsidiary and minority stakes were acquired in the Turkish distribution company and in the radiator manufacturing companies in China and Russia in order to facilitate decisions to rationalize and reorganize.

As for the Italian market, the new commercial organization established itself after a radical overhaul; the distribution structure was simplified, going from four separate agent networks by brand and product category, to a single commercial organization, responsible for managing the entire brand and product portfolio for the Italian market.

Professional division

In response to the difficult market, the group has continued to target costs and process improvements as a means of recovering profitability by restructuring both manufacturing and operating activities.
The subsidiary which produces radiators has invested in new technology and products in recent years; in particular, it has enlarged its range of column and electric radiators. Its factories are in the process of being reorganized, also through the application of lean manufacturing principles.
During 2009 the company placed part of its workforce in the ordinary state-funded temporary redundancy scheme and started proceedings to lay off around 50 employees from the factory in Moimacco (Udine). The full benefits of these measures should be felt during 2010.

The division's companies that produce and sell large thermo-cooling systems placed part of their workforce in the ordinary state-funded temporary redundancy scheme in 2009. Other important actions were also taken, especially on the purchasing and production front, with benefits already reflected in gross profit.

In terms of strengthening distribution structure, a majority interest was acquired (with effect from 1 July 2009) in the group's distributor of large thermo-cooling systems in Poland.

Group results

The reclassified consolidated income statement is summarized as follows:

(€/million)	2009	% of revenues	2008	% of revenues
Revenues	**1,404.1**	**100.0%**	**1,533.4**	**100.0%**
Change 2009/2008	*(129.3)*	*(8.4%)*		
Materials consumed & other production costs (production services and payroll costs)	(805.7)	(57.4%)	(929.9)	(60.6%)
Gross profit	**598.3**	**42.6%**	**603.5**	**39.4%**
Services and other expenses	(312.9)	(22.3%)	(321.0)	(20.9%)
Value added	**285.5**	**20.3%**	**282.5**	**18.4%**
Payroll (non-production)	(118.9)	(8.5%)	(115.5)	(7.5%)
Provisions	(23.6)	(1.7%)	(15.9)	(1.0%)
EBITDA before non-recurring income/expenses	**143.0**	**10.2%**	**151.1**	**9.9%**
Change 2009/2008	*(8.1)*	*(5.4%)*		
Other non-recurring income (expenses)	(13.1)	(0.9%)	11.8	0.8%
EBITDA	**129.9**	**9.3%**	**162.9**	**10.6%**
Amortization and depreciation	(37.5)	(2.7%)	(42.6)	(2.8%)
Non-recurring impairment losses	-	-	(9.1)	(0.6%)
EBIT	**92.4**	**6.6%**	**111.3**	**7.3%**
Change 2009/2008	*(18.8)*	*(16.9%)*		
Financial income (expenses)	(35.3)	(2.5%)	(52.6)	(3.4%)
Profit (loss) before taxes	**57.2**	**4.1%**	**58.6**	**3.8%**
Taxes	(24.4)	(1.7%)	(18.3)	(1.2%)
Profit (loss) after taxes	**32.8**	**2.3%**	**40.4**	**2.6%**
Profit (loss) pertaining to minority interests	0.4	0.0%	0.2	0.0%
Profit (loss) pertaining to the group	**32.4**	**2.3%**	**40.2**	**2.6%**

The gross profit reported in the reclassified income statement differs by €108.5 million at 31 December 2009 (€139.4 million at 31 December 2008) from the consolidated income statement; this is because, in order to represent period performance better, non-recurring income and expenses have been separately presented above and production-related payroll and service costs have been reclassified from payroll and services respectively.

Although gross profit decreased by €5.2 million, from €603.5 million in 2008 to €598.3 million in 2009, its margin climbed from 39.4% to 42.6%, having benefited from a better product mix and actions on the purchasing and production fronts, despite the negative impact of movements by the British pound, the Russian rouble and the Hong Kong dollar.

"Other services & expenses" accounted for 22.3% of revenues in 2009, up from 20.9% in 2008, mainly due to lower cost absorption resulting from the above-mentioned decline in sales. Advertising expenditure and promotions in support of the group's major brands increased from €87.9 million in 2008 to €96.0 million in the year just ended.

Non-production payroll costs were 3.0% higher than in 2008, reflecting the growth in staff in commercial offices and the impact of salary increases, also in application of new national wage agreements.

EBITDA before non-recurring expenses was €143.0 million, with the margin climbing from 9.9% in 2008 to 10.2% in 2009.
Assuming a constant group perimeter and ignoring the costs of demerging the property activities at the end of 2008, EBITDA before non-recurring expenses would have been €148.3 million (with a margin of 10.6%).

EBITDA amounted to €129.9 million after €13.1 million in non-recurring expenses mostly relating to the restructuring and reorganization of certain production and commercial activities (non-recurring items reported €11.8 million in net income in 2008, most of which arising on the sale of the property activities and to insurance reimbursements).

EBIT amounted to €92.4 million in 2009 (€111.3 million in 2008), with a margin of 6.6% versus 7.3% in 2008. On a constant currency basis, including the impact of hedges, EBIT would have been €106.1 million, with a margin of 7.5%.

Net financial expenses were €17.3 million lower at 31 December 2009; of this decrease €18.7 million was due to lower average debt and interest rates that was partially offset by an increase in expenses for currency hedges, particularly those against liabilities of the group's Russian subsidiaries.

Profit before taxes came to €57.2 million (€58.6 million in 2008).

Taxes amounted to €24.4 million (versus €18.3 million in 2008 which had benefited from €7.3 million as a result of certain operations to realign tax and accounting values).

Profit pertaining to the group amounted to €32.4 million (€40.2 million at 31 December 2008).

Results by operating segment

The group's results by operating segment are summarized in the following table:

	2009				2008			
(€/million)	Household	Professional	Corporate	Consolidated total	Household	Professional	Corporate	Consolidated total
Revenues	1,077.0	334.0	12.3	1,404.1	1,136.8	411.2	17.3	1,533.4
Change 2009/2008	(59.8)	(77.2)						
% change	(5.3%)	(18.8%)						
Constant currency revenues (*)	1,078.7	336.0		1,407.8	1,137.5	411.2		1,534.1
Constant currency change 2009/2008	(58.8)	(75.2)						
% change	(5.2%)	(18.3%)						
EBITDA before non recurring expenses	121.1	29.1	(7.3)	143.0	119.7	36.0	(3.9)	151.1
Change 2009/2008	1.4	(6.9)						
% of revenues	11.2%	8.7%		10.2%	10.5%	8.8%		9.9%
EBITDA	113.4	24.3	(7.9)	129.9	111.8	35.3	16.6	162.9
Change 2009/2008	1.6	(10.9)						
% of revenues	10.5%	7.3%		9.3%	9.8%	8.6%		10.6%
EBIT	86.1	14.8	(8.5)	92.4	78.7	19.3	13.9	111.3
Change 2009/2008	7.4	(4.5)						
% of revenues	8.0%	4.4%		6.6%	6.9%	4.7%		7.3%

(*) As adjusted for the effect of hedges.

Total segment revenues are reconciled to the consolidated figures by eliminating certain intersegment transactions, amounting to 19.3 million in 2009 and 32.0 million in 2008. Segment EBITDA and EBIT are reconciled to the consolidated figures by eliminating certain intersegment transactions, amounting to 0.1 million in 2009 and €0.7 million in 2008.

Household

The division's revenues were 5.3% lower than in 2008.

All the group's principal brands reported a deterioration in results. Sales of Kenwood food processors and of De'Longhi fully-automatic coffee machines improved, confirming them as recession-resistant products.
Constant currency revenue growth would have been €58.8 million (+5.2% on 2008).

Sales of air-conditioning and heating products were affected by adverse weather conditions.

EBITDA before non-recurring expenses was €121.1 million, up from €119.7 million in 2008, with the margin improving from 10.5% to 11.2%) thanks to product mix and cost reductions.

The fourth quarter of 2009 reported a slight revenue increase on the same period in 2008 (+0.1%) and an improvement in EBITDA before non-recurring expenses from €39.4 million in 2008 to €47.5 million in 2009 (with a growth in margin from 10.5% to 12.6%).

Professional

The division's revenues were 18.8% lower, reflecting the sales performance by large thermo-cooling systems and water-filled radiators.

These results were influenced by the construction sector crisis, the major reduction in investments by the industrial and commercial sectors and the negative effects of the British pound's depreciation.

Profitability was maintained thanks to a good fourth-quarter performance, combined with the actions to restructure and reduce costs taken during the year in response to falling revenues.

Revenues fell by 11.0% in the fourth quarter of 2009.

EBITDA before non-recurring expenses came to €29.1 million (€ 36.0 million in 2008), with the margin staying in line with 2008 (8.7% versus 8.8%). Fourth-quarter EBITDA before non-recurring expenses was €10.8 million (€4.7 million in 2008) with a strong recovery in margin (from 4.4% to 11.4%).

Markets

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

(€/million)	2009	2008	Change	% change
Italy	265.5	300.2	(34.7)	(11.6%)
United Kingdom	117.5	133.6	(16.0)	(12.0%)
Rest of Europe	659.8	734.5	(74.7)	(10.2%)
United States, Canada and Mexico	91.9	99.5	(7.6)	(7.6%)
Rest of the world	269.3	265.6	3.7	1.4%
Total	**1,404.1**	**1,533.4**	**(129.3)**	**(8.4%)**

De'Longhi expanded its international presence, with exports accounting for 81.1% of total revenues (80.4% in 2008).

Sales in Italy reflected a good performance for the *Household* division, which had only a slight contraction in sales unlike the market in general, but a large decline for the *Professional* division.

Sales in the United Kingdom were affected by the depreciation of the local currency and by reduced consumption. Constant currency sales reported a contraction of 2.9%.

Household division sales in the "Rest of Europe" included good performances in Germany, especially for coffee machines, and in France, for food processors; in contrast, the *Professional* division's sales in these markets were down.

As for North America, sales performance in 2009 was positive in the United States but negative in Canada.

The "Rest of the world" reported positive results, primarily thanks to good performance by coffee machines and food processors in Australia.

Review of the balance sheet and financial position

The reclassified consolidated balance sheet is presented below:

(€/million)	31.12.2009	31.12.2008	Change	% change
- Intangible assets	414.7	414.5	0.2	0.0%
- Property, plant and equipment	177.6	178.5	(0.9)	(0.5%)
- Financial assets	2.5	5.0	(2.4)	(49.0%)
- Deferred tax assets	38.1	42.2	(4.1)	(9.7%)
Non-current assets	**632.9**	**640.1**	**(7.2)**	**(1.1%)**
- Inventories	257.1	320.5	(63.4)	(19.8%)
- Trade receivables	351.9	367.2	(15.3)	(4.2%)
- Trade payables	(291.1)	(286.2)	(4.9)	1.7%
- Other current assets (liabilities)	(53.5)	(45.1)	(8.3)	18.4%
Net working capital	**264.4**	**356.3**	**(91.9)**	**(25.8%)**
Total non-current liabilities and provisions	(91.7)	(87.7)	(4.0)	4.6 %
Net capital employed	**805.6**	**908.7**	**(103.1)**	**(11.3%)**
Net financial position*	**(117.1)**	**(246.5)**	**129.4**	**(52.5%)**
Total net equity	**(688.5)**	**(662.3)**	**(26.2)**	**4.0 %**
Total net debt and equity	**(805.6)**	**(908.7)**	**103.1**	**(11.3%)**

(*) Net financial position includes €0.1 million in net financial liabilities (€5.0 million in net financial assets at 31 December 2008) relating to the fair value of derivatives and the recognition of a call option relating to an equity investment.

Investments in property, plant and equipment and intangible assets amounted to €39.9 million (€44.8 million in 2008).

Net working capital decreased by €91.9 million thanks to actions taken in 2009; at the same time working capital turnover went from 23.2% of revenues in 2008 to 18.8% in 2009; inventories in particular came down by €63.4 million thanks to better, more careful planning.

The related cash flows from working capital management produced a major reduction in net financial debt to €117.1 million at 31 December 2009, an improvement of €129.4 million on a year earlier.

The group obtained new long-term finance for €26.7 million in 2009, extending the life of its debt which comprised €4.0 million in short-term positions at 31 December 2009 (€85.2 million in 2008) and €113.1 million in long-term positions (€161.3 million at 31 December 2008).

Details of the net financial position are as follows:

(€/million)	31.12.2009	31.12.2008	Change 31.12.09 - 31.12.08
Cash and cash equivalents	126.5	109.2	17.3
Other financial receivables	11.5	20.7	(9.3)
Current financial debt	(142.0)	(215.1)	73.1
Net current financial debt	(4.0)	(85.2)	81.2
Non-current financial debt	(113.1)	(161.3)	48.2
Total net financial position	**(117.1)**	**(246.5)**	**129.4**

The cash flow statement is summarized in a condensed format as follows:

(€/million)	2009	2008
Cash flow generated (absorbed) by current operations	100.7	91.6
Cash flow generated (absorbed) by other changes in working capital	73.3	(53.2)
Cash flow generated (absorbed) by current operations and changes in net working capital	**174.0**	**38.4**
Cash flow generated (absorbed) by investment activities	(34.1)	(42.5)
Cash flow generated (absorbed) by operating activities	**140.0**	**(4.1)**
Non-recurring cash flow (*)	0.6	103.2
Cash flow generated (absorbed) by changes in equity accounts	(11.2)	10.3
Cash flow for the period	**129.4**	**109.4**
Opening net financial position	(246.5)	(355.9)
Closing net financial position	**(117.1)**	**(246.5)**

(*) Included in 2008 cash flow generated (absorbed) by extraordinary investment activities and effects relating to the fire on 18 April 2007.
For the sake of consistent classification, a number of reclassifications have been made in the cash flow statement at 31 December 2008, to reallocate cash flows arising from the translation of foreign currency financial statements.

Cash flow generated by current operations and changes in working capital amounted to €174.0 million (€38.4 million in 2008).

Cash flow generated by operating activities amounted to €140.0 million (negative €4.1 million in 2008) after making €39.9 million in ordinary gross investments (€44.8 million in 2008).

Changes in equity accounts absorbed €11.2 million in cash flow mainly as a result of the dividend payment (€9.0 million).

Organizational changes

Production structure

During 2009 the subsidiary De'Longhi Appliances started redundancy proceedings for the closure of the factory in Gorgo al Monticano as part of the company's reorganization in response to ever tougher international competition; certain cleaning appliance production lines were terminated, while the ironing system lines were transferred to other factories in the group; it was also decided to centralize all the sub-group injection-moulding-screen printing-assembly activities at the factory in Mignagola (Treviso), in order to consolidate these stages of production with the assembly ones already performed at this principal factory.
The Mignagola factory was therefore upgraded with the purchase of new, more efficient, energy-saving automated presses.

The more important Italian factories continued to implement changes in the operations area by experimenting with the Kaizen continual improvement approach to achieve more process synergies.
These projects entailed specific training both for management and operations staff in the concepts of continual improvement and lean manufacturing, with the goal of reducing waste and achieving greater process synergies, involving a change not only in cultural terms but also in industrial method and model.

Industrial processes at the Chinese heating and cooking appliance factory were rationalized, particularly in order to optimize energy consumption and utilities bills. Product technical development mostly concentrated on cooking appliances (mini ovens and barbecues) for compliance with new European legislation, and on heating products, where the focus was on rationalizing the range in order to simplify both the production and distribution chains.
The Chinese factory which produces food preparation appliances, coffee machines and ironing systems increased its focus on high-end products, in terms of both development and production.

Research and development – new products – quality – communication

The group continued to invest in research and development in 2009. The group has over 300 staff working on R&D at a total cost of some €33.6 million in 2009 (€32 million in 2008), of which €10.4 million capitalized as new product development costs, thereby confirming its level of investment even in a period of economic crisis.

Amongst others, the group has had to comply with the "low standby consumption" requirements.
De' Longhi has also developed a range of fully-automatic coffee machines in energy class "A", the top energy-saving class of all and already complying with the EU requirements due to come into force in 2011.

Nespresso Premium, a new capsule coffee machine, was presented, with a totally new look in aluminium and new functions, such as a capsule counter, control of the water level and automatic switch-off and disconnection from the power supply; a new fully-automatic compact coffee machine was also presented. The Kenwood range saw the launch of the new *Cooking Chef* food preparation appliance and the new *Hand blender*.

New activities were developed in 2009 for analyzing and improving the environmental impact of coffee machines, particularly ISO14001 certification at the Mignagola factory, and lifecycle assessment methods were introduced for analyzing product environmental impact.

Communication activities in 2009 focused heavily on De'Longhi products and particularly its fully automatic coffee machines, with the launch of the new model in Germany and Switzerland.
In other nations, such as Austria, Australia, New Zealand, Poland and the Czech Republic, the campaign focused on the Primadonna top-of-the-range product, continuing the fully-automatic coffee machines drive started the previous year.
In Italy the communication plan was totally revamped: this involved a strong relaunch of the overall De'Longhi image, with 4 new creative campaigns for the De'Longhi "symbol" products: the new Colombina electric vacuuming broom, the new Sfornatutto table top oven, the Rotofry deep fryer and the Alicia electric moka coffee machine.

Human resources and organization

The De'Longhi Group had 6,855 employees at 31 December 2009 (6,738 at 31 December 2008).

The following table summarizes the average number of employees during 2009 compared with 2008:

	2009	%	2008	%	Difference
Blue collar	4,369	60%	4,491	60%	(122)
White collar	2,841	39%	2,847	38%	(6)
Executives	124	1%	122	2%	2
Total	**7,334**	**100%**	**7,460**	**100%**	**(126)**

	2009	%	2008	%	Difference
Household	5,518	75%	5,639	76%	(121)
Professional	1,736	24%	1,735	23%	1
Corporate	80	1%	86	1%	(6)
Total	**7,334**	**100%**	**7,460**	**100%**	**(126)**

The group had an average of 7,334 employees during 2009, 126 fewer than the year before. This reduction was the product of different trends in the group's various divisions.

The average number of employees in the *Household* division fell from 5,939 in 2008 to 5,518 in 2009 after reducing the number of staff employed in the Chinese factories, as partially offset by an increase in the number of staff employed in the overseas commercial companies.
The number of manufacturing staff was reduced by an average of more than 150 because of smaller production volumes, and also as a result of continual organization and process improvements.

The average number of employees in the *Professional* division went from 1,735 in 2008 to 1,736 in 2009, with the workforce in both Italy and abroad remaining largely stable.

The particularly negative macroeconomic environment had a major impact on production volumes in 2009, especially in the Professional division; as a consequence the average number of "total staff employed including temporary workers" in the division's Italian factories was reduced by about 200 over the course of 2009. During the year the same factories also applied to the ordinary state-funded temporary redundancy scheme to fund a total of 135,000 hours.

Despite the unfavourable macroeconomic climate, the group continued to invest in developing its key resources in Italy and abroad, its prime assets and a key source of competitive advantage over competitors.

The focus in 2009 was on improving managerial competencies as well as more specialist skills in the field of business and compliance, with initiatives involving managers and staff in the various areas of the business.

Among the more important activities were those involving a large group of executives from the Italian companies on the topic of time management, the commercial and marketing managers from head offices and the more important non-European subsidiaries in a programme addressing key account management and development of commercial negotiation skills, and a large group of managers and staff from the Italian offices on the subject of Decree 231/01 for the purposes of introducing them to the company organizational model.
Key resources continued to receive professional and individual coaching in 2009 on the basis of the results of assessments performed in the past and during the year, in the case of new staff, again with a view to continual improvement.

As for development of business organization and processes, the structure of the domestic appliance commercial function in Italy was totally reorganized in 2009, with the existing De'Longhi, Kenwood and Simac commercial teams all combined under a single structure. The SAP information system was implemented at Ariete, in preparation for the merger of Ariete S.p.A.. into De'Longhi Appliances S.r.l. and of the Ariete business in the Iberian peninsula into the existing De'Longhi subsidiary in Spain, with effect from January 2010.

Also reorganized in 2009 were the commercial companies operating in the United States and Canada (in order to manage the related businesses on a North American basis), as well as those operating in Australia and New Zealand (to ensure focus on the business while benefiting from the advantages and synergies of centralized, uniform management of certain back office, customer and logistics services) and in Japan. Lastly, the commercial structure of the Brazilian subsidiary started operating at the beginning of the year, while a commercial structure was established in Poland mid-way through the year.

Code of conduct and environment

De'Longhi is a full member of the European Committee of Domestic Equipment Manufacturers (CECED) and has adopted its Code of Conduct under which it has committed to comply with all applicable environmental regulations wherever it operates.
The De'Longhi Group's intention has been communicated to all stakeholders by the Board of Directors in the Ethical Code adopted by the parent company in 2003, point 7 of whose specific principles ("Environmental protection") states: "The company's business is based on the principle of safeguarding the environment and public health, in compliance with specific applicable regulations."

In terms of environmental protection and workplace safety, the group set up a Safety and Environment Committee in 2009, whose members include the Managers of the Prevention and Protection Services at all the group's Italian companies. Depending on the topic of discussion, committee meetings are also attended by the heads of the various company functions and the doctors responsible for the principal organizational units.
The mission of the Safety and Environment Committee is to continuously discuss and agree on technical solutions, procedures, processes, experience and best practice in general with the aim of:

- further reducing accidents in every form and of protecting the external environment, by ensuring that solutions adopted by the group's various companies comply with applicable legislation;
- presenting management/employers of the various companies with plans to comply with the various laws and/or regulations as they apply, measures aimed at raising safety standards and respect for the environment, training programmes, and standardized operating procedures in general.

Principal risks and uncertainties facing the group

The principal risks and uncertainties facing the group are described below.

Macroeconomic risk

The group's results of operations, balance sheet and financial position are also affected by macroeconomic trends such as: the trend in consumption, the cost of raw materials, the trend in interest rates and exchange rates.
The economic forecasts (Source: Bank of Italy) indicate about 2% growth in GDP for the advanced economies as a whole, a relatively modest rate compared with previous upturns. In contrast, China, India and Brazil should continue to grow fast, driven by strong domestic demand.
Certain elements of weakness could affect recovery in the advanced economies. The expansionary impact of fiscal stimuli should recede in the second half of the year, while uncertainty in the jobs markets could mean that consumption fails to fuel the recovery.
The outlook therefore remains very uncertain; if this situation should protract considerably, the group's strategies and outlook could be affected with a consequent impact on its financial and economic performance.

Market risks

The group operates predominantly on international markets, including emerging ones and through joint venture agreements; it is therefore exposed to local economic conditions and policies, the introduction of limitations or restrictions on foreign investment and related restrictions on repatriation of capital, on imports and exports.
The emergence of adverse political and economic events in such markets could have a negative impact on the group's results and balance sheet, which could be sustained thanks to the diversification of its product range and its markets.

Interest rate and exchange rate risks

Transaction 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 balance sheet from such fluctuations, the group adopts a suitable hedging policy that eschews speculative ends: hedging is carried out centrally by a special team on the basis of information obtained from a detailed reporting system, using instruments and policies that comply with international accounting standards. The 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 principal currencies to which the group is exposed are the US dollar (mainly the EUR/USD and GBP/USD rates), being the currency in which a significant part of the cost of raw materials, parts and finished products is denominated, the British pound (the EUR/GBP rate) for sales on the UK market and the Japanese yen (the EUR/JPY rate) for sales on the Japanese market.

Translation exchange rate risk

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

Any unforeseen fluctuations in exchange rates could have a negative impact on the group's results, balance sheet and financial position.

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.
All of the group's financial debt at 31 December 2009 was at floating rates following the decision to obtain the maximum benefit from the downward trend in interest rates.

Any increase in interest rates could have a negative impact on the group's economic and financial performance; currently it is the market's widely held opinion that rates will gradually start to rise before the end of 2010.

Financial market risks

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 satisfying its financing and hedging needs.
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 the centralized management of financial payables and cash, the raising of medium and long-term finance on capital markets and the obtaining of short-term credit lines such as to ensure 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.

Credit risk

The group is exposed to credit risk both on its trading relationships and on its liquidity investment activities. Commercial credit risk is monitored using formal procedures for selecting and assessing customers, for defining credit limits, for monitoring expected receipts and for their possible recovery.
Credit risk is partly mitigated by insurance policies with major insurers, and in certain cases by additional guarantees required of customers, principally in the form of sureties.

The current annual report has 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 group's risk management can be found in the Explanatory notes.

Corporate governance and ownership structure

The De'Longhi Group has adopted and complies with the Code of Conduct for Listed Companies, published in March 2006 (the "Code").
In compliance with applicable laws and regulations, as well as the Italian stockmarket's Regulations, the group prepares an annual Corporate Governance Report, 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* par. 2 of CONSOB Regulation 11971/99, and on adoption of the Code and observance of the related undertakings.
This report, prepared in the "Borsa Italiana edition II" format (February 2010), is available at www.delonghi.com, in the section "Corporate ⇢ Investor Relations ⇢ Governance ⇢ Corporate documentation".

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

Direction and Co-ordination

De'Longhi S.p.A. is not under the direction and co-ordination of its parent De' Longhi Soparfi S.A., or of any of any other party, as defined by articles 2497 et seq. of the Italian Civil Code, and directs and co-ordinates its own subsidiaries.
In compliance with the Code of Conduct's principles, transactions of particular importance strategically, or for the balance sheet, results and financial position of the De'Longhi Group, must be examined and approved solely by the Board of Directors of the issuer De'Longhi S.p.A., which contains three directors qualifying as non-executive and independent, based on the guidelines established in the Code's article 3.
It should nonetheless be noted – as communicated to the issuer – that the business purpose of the parent De'Longhi Soparfi S.A., contained in its articles of association, forbids it from interfering in the management of any of the companies in which it has an interest.

Board of Directors

The Board of Directors currently in office was appointed by the shareholders' meeting of 18 April 2007 (except for one director who was appointed by the shareholders' meeting of 22 April 2008), which set the total number of directors at nine. This Board will end its term in office at the shareholders' meeting called to approve the annual report at 31 December 2009.
The director Carlo Garavaglia resigned during 2009, after which the Board appointed Dario Melò in his place in accordance with art. 2386 par. 1 of the Italian Civil Code.
In compliance with art. 147-ter of Italy's Financial Markets Consolidation Act, the articles of association of De'Longhi S.p.A. establish that the Board of Directors is elected using a list voting mechanism, with one director elected from the list obtaining the second highest number of votes (the other members all being taken from the majority list). 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.

Since its meeting on 1 March 2007 the Board of Directors of De'Longhi S.p.A. has adopted a series of resolutions designed to implement the principles contained in the Code, with such resolutions duly implemented during 2007. Details of these resolutions can be found in the Corporate Governance Report.

During 2009 the Board of Directors:
- approved a revision of the General Section of the Organization and Management Model established under Decree 231 dated 8 June 2001;
- renewed the list of "strategically important subsidiaries", identifying them as De'Longhi Appliances S.r.l., Climaveneta S.p.A., De'Longhi Capital Service S.r.l., DL Radiators S.p.A. and RC Group S.p.A., all of which Italian registered companies, as well as Kenwood Ltd, a British registered company.

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 Code.
The Board has two executive directors - the Chairman and the Chief Executive Officer - and seven non-executive directors, who have no authority or managerial functions in the company or the group, of whom three qualify as independent.
In its meeting on 12 March 2010, the Board confirmed that the directors Alberto Clò, Renato Corrada and Giovanni

Tamburi all satisfied the stated requirements of independence; what is more, since the Board has more than seven members, it was verified that at least two of them satisfied the independence requirements contained in art. 147-quater and art. 148 par.3 of Decree 58/98.

Some of the current directors hold appointments in other listed or relevant companies. The list of the more significant appointments can be found in the Corporate Governance Report.

In implementation of the above principles, the Board of Directors has approved "Guidelines on particularly significant transactions and with related parties", which contain precise criteria for identifying transactions requiring Board approval. This document is annexed to the Corporate Governance Report. In view of the new CONSOB Regulation concerning related party transactions, the company will start prompt work on drawing up new internal procedures to ensure full compliance with the new regulations.

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

Committees set up by the Board of Directors

In its meeting on 1 March 2007, and then after its reappointment on 18 April 2007, the Board of Directors voted to confirm the establishment of two sub-committees, namely:

- the Internal Auditing and Corporate Governance Committee and
- the Compensation Committee.

The Internal Auditing and Corporate Governance Committee met three times in 2009, with average attendance by 89% of its members. These meetings were also attended by the Chairman of the Board of Statutory Auditors or, if absent, by another standing statutory auditor, while the committee also extended invitations, according to its agenda, to the internal control officer and other members of the internal audit department, the financial reporting officer and the head of corporate affairs.

Although the Compensation Committee did not meet in 2009, it held a meeting on 10 March 2010, attended by all its members to examine the topic of long-term variable remuneration.
Details of the powers and operation of these two committees can be found in the Corporate Governance Report.

Board of Statutory Auditors

Following the resolutions adopted by the shareholders' meeting of 18 April 2007, the Board of Statutory Auditors comprises Gianluca Ponzellini, its chairman, and Giuliano Saccardi and Massimo Lanfranchi, both standing members. Their term in office expires with the approval of the annual report at 31 December 2009.

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 from the list obtaining the second highest number of votes.

External auditors

The company appointed to audit the financial statements of De'Longhi S.p.A. and its subsidiaries is PricewaterhouseCoopers S.p.A., in accordance with the resolution to extend its engagement adopted by the ordinary shareholders' meeting held on 18 April 2007.
The engagement will expire with the approval of the annual report for the year ended 31 December 2009.

Internal controls

The De'Longhi internal control model, approved in the meeting of the Board of Directors on 1 March 2007, is summarized in a framework document entitled "Internal control policies of the De'Longhi Group" ("Policies").
The model includes:

- an executive director to supervise the operation of the internal control system, who has been granted the following powers:
  a) to identify the principal business risks (taking account of the type of business conducted by the company and its subsidiaries) and to submit such risks to the periodic review of the Board;
  b) to implement the "Policies" approved by the Board, seeing to the design, implementation and management of internal controls, and to constantly check their overall adequacy, effectiveness and efficiency in compliance with the "Policies"; to revise such controls for operating conditions and changes in the legislative and regulatory framework;
  c) to submit for Board approval the nomination, revocation and remuneration of the internal control officers.

- the appointment of a Financial Reporting Officer by the Board of Directors. In accordance with art. 28 *bis* of the articles of association, the Financial Reporting Officer is selected, after consulting the Board of Statutory Auditors, from persons with at least three years of senior-level experience in accounting or administration, in a listed or nonetheless large company.

- the appointment of the Head of Internal Audit as the company's Internal Control Officer with all the functions indicated in the "Policies".

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

Introduction

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

The Internal Control Officer, who has responsibility for checking that internal controls operate efficiently and effectively, draws up an annual work programme which is submitted for the approval of the Internal Auditing Committee and then of the Board of Directors, and is also based on proposals by the Financial Reporting Officer and the requirements of Decree 262/05. This person also reports to the Internal Auditing Committee on the results of the work performed with

reference to the problems uncovered, the agreed improvements and the results of testing activities. This person also provides a summary report to the Financial Reporting Officer and the Chief Executive Officer to allow them to assess the adequacy and effective application of the administrative procedures adopted to prepare the consolidated financial statements.

Description of principal characteristics

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.

Critical processes and sub-processes have been identified in order to recognize the principal risks and distinguish the principal controls needed for risk reduction. This has involved identifying the strategically important companies, based on quantitative and qualitative financial parameters (ie. 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 general managers and finance managers of each group company are responsible for maintaining adequate internal controls and must provide a statement in which they confirm that internal controls are operating correctly.

The internal audit department also carries out checks as part of its audit programme using internal control self-assessment check lists.

With reference to the requirements of Chapter VI of the Regulations implementing Decree 58 dated 24 February 1998 concerning the regulation of markets ("Market Regulations"), it is reported that De'Longhi S.p.A. has direct or indirect control over seven companies established and regulated under the law of non-EU countries, which qualify as material for the purposes of art. 36, par. 2 of the Market 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 the income statement, balance sheet and financial data needed to prepare the consolidated financial statements;
- the auditors of De'Longhi S.p.A. have been provided with the information needed to audit its 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.

Organizational Model (Decree 231/2001)

Further to the enactment of Decree 231/2001 and its subsequent amendments and additions, which has introduced specific corporate liability for certain types of crime, the group's principal Italian companies have adopted suitable organizational and management models, under art. 6 of the Decree, for avoiding the insurgence of such liability at their expense.
The operation, observance and updating of these models is monitored by an Oversight Board in each company, which has autonomous powers of action and control.
The activities aimed at preventing the types of crime addressed by the Decree have focused on areas and processes for which the risks have been assessed and potential risks consequently identified.
The Boards of Directors of these companies have approved organizational models and subsequently any amendments to reflect the Decree's revision to include new types of crime.
The organizational models have been prepared on the basis of the Confindustria Guidelines (revised in 2008).
The current organizational models consist of:

- a "general section" which not only presents the model but also discusses:
  1- the model's bodies, activities and instruments of control, including:
    - the structure for implementing the organizational model;
    - the Oversight Board (with the duties of implementation, control, auditing, reporting, communication, education, information provision, breaches of the model, requested amendments and application of disciplinary punishments);
  2- how the model is implemented in practice, including through:
    - the ethical code;
    - the guidelines;
    - operational instructions on how to prevent offences;
    - a disciplinary system.
- a "special section" comprising:
    - procedures for managing and controlling sensitive processes;
    - decision-making procedures;
    - procedures for regulating and managing corporate affairs;
    - documentation on the safety and environmental management systems;
    - procedures for the quality management system;
    - personal data protection plan.

The organizational models were revised during 2009 for the organizational and legislative changes introduced in 2008. With reference to the legislation, further additions were made (in July and August 2009) to the types of crime for which the company is liable; as a result, activities have started to analyze the potential risks and identify suitable preventive controls in respect of these new offences.
These activities have resulted in a revision of the general section of the organizational models, which was approved by the Boards of Directors of the various group companies on 11 February 2010.
The amendments and additions to the special section should be completed and approved by the Boards of Directors by the end of 2010, unless the legislator makes further changes.

The Oversight Boards have a mixed membership, comprising members from within the companies and outside consultants. The internal members include members of the internal audit, legal and human resources departments.
The outside consultants have been selected for their specific expertise and experience of corporate organization and civil and criminal law.
The duties, activities and operation of the Oversight Boards are governed by specific rules of procedure.

Compliance with personal data protection laws

As the party responsible for personal data use, De'Longhi S.p.A. declares that it has updated its Personal Data Protection Plan for De'Longhi S.p.A. in compliance with Decree 196 of 30 June 2003.

Shares held by directors, statutory auditors, general managers and key management personnel (Art. 79 CONSOB Regulations approved in Resolution 11971 of 14.5.1999)

As required by article 79 of the CONSOB Regulations approved in Resolution 11971 of 14 May 1999, the following information relates to shares held by directors, statutory auditors, general managers and key management personnel of De'Longhi S.p.A. and its subsidiaries.

Name	Name of company in which interest held	No. shares held at 31.12.08 (*)	Purchases 2009	Sales 2009	No. shares held at 31.12.09 (*)
Fabio De'Longhi	De'Longhi S.p.A.	447,570	-	-	447,570
Giorgio Sandri	De'Longhi S.p.A.	30,750	-	-	30,750
Massimo Lanfranchi	De'Longhi S.p.A.	750	-	-	750
Key management personnel	De'Longhi S.p.A.	10,600	-	-	10,600

(*) includes shares held indirectly and/or through relatives.

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

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

(€/000)	Net equity 31.12.2009	Profit for the year 2009	Net equity 31.12.2008	Profit for the year 2008
De'Longhi S.p.A. financial statements	**541,831**	**13,748**	**537,053**	**26,936**
Share of subsidiaries' equity and results for period attributable to the group, after deducting carrying value of the investments	26,466	10,898	19,466	23,461
Allocation of goodwill arising on consolidation and related amortization and reversal of goodwill recognized for statutory purposes	141,342	(2,130)	137,310	(7,745)
Elimination of intercompany profits	(19,948)	9,929	(30,164)	(2,934)
Other adjustments	(1,168)	336	(1,390)	671
Consolidated financial statements	**688,523**	**32,781**	**662,275**	**40,389**
Minority interests	(1,678)	(424)	(2,346)	(229)
Group portion	**686,845**	**32,357**	**659,929**	**40,160**

Group tax election

During 2009 the group's Italian companies decided to file 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 2 to the Explanatory notes.

Subsequent events

There have been no significant events since the end of the financial year.

Outlook for the current year

Despite a particularly encouraging fourth quarter, the group believes that market conditions are difficult to interpret and not yet completely stable. However, its actions involving product portfolio structure and working capital have placed the group on a solid footing as far as its financial structure and balance sheet are concerned.

Treviso, 12 March 2010

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

Consolidated financial statements

Consolidated income statement

Consolidated balance sheet

Consolidated cash flow statement

Statement of changes in consolidated net equity

Consolidated income statement

(€/000)	Notes	31.12.2009	of which non-recurring	31.12.2008	of which non-recurring
Revenues from sales and services	1	1,379,323		1,503,592	
Other revenues	1	24,744		29,809	
Total consolidated net revenues		**1,404,067**		**1,533,401**	
Raw and ancillary materials, consumables and goods	2	(627,695)		(786,599)	(21)
Change in inventories of finished products and work in progress	3	(54,550)	(2,330)	3,073	(109)
Change in inventories of raw and ancillary materials, consumables and goods	3	(15,034)		(6,958)	
Materials consumed		**(697,279)**	**(2,330)**	**(790,484)**	**(130)**
Payroll costs	4	(186,733)	(1,646)	(190,347)	(389)
Services and other operating expenses	5	(359,788)	(2,295)	(389,666)	(3,555)
Provisions	6	(30,361)	(6,802)	(22,424)	(6,567)
Other income (expenses)	7	-		22,461	22,461
Amortization, depreciation and impairment	8	(37,468)		(51,689)	(9,082)
EBIT		**92,438**	**(13,073)**	**111,252**	**2,738**
Financial income (expenses)	9	(35,263)		(52,607)	
PROFIT (LOSS) BEFORE TAXES		**57,175**		**58,645**	
Income taxes for the year	10	(24,394)		(18,256)	
PROFIT (LOSS) AFTER TAXES		**32,781**		**40,389**	
Profit (loss) pertaining to minority interests		424		229	
PROFIT (LOSS) PERTAINING TO THE GROUP		**32,357**		**40,160**	
EARNINGS PER SHARE					
- basic		0.22		0.27	
- diluted		0.22		0.27	

Appendix 2 reports the effect of related-party transactions on the income statement, as required by CONSOB Resolution 15519 of 27 July 2006.

Statement of comprehensive income

(€/000)	Notes	31.12.2009	31.12.2008
Profit (loss) after taxes		**32,781**	**40,389**
Other components of comprehensive income			
Change in fair value of cash flow hedges	26	3,879	9,932
Tax effect of change in fair value of cash flow hedges	26	(1,062)	(2,740)
Differences from translating foreign companies' financial statements into euro		668	(3,428)
Total comprehensive income (loss)		**36,266**	**44,153**
Total comprehensive income attributable to:			
Owners of the parent		35,886	43,679
Minority interests		380	474

Consolidated balance sheet
Assets

(€/000)	Notes	31.12.2009	31.12.2008
NON-CURRENT ASSETS			
INTANGIBLE ASSETS		414,666	414,462
- Goodwill	11	231,318	228,716
- Other intangible assets	12	183,348	185,746
PROPERTY, PLANT AND EQUIPMENT		177,609	178,488
- Land, property, plant and machinery	13	132,384	135,768
- Other tangible assets	14	45,225	42,720
EQUITY INVESTMENTS AND OTHER FINANCIAL ASSETS		2,666	7,532
- Equity investments (in associated companies)	15	-	2,628
- Equity investments (in other companies)	15	671	714
- Receivables	16	1,894	1,623
- Other non-current financial assets	17	101	2,567
DEFERRED TAX ASSETS	18	38,060	42,153
TOTAL NON-CURRENT ASSETS		**633,001**	**642,635**
CURRENT ASSETS			
INVENTORIES	19	257,084	320,464
TRADE RECEIVABLES	20	351,879	367,180
CURRENT TAX ASSETS	21	18,529	17,174
OTHER RECEIVABLES	22	15,344	20,842
CURRENT FINANCIAL RECEIVABLES AND ASSETS	23	13,886	18,203
CASH AND CASH EQUIVALENTS	24	123,954	109,162
TOTAL CURRENT ASSETS		**780,676**	**853,025**
TOTAL ASSETS		**1,413,677**	**1,495,660**

Consolidated balance sheet
Net equity and liabilities

(€/000)	Notes	31.12.2009	31.12.2008
NET EQUITY			
GROUP PORTION OF NET EQUITY		686,845	659,929
- Share capital	25	448,500	448,500
- Reserves	26	205,988	171,269
- Profit (loss) pertaining to the group		32,357	40,160
MINORITY INTERESTS	26	1,678	2,346
TOTAL NET EQUITY		**688,523**	**662,275**
NON-CURRENT LIABILITIES			
FINANCIAL PAYABLES		113,094	161,289
- Bank loans and borrowings (long-term portion)	27	96,276	143,514
- Other financial payables (long-term portion)	28	16,818	17,775
DEFERRED TAX LIABILITIES	18	25,304	21,501
NON-CURRENT PROVISIONS FOR CONTINGENCIES AND OTHER CHARGES		66,384	66,170
- Employee benefits	29	28,667	30,502
- Other provisions	30	37,717	35,668
TOTAL NON-CURRENT LIABILITIES		**204,782**	**248,960**
CURRENT LIABILITIES			
TRADE PAYABLES	31	291,073	286,177
FINANCIAL PAYABLES		141,973	215,103
- Bank loans and borrowings (short-term portion)	27	124,009	197,350
- Other financial payables (short-term portion)	28	17,964	17,753
CURRENT TAX LIABILITIES	32	34,797	30,502
OTHER PAYABLES	33	52,529	52,643
TOTAL CURRENT LIABILITIES		**520,372**	**584,425**
TOTAL NET EQUITY AND LIABILITIES		**1,413,677**	**1,495,660**

Appendix 2 reports the effect of related-party transactions on the balance sheet, as required by CONSOB Resolution 15519 of 27 July 2006.

Consolidated cash flow statement

(in terms of Cash and cash equivalents)

(€/000)	Notes	31.12.2009	31.12.2008 (*)
Profit (loss) pertaining to the group		32,357	40,160
Income taxes for the period	10	24,394	18,256
Capital gain on sale of equity investments		(271)	(5,929)
Net capital losses relating to the fire		-	(14,941)
Amortization, depreciation and impairment	8	37,468	51,689
Net change in provisions		6,759	2,328
Cash flow generated (absorbed) by current operations (A)		**100,707**	**91,563**
Change in assets and liabilities for the period:			
Trade receivables		17,326	(5,471)
Inventories		69,615	3,495
Trade payables		(269)	(35,100)
Other current assets and liabilities		2,726	5,797
Payment of income taxes		(16,058)	(21,908)
Cash flow generated (absorbed) by movements in working capital (B)		**73,340**	**(53,187)**
Cash flow generated (absorbed) by current operations and movements in working capital (A+B)		**174,047**	**38,376**
Investment activities:			
Investments in intangible assets	12	(11,772)	(11,302)
Other cash flows for intangible assets		142	(1,243)
Investments in property, plant and equipment	13, 14	(28,079)	(33,518)
Other cash flows for property, plant and equipment		1,463	803
Net investments in equity investments and other financial assets		4,172	78
Cash flow generated (absorbed) by ordinary investment activities (C)		**(34,074)**	**(45,182)**
Proceeds from sale of property activities and buildings held for sale		-	73,740
of which cash flow with related parties			*67,221*
Cash effect for purchase of equity investments		(544)	-
Cash effect of other non-recurring transactions		-	29,469
Non-recurring cash flow (D)		**(544)**	**103,209**
Dividends paid	26	(8,970)	(8,970)
Change in currency translation reserve		1,601	(6,768)
Increase (decrease) in minority interests in capital and reserves		164	(2)
New loans		26,725	55,186
Repayment of loans and other net changes in sources of finance		(144,157)	(134,055)
Cash flow generated (absorbed) by changes in equity accounts and by financing activities (E)		**(124,637)**	**(94,609)**
Cash flow for the period (A+B+C+D+E)		**14,792**	**1,794**
Opening cash and cash equivalents	**24**	**109,162**	**107,368**
Increase (decrease) in cash and cash equivalents (A+B+C+D+E)		14,792	1,794
Closing cash and cash equivalents	**24**	**123,954**	**109,162**

(*) For the purposes of consistent comparison a number of reclassifications have been made to the previously published cash flow statement at 31 December 2008 to reallocate cash flows arising from the translation of foreign currency financial statements.

Consolidated cash flow statement

(in terms of Net financial position)

(€/000)	Notes	31.12.2009	31.12.2008 (*)
Profit (loss) pertaining to the group		32,357	40,160
Income taxes for the period	10	24,394	18,256
Capital gain on sale of equity investments		(271)	(5,929)
Net capital losses relating to the fire		-	(14,941)
Amortization, depreciation and impairment	8	37,468	51,689
Net change in provisions		6,759	2,328
Cash flow generated (absorbed) by current operations (A)		**100,707**	**91,563**
Change in assets and liabilities for the period:			
Trade receivables		17,326	(5,471)
Inventories		69,615	3,495
Trade payables		(269)	(35,100)
Other current assets and liabilities		2,726	5,797
Payment of income taxes		(16,058)	(21,908)
Cash flow generated (absorbed) by movements in working capital (B)		**73,340**	**(53,187)**
Cash flow generated (absorbed) by current operations and movements in working capital (A+B)		**174,047**	**38,376**
Investment activities:			
Investments in intangible assets	12	(11,772)	(11,302)
Other cash flows for intangible assets		142	1,426
Investments in property, plant and equipment	13, 14	(28,079)	(33,518)
Other cash flows from property, plant and equipment		1,463	803
Net investments in equity investments and other financial assets		4,172	78
Cash flow generated (absorbed) by ordinary investment activities (C)		**(34,074)**	**(42,513)**
Proceeds from sale of property activities and buildings held for sale		-	73,740
of which cash flow with related parties			*67,221*
Cash effect for purchase of equity investments		600	
Cash effect of other non-recurring transactions		-	29,469
Non-recurring cash flow (D)		**600**	**103,209**
Fair value and cash flow hedge reserves		3,879	9,927
Dividends paid	26	(8,970)	(8,970)
Change in currency translation reserve		(6,281)	9,382
Increase (decrease) in minority interests in capital and reserves		164	(2)
Cash flow generated (absorbed) by changes in equity accounts (E)		**(11,208)**	**10,338**
Cash flow for the period (A+B+C+D+E)		**129,365**	**109,410**
Opening net financial position	**28**	**(246,456)**	**(355,866)**
Cash flow for the period (A+B+C+D+E)		129,365	109,410
Closing net financial position	**28**	**(117,091)**	**(246,456)**

(*) For the purposes of consistent comparison a number of reclassifications have been made to the previously published cash flow statement at 31 December 2008 to reallocate cash flows arising from the translation of foreign currency financial statements.

Statement of changes in consolidated net equity

(€/000)	Share capital	Share premium reserve	Legal reserve	Other reserves	Fair value and cash flow hedge reserve	Currency translation reserve	Profit (loss) carried forward	Profit (loss) pertaining to group	Group portion of net equity	Minority interests	Total net equity
Balance at 31 December 2007	**448,500**	**325**	**6,285**	**48,376**	**(6,708)**	**(22,105)**	**119,983**	**30,564**	**625,220**	**5,458**	**630,678**
Allocation of 2007 result as per AGM resolution of 22 April 2008											
- payment of dividends				(8,970)					(8,970)	(230)	(9,200)
- allocation to reserves			145	2,767			27,652	(30,564)	-		-
Change in scope of consolidation									-	(3,356)	(3,356)
Movements from transactions with shareholders	**-**	**-**	**145**	**(6,203)**	**-**		**27,652**	**(30,564)**	**(8,970)**	**(3,586)**	**(12,556)**
Comprehensive income (loss)	-	-	-	-	7,192	(3,673)	-	40,160	43,679	474	44,153
Balance at 31 December 2008	**448,500**	**325**	**6,430**	**42,173**	**484**	**(25,778)**	**147,635**	**40,160**	**659,929**	**2,346**	**662,275**
Allocation of 2008 result											
- payment of dividends							(8,970)		(8,970)	(260)	(9,230)
- allocation to reserves			1,347	16,619			22,194	(40,160)	-		-
Change in scope of consolidation									-	(788)	(788)
Movements from transactions with shareholders	**-**	**-**	**1,347**	**16,619**	**-**		**13,224**	**(40,160)**	**(8,970)**	**(1,048)**	**(10,018)**
Comprehensive income (loss)					2,817	712	-	32,357	35,886	380	36,266
Balance at 31 December 2009	**448,500**	**325**	**7,777**	**58,792**	**3,301**	**(25,066)**	**160,859**	**32,357**	**686,845**	**1,678**	**688,523**

Explanatory notes

Group business

The De'Longhi Group is headed up by 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 companies included in the scope of consolidation are listed in Appendix 1 to the Explanatory notes.

The group is organized in three segments: *Household*, *Professional* and *Corporate*.

The *Household* segment operates in the domestic appliances market with products for air cooling and treatment, heating, food preparation and cooking, domestic cleaning and ironing, which are distributed mainly through the retail channel under the De'Longhi, Kenwood and Ariete trademarks.

The *Professional* segment operates in the markets for large thermo-cooling systems (Climaveneta and RC Group), radiators (DL Radiators) and fixed air-conditioning units for the professional channel (Climaveneta Home System). These types of product are distributed mainly through the professional channel.

The *Corporate* segment principally comprises the activities of the parent company De'Longhi S.p.A. and other subsidiaries which provide the group with corporate services.

Accounting standards

The De'Longhi Group's consolidated financial statements at 31 December 2009 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 2009), 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 complementing 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 2009 are the same as those used for preparing the consolidated financial statements at 31 December 2008.

The format of the financial statements adopted by the group reflects the changes introduced by IAS
1- Presentation of financial statements (revised in 2007).
This standard has not only introduced some new names for the contents of the financial statements but also the requirement to present in a single statement (known as the statement of comprehensive income) or in two separate statements (a separate income statement and a statement of comprehensive income) the components of profit or loss for the period and the costs and income recognized directly in net equity for transactions other than those with shareholders.

Explanatory notes

As far as the statement of comprehensive income is concerned, the group has elected to present it in two separate statements, with a consequent amendment of the statement of changes in consolidated net equity.

IFRS 8 – Operating segments is also applicable as from 2009. This requires the group to disclose information about its operating segments, identified in the same way used by company management for the purposes of making operating decisions. This standard replaces *IAS 14 – Segment reporting* and its requirement to identify primary and secondary reporting segments. The application of IFRS 8 has not involved changing the reporting segments relative to those presented in the annual report at 31 December 2008.

The other amendments to international financial reporting standards that apply as from the financial statements at 31 December 2009 have not had a material impact on the group's consolidated financial statements and are described below:

- *IAS 23 (revised) – Borrowing costs*: the revised standard eliminates the option, adopted by the group up until 31 December 2008, which allowed borrowing costs incurred for qualifying assets to be immediately expensed to the income statement, where qualifying assets are defined as those assets that necessarily take a substantial period of time to get ready for their intended use or sale. It is therefore compulsory from 2009 to capitalize borrowing costs that are directly attributable to the acquisition, construction or production of such assets.
- *Amendment to IFRS 2 – Share-based payment*, which introduces some amendments to the treatment of vesting conditions and cancellations.
- *Amendments to IAS 39 – Financial instruments: recognition and measurement and to IFRS 7 – Financial instruments: disclosures*, mainly relating to information about the measurement of fair value and about liquidity risk.
- *Amendment to IAS 32 – Financial instruments: presentation*, relating to puttable financial instruments and obligations in the event of liquidation.
- *IFRIC 13 – Customer loyalty programmes*.
- *IFRIC 14 - The limit of a defined benefit asset, minimum funding requirements and their interaction*.
- Amendments to other IFRSs adopted under the IASB Improvement process.

The group is evaluating the impact, if any, of adopting certain new standards, which will be applicable from 1 January 2010:

- *IFRS 3 (revised) – Business combinations and IAS 27 - Consolidated and separate financial statements - Cost of investments in subsidiaries, joint ventures and associates*.
- *IFRIC 12 – Service concession arrangements*.
- *IFRIC 15 - Agreements for the construction of real estate*.
- *IFRIC 16 - Hedges of a net investment in a foreign operation*.
- *IFRIC 17 - Distribution of non-cash assets to owners*.
- *IFRIC 18 - Transfers of assets from customers*.
- *Amendment to IAS 32 – Financial instruments*: *presentation*, in relation to financial instruments in a currency other than the issuer's functional currency.

The consolidated financial statements at 31 December 2009 comprise the income statement, the statement of comprehensive income, the balance sheet, the cash flow statement, the statement of changes in consolidated net equity and these explanatory notes.
The balance sheet 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 structure regarded as suitable for faithfully representing the group's performance.
The cash flow statement has been prepared using the "indirect method" allowed by IAS 7.

As regards the comparative periods, it is reported that for the purposes of consistent comparison a number of reclassifications have been made to the previously published cash flow statement at 31 December 2008 to reallocate cash flows arising from the translation of foreign currency financial statements.

This report is presented in euro, with all amounts rounded to thousands of euro, unless otherwise indicated.

The present annual report and financial statements were approved by the Board of Directors on 12 March 2010.
The financial statements used for consolidation purposes are the separate ones for the year ended 31 December 2009 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. In fact, despite the difficult economic and financial context, the group 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 group to manage financial risks are described in note *37. Risk management* of the present Explanatory notes.

The following exchange rates have been used:

		31.12.2009		31.12.2008		% change	
Currency		**Year-end exchange rate (*)**	**Average exchange rate (*)**	**Year-end exchange rate (*)**	**Average exchange rate (*)**	**Year-end exchange rate (*)**	**Average exchange rate (*)**
US dollar	USD	1.44060	1.39478	1.39170	1.47076	3.5%	(5.2%)
British pound	GBP	0.88810	0.89094	0.95250	0.79629	(6.8%)	11.9%
Hong Kong dollar	HKD	11.17090	10.81140	10.78580	11.45410	3.6%	(5.6%)
Chinese Renminbi (Yuan)	CNY	9.83500	9.52771	9.49560	10.22360	3.6%	(6.8%)
Australian dollar	AUD	1.60080	1.77270	2.02740	1.74162	(21.0%)	1.8%
Canadian dollar	CAD	1.51280	1.58496	1.69980	1.55942	(11.0%)	1.6%
Japanese yen	JPY	133.16000	130.33700	126.14000	152.45400	5.6%	(14.5%)
Malaysian ringgit	MYR	4.93260	4.90791	4.80480	4.88933	2.7%	0.4%
New Zealand dollar	NZD	1.98030	2.21213	2.41910	2.07695	(18.1%)	6.5%
Polish zloty	PLN	4.10450	4.32762	4.15350	3.51210	(1.2%)	23.2%
South African rand	ZAR	10.66600	11.67370	13.06670	12.05900	(18.4%)	(3.2%)
Singapore dollar	SGD	2.01940	2.02409	2.00400	2.07619	0.8%	(2.5%)
Russian rouble	RUB	43.15400	44.13760	41.28300	36.42070	4.5%	21.2%
Turkish lira	TRY	2.15470	2.16311	2.14880	1.90639	0.3%	13.5%
Czech koruna	CZK	26.47300	26.43490	26.87500	24.94630	(1.5%)	6.0%
Croatian kuna	HRK	7.30000	7.34003	7.35550	7.22389	(0.8%)	1.6%
Brazilian real	BRL	2.51130	2.76742	3.24360	2.67373	(22.6%)	3.5%
Swiss franc	CHF	1.48360	1.51002	1.48500	1.58739	(0.1%)	(4.9%)

(*) source: Bank of Italy

Consolidation procedures

The scope of consolidation includes the parent company, De'Longhi S.p.A., and its subsidiaries at 31 December 2009, 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 balance sheet, 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 recognised as "Goodwill" in non-current assets.
The portion of equity and results attributable to minority shareholders is shown separately in the consolidated balance sheet 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 over which the group has a significant influence regarding 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, recorded 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, recorded using the proportionate method of consolidation whereby its share of all the joint venture's assets, liabilities, income and costs are combined on a line-by-line basis with similar items in the parent's financial statements.

Consolidation of foreign companies

All the assets and liabilities of foreign companies that report in a currency other than the euro and which fall within the scope of consolidation are translated into euro using the exchange rate ruling at the balance sheet date (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 balance sheet 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.

Change in the scope of consolidation

The group continued with its reorganization process in 2009: the *Household* segment opened a new commercial subsidiary in Poland, while the Brazilian commercial subsidiary started to do business. A minority interest in an Italian company was sold under the disposal programme of the group's non-strategic assets.

The *Professional* segment set up RC Asia Pacific Ltd, of which 50% is held by the subsidiary DL Trading Ltd., and which in turn controls RC Air Conditioning (Beijing) Ltd. Both companies carry out commercial activities and have been consolidated on a proportionate basis.
In addition, an 80.88% controlling interest was acquired in Climaveneta Polska Sp. Zo.o., which carries out commercial activities in Poland for the *Professional* segment.
The transaction value was €276 thousand, for a negative share of net equity of €198 thousand (with a positive impact on the net financial position of €105 thousand, corresponding to the balance of cash and cash equivalents).

This acquisition has involved recognizing €474 thousand in goodwill, determined as follows:

Total transaction value	276
(Fair value of assets and liabilities acquired)	198
Goodwill	474

The acquisition date value of the assets and liabilities determined under IFRS is as follows:

	Book value	Value recognized under IFRS
Property, plant and equipment	11	11
Trade receivables	795	795
Inventories	392	392
Cash and cash equivalents	105	105
Other current assets	5	5
Total assets	**1,308**	**1,308**
Trade payables	1,319	1,319
Other current liabilities	138	138
Non-current liabilities	96	96
Contingent liabilities	-	-
Total liabilities	**1,553**	**1,553**
Net liabilities	**245**	**245**
Share acquired by the group	**198**	**198**

For the purposes of facilitating potential decisions to rationalize and reorganize, during 2009 the group also completed the acquisition of all remaining shares in certain equity investments, already under its control and already consolidated line-by-line in the past.

The purchase of 33% of Promised Success Limited in June 2009 has resulted in the acquisition of total control of this company and of On Shiu (Zhongshan) Electrical Appliances Co. Ltd., its Chinese subsidiary which produces electric radiators.

This purchase formed part of a transaction also involving the sale to the minority shareholder of certain buildings owned by On Shiu no longer strategic for the group.

The purchase has involved reducing minority interests in net equity by €1,182 thousand and recognizing €1,218 thousand in goodwill, determined as follows:

Total transaction value (*)	2,400
(Fair value of assets and liabilities acquired)	(1,182)
Goodwill	1,218

(*) This refers to purchase of the equity interest; the transaction also involved the sale of certain buildings owned by the subsidiary On Shiu (Zhongshan) Electrical Appliances Co. Ltd.

The remaining interest was also acquired in Zass Alabuga LLC, a company located in the Republic of Tatarstan (Russia), which produces oil-filled radiators for the Russian market.

This purchase has involved recognizing €296 thousand in goodwill, The acquisition date value of the assets and liabilities determined under IFRS is as follows:

Transaction value	134
(Fair value of assets and liabilities acquired)	162
Goodwill	296

Lastly, the purchase of the remaining interest in the Turkish commercial subsidiary De'Longhi Bosphorus Ev Aletleri Ticaret Anonim Sirketi has given the group total control of this company.

This purchase has involved recognizing €608 thousand in goodwill, The acquisition date value of the assets and liabilities determined under IFRS is as follows:

Transaction value	329
(Fair value of assets and liabilities acquired)	279
Goodwill	608

The comparison of the 2009 figures in the income statement is not entirely consistent with 2008, which was affected by the sale of the property portfolio in December 2008. The report on operations contains a comparison of the principal income statement amounts on an adjusted consistent basis.

Equity investments in joint ventures

The group holds interests in a number of joint ventures, listed in Appendix 1, whose assets, liabilities, revenues and expenses are consolidated in proportion to the interest held.

The portion of assets, liabilities, revenues and expenses of joint ventures included in the consolidated financial statements at 31 December 2009 and 2008 is as follows:

(/000)	31.12.2009	31.12.2008
Current assets	17,285	16,335
Non-current assets	6,488	6,946
Total assets	**23,773**	**23,281**
Current liabilities	10,936	10,310
Non-current liabilities	-	15
Total liabilities	**10,936**	**10,325**
Net assets	**12,837**	**12,956**
Operating revenues	27,172	29,329
Operating costs	(24,247)	(26,481)
Financial expenses	2,481	362
Taxes	(470)	(362)
Profit after tax	**4,936**	**2,848**

Disclosure by operating segments

The application, from 2009, of *IFRS 8 – Operating segments*, as described in the paragraph on “Accounting standards”, has involved no change in the reporting segments relative to those presented in the annual report at 31 December 2008. More details can be found in note *40. Operating segments*.
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 equity is attributed to specific balance sheet items to the extent of their fair value on that date; 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 fair value on the purchase date 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 valued 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 propagation 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 company 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 – 7 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 balance sheet 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 balance sheet 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.

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 balance sheet 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 balance sheet 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 balance sheet 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 reported 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 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 charged 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 reported in 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 released 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 has factored some of its trade receivables. Trade receivables factored without recourse, whose assignment results in the substantial transfer of the related risks and rewards, are derecognized from the balance sheet at the time of their transfer. Receivables whose assignment does not result in the substantial transfer of the related risks and rewards, are retained in the balance sheet.
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 balance sheet.

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 balance sheet 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. The portion of the cumulative net value of the actuarial gains and losses which exceeds the greater of 10% of the present value of the obligation and 10% of the fair value of any plan assets at the end of the prior year is amortized over the average remaining working lives of the employees concerned ("corridor approach").
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 (supplementary pension fund 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.

Long-term liabilities for employee benefits are reported at the present value of the defined benefit obligation at the balance sheet date.

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

Explanatory notes

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

Dividends represent a movement in net equity in the period in which they are declared by the shareholders in general meeting.

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 offset. 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 balance sheet 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 paragraph discusses 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 balance sheet and not covered by insurance. It is determined on the basis of past experience, by analyzing current and historic past due amounts and the quality of credit.
The changed 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 balance sheet 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 this year's impairment testing, the group has revised its original plans for 2010 and thereafter to 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 death rates.
Interest rate curves were highly volatile in 2009; 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 balance sheet.

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 that can be recognized in the balance sheet. They must estimate the likely timing of reversal and the amount of future taxable income, 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 as follows:

Revenues by operating segment:

	31.12.2009	31.12.2008	Change	% change
Household	1,077,045	1,136,849	(59,804)	(5.3%)
Professional	333,976	411,204	(77,228)	(18.8%)
Corporate	12,332	17,334	(5,002)	(28.9%)
Intersegment eliminations	(19,286)	(31,986)	12,700	(39.7%)
Total	**1,404,067**	**1,533,401**	**(129,334)**	**(8.4%)**

The section of the report on operations entitled “Results by operating segment” contains comments on the principal changes.

Revenues by geographical area:

	31.12.2009	31.12.2008	Change	% change
Italy	265,507	300,207	(34,700)	(11.6%)
United Kingdom	117,533	133,577	(16,044)	(12.0%)
Rest of Europe	659,825	734,496	(74,671)	(10.2%)
United States, Canada and Mexico	91,935	99,518	(7,583)	(7.6%)
Rest of the world	269,267	265,603	3,664	1.4%
Total	**1,404,067**	**1,533,401**	**(129,334)**	**(8.4%)**

The “Markets” section of the report on operations contains comments on the more significant changes.

“Other revenues” are broken down as follows:

	31.12.2009	31.12.2008	Change
Out-of-period gains	5,285	6,920	(1,635)
Freight reimbursement	6,557	7,505	(948)
Commercial rights	1,179	1,385	(206)
Damages reimbursed	1,019	211	808
Other income	10,704	13,788	(3,084)
Total	**24,744**	**29,809**	**(5,065)**

2. Raw and ancillary materials, consumables and goods

The breakdown is as follows:

	31.12.2009	31.12.2008	Change
Raw materials	110,308	191,732	(81,424)
Parts	206,927	222,081	(15,154)
Finished products	302,386	361,825	(59,439)
Other purchases	8,074	10,961	(2,887)
Total	**627,695**	**786,599**	**(158,904)**

3. Change in inventories

The breakdown is as follows:

	31.12.2009	31.12.2008	Change
Change in inventories of finished products and work in progress	(54,550)	3,073	(57,623)
Change in inventories of raw and ancillary materials, consumables and goods	(15,034)	(6,958)	(8,076)

Note *19. Inventories* analyzes the changes in more detail. The difference between the overall change in inventories reported in the income statement and between the balances contained in the balance sheet is mainly due to differences arising on the translation of financial statements of foreign companies.
The change in inventories includes €2,330 thousand in non-recurring costs at 31 December 2009.

4. Payroll costs

The breakdown is as follows:

	31.12.2009	31.12.2008	Change
Employee wages and salaries	183,725	181,598	2,127
Temporary workers	3,008	8,749	(5,741)
Total	**186,733**	**190,347**	**(3,614)**

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

Payroll costs include €1,646 thousand in non-recurring costs at 31 December 2009.

5. Services and other operating expenses

These are detailed as follows:

	31.12.2009	31.12.2008	Change
Advertising	35,250	35,208	42
Promotional expenses	60,774	52,737	8,037
Transport (for purchases and sales)	60,131	80,787	(20,656)
Commissions	22,532	26,166	(3,634)
Rentals and leasing	27,658	22,817	4,841
Subcontracted work	13,213	20,351	(7,138)
Technical support	17,624	18,008	(384)
Travel	13,877	16,046	(2,169)
Insurance	7,701	6,912	789
Storage and warehousing	14,646	17,121	(2,475)
Consulting services	14,657	14,896	(239)
Power and other utilities	11,672	12,112	(440)
Other third-party services	8,216	9,186	(970)
Postage, telegraph and telephones	4,184	4,421	(237)
Maintenance	4,140	4,682	(542)
Directors' emoluments	2,178	2,587	(409)
Receivables insurance	2,113	2,392	(279)
Statutory auditors' emoluments	490	489	1
Other sundry services	9,136	11,511	(2,375)
Total services	**330,192**	**358,429**	**(28,237)**
Sundry taxes	17,714	19,810	(2,096)
Out-of-period losses	4,930	4,430	500
Other	6,218	6,903	(685)
Bad debts	734	94	640
Total other operating expenses	**29,596**	**31,237**	**(1,641)**
Total services and other operating expenses	**359,788**	**389,666**	**(29,878)**

At 31 December 2009 services and other operating expenses include €2,295 thousand in non-recurring services mainly relating to reorganization costs for some of the group's activities.

"Rentals and leasing" at 31 December 2009 include €22,913 thousand for premises rental (€18,078 thousand in 2008); the increase is mainly due to the disposal of the property portfolio in December 2008. The report on operations presents the key income statement figures on a consistent group perimeter basis.
Rentals and leasing also include operating lease payments for €1,003 thousand (€938 thousand in 2008), royalties for €719 thousand (€649 thousand in 2008) and equipment hire for €3,023 thousand (€3,152 thousand in 2008).

6. Provisions

These include €20,507 thousand in increases in provisions for contingencies and charges as discussed in note *30. Non-current provisions for contingencies and other charges*.
They also include €9,223 thousand in increases to the allowance for doubtful accounts.

Total provisions at 31 December 2009 include 6,802 thousand in non-recurring amounts, mostly relating to restructuring costs for the production activities of certain subsidiaries.

7. Other non-recurring income (expenses)

"Other income (expenses)" are zero at 31 December 2009. "Other non-recurring income (expenses)" of €13,073 thousand at 31 December 2009 are directly classified in the income statement line items to which they refer (€2,330 thousand in changes in inventories, €1,646 thousand in payroll costs, €2,295 thousand in services and other operating expenses and €6,802 in provisions).
The same line item at 31 December 2008 reported €22,461 thousand in income, relating to the receipt of insurance reimbursements and the capital gain on the property spin-off and subsequent sale of the related newco.

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

	31.12.2009	31.12.2008	Change
Capital gain on sale of property portfolio	**-**	**5,929**	**(5,929)**
Net proceeds from insurance claim	**-**	**15,109**	**(15,109)**
Restructuring costs – Italy	(7,119)	(1,889)	(5,230)
Reorganization costs - foreign operations	(3,256)	(3,938)	682
Reorganization costs - Italian commercial network	(759)	(1,953)	1,194
Goodwill impairment	-	(6,800)	6,800
Other non-recurring expenses	(1,939)	(3,720)	1,781
Non-recurring expenses	**(13,073)**	**(18,300)**	**5,227**
Total non-recurring income (expenses)	**(13,073)**	**2,738**	**(15,811)**

8. Amortization, depreciation and impairment

These are detailed as follows:

	31.12.2009	31.12.2008	Change
Amortization of intangible assets	13,640	13,807	(167)
Depreciation of property, plant and equipment	23,828	28,800	(4,972)
Non-recurring impairment losses	-	9,082	(9,082)
Total amortization, depreciation and impairment	**37,468**	**51,689**	**(14,221)**

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

The reduction in depreciation of property, plant and equipment relative to 2008 reflects the disposal of the property portfolio in 2008; assuming a consistent group perimeter (ie. including these properties in the 2009 consolidation) the depreciation of property, plant and equipment would have been €1,980 thousand higher, which is still €2,992 thousand lower than in 2008.

9. Financial income (expenses)

Net financial income and expenses are broken down as follows:

	31.12.2009	31.12.2008	Change
Income from equity investments	285	12	273
Financial income (expenses) from equity investments	**285**	**12**	**273**
Exchange differences (*)	**3,422**	**(3,929)**	**7,351**
Exchange gains (losses) on currency hedges (**)	**(9,711)**	**(816)**	**(8,895)**
Net interest expense and other bank charges	(12,859)	(31,532)	18,673
Financial discounts	(11,836)	(11,612)	(224)
Other financial income (expenses)	(4,564)	(4,730)	166
Other financial income (expenses)	**(29,259)**	**(47,874)**	**18,615**
Financial income (expenses)	**(35,263)**	**(52,607)**	**17,344**

(*) This includes €1,347 thousand in exchange differences arising on consolidation.
(**) These include the effects of rate differentials on currency hedges, particularly against liabilities of the Russian subsidiaries.

"Income from equity investments" comprises €271 thousand in capital gains realized on selling the interest in the associated company Emer S.p.A. and €14 thousand in dividends from available-for-sale financial assets.

"Net interest expense and other bank charges" include not only bank interest on the group's financial debt but also the financial cost of factoring receivables without recourse, as well as adjustments arising under IAS to calculate the amortized cost of bank loans and borrowings.
This amount also includes €1,153 thousand in interest accruing on defined benefit plans in favour of group employees.

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

10. Income taxes

These are made up as follows:

	31.12.2009	31.12.2008	Change
Current income taxes:			
- Income taxes	10,931	24,025	(13,094)
- IRAP (Italian regional business tax)	3,625	5,156	(1,531)
- Flat-rate tax	-	6,106	(6,106)
Deferred income taxes	9,838	(17,031)	26,869
Total	**24,394**	**18,256**	**6,138**

"Deferred income taxes" 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 group's average tax rate for 2009 was 42.7% (31.1% in 2008, which benefited from a number of operations to realign tax and accounting values; the adjusted tax rate, ie. excluding the effects of these special operations, was 43.6%).

The actual and theoretical tax charge are reconciled as follows:

	31.12.2009	%	31.12.2008	%
Profit before taxes	57,175	100.0%	58,645	100.0%
Theoretical taxes	15,723	27.5%	16,127	27.5%
Disallowable goodwill impairment	-	-	1,870	3.2%
Effects of realigning tax and accounting values	-	-	(7,329)	(12.5%)
Other (*)	5,046	8.8%	2,432	4.1%
Total income taxes	**20,769**	**36.3%**	**13,100**	**22.3%**
IRAP	3,625	6.3%	5,156	8.8%
Actual taxes	**24,394**	**42.7%**	**18,256**	**31.1%**

(*) Mostly refers to the net tax effect of permanent differences and of different tax rates applied abroad relative to the theoretical ones applied in Italy and to the cost of settling certain tax disputes.

Comments on the balance sheet: assets

Non-current assets

11. Goodwill

	31.12.2009		31.12.2008		
	Gross	Net	Gross	Net	Change
Goodwill	259,645	231,318	257,043	228,716	2,602

The increase in goodwill mainly refers to the purchase of the interest in Climaveneta Polska Sp. Zo.o. and the acquisition of total control of certain other equity investments, already under the group's control and already consolidated line-by-line in the past. More details can be found in the paragraph on the "Change in the scope of consolidation".

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.
- is allocated to cash-generating units (CGUs), identified by business sector: the De'Longhi Group has two principal operating segments, the *Household* and *Professional* divisions, plus the *Corporate* segment; these segments represent the main way in which the group is analyzed, both for management reporting purposes and for the disclosure of segment information in its financial reports; six CGUs have been identified within these operating segments.

The following table shows how goodwill is allocated by CGU:

Cash-generating unit	Goodwill at 31.12.2009
De'Longhi	24,471
Kenwood	17,120
Climaveneta	97,749
DL Radiators	68,975
RC	23,003
Total	**231,318**

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 the ongoing use of the assets; any cash flows arising from extraordinary events are therefore ignored.
In particular, value in use is determined using the discounted cash flow method for 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 balance sheet date, also including the budget approved for 2010.

The CGU which produces and sells radiators was already the subject of an impairment loss at 31 December 2008. Its impairment test this year has been performed, also on the basis of an opinion from an independent expert, with reference to a five-year plan that takes account of the effects of the current market situation, but without changing the plan's underlying operating policies and other assumptions. This test has shown that value in use is in line with book value.
The estimated recoverable amount for the other CGUs was €17 million higher than book value.
Plan data was projected beyond the explicit planning period using a perpetuity growth rate that was no higher than those expected for the markets in which the individual CGUs operate. The growth rate in terminal values used for projecting beyond the planning period was 2% for all the CGUs.
The cash flows and discount rate were determined after tax. The discount rate of 6.85%, 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 2009 have not revealed any 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 changed were the discount rate (between 6.6% and 7%) and the growth rate in terminal value (in the range 1.6%-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.

Lastly, it should be noted that management determined the estimates and budget figures to which the above parameters were applied on the basis of past experience and expectations of growth in the group's markets. Given the current market conditions produced by the economic and financial crisis, management has reassessed the expected growth in revenues and margins incorporated in the business plan approved in previous years and revised this plan on a more conservative basis. These revisions involve slower achievement of the sales targets incorporated in the old plan, without however giving rise to the risk of material impairment of goodwill recognized in the balance sheet.

No events of significance have occurred in the first few months of 2010 such as might indicate any further impairment in the carrying amount of goodwill.
However, the estimate of the recoverable amount of the CGUs involves the use of discretion and estimates by management. 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 circumstances and events that might make it necessary to perform new impairment tests.

12. Other intangible assets

These are broken down as follows:

	31.12.2009		31.12.2008		
	Gross	Net	Gross	Net	Change
New product development costs	50,084	14,604	42,380	14,494	110
Patents	29,995	3,088	28,892	3,484	(396)
Trademarks and similar rights	220,811	154,968	220,718	159,040	(4,072)
Work in progress and advances	11,245	10,103	9,095	7,953	2,150
Other	15,766	585	15,574	775	(190)
Total	**327,901**	**183,348**	**316,659**	**185,746**	**(2,398)**

The following table reports movements in the main asset categories during 2009:

	New product development costs	Patents	Trademarks and similar rights	Work in progress and advances	Other	Total
Net opening balance	**14,494**	**3,484**	**159,040**	**7,953**	**775**	**185,746**
Additions	5,158	1,154	93	5,192	175	11,772
Amortization	(7,594)	(1,500)	(4,165)	-	(381)	(13,640)
Translation difference	124	(4)	-	-	10	130
Other movements (*)	2,422	(46)	-	(3,042)	6	(660)
Net closing balance	**14,604**	**3,088**	**154,968**	**10,103**	**585**	**183,348**

(*) The amounts reported as "Other movements" mostly refer to reclassifications of certain 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 €10,350 thousand in costs as intangible assets in 2009; the increase of €5,158 thousand in "New product development costs" refers to projects already completed at the balance sheet date, while the increase of €5,192 thousand in "Work in progress and advances" refers to projects still in progress. The group has incurred some €33.6 million in research and development costs during 2009.

"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" also include €113.8 million in trademarks viewed as having an indefinite useful life under the criteria specified in IAS 38 (of which €79.8 million refers to the "De'Longhi" trademark and €34 million to the "Climaveneta" trademark). The De'Longhi and Climaveneta trademarks are considered to qualify for being treated as having an indefinite life, particularly in view of their brand notoriety, their economic performance, the characteristics of their particular markets, the specific brand strategies and the level of investment in brand support.

The impairment test carried out at the end of 2009 has not revealed any significant evidence that these assets might have suffered an impairment loss. No events of significance have occurred so far in 2010 such as might suggest that the carrying amount of trademarks could be impaired.
The method used to test impairment involves discounting to present value the royalties that the group would be able to earn from permanently granting third parties the right to use the trademarks in question.
This method, which is based on royalty receipts and reasonably estimated sales volumes, is the most commonly used for company valuation purposes since it is able to provide a suitable expression of the relationship between the strength of the trademark and business profitability.
The post-tax discount rate of 6.85% reflects current market assessments of the time value of money. The cash flows discounted to present value are stated after 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 changed were the discount rate (between 6.6% and 7%) and the growth rate in terminal value (in the range 1.6%-2.2%).
The sensitivity analysis has revealed relatively stable results; in fact, the minimum and maximum amounts diverged by around 7% 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.

13. Land, property, plant and machinery

These are detailed as follows:

	31.12.2009		31.12.2008		
	Gross	Net	Gross	Net	Change
Land and buildings	86,017	68,453	86,159	70,511	(2,058)
Plant and machinery	189,882	63,931	188,189	65,257	(1,326)
Total	**275,899**	**132,384**	**274,348**	**135,768**	**(3,384)**

The following table reports movements during 2009:

	Land and buildings	Plant and machinery	Total
Net opening balance	**70,511**	**65,257**	**135,768**
Additions	4,380	5,989	10,369
Disposals	(3,739)	(477)	(4,216)
Depreciation	(2,856)	(6,383)	(9,239)
Translation difference and other movements	157	(455)	(298)
Net closing balance	**68,453**	**63,931**	**132,384**

The additions to "Land and buildings" mainly refer to non-routine maintenance work on third-party premises.
The disposals primarily refer to the disposal of land and buildings by the Chinese subsidiary On Shiu as part of a transaction with the minority shareholder.

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

	31.12.2009	31.12.2008	Change
Buildings	3,588	3,699	(111)
Plant and equipment	15,837	16,671	(834)
Other	208	68	140
Total	**19,633**	**20,438**	**(805)**

Information on the financial liability arising under the related lease agreements can be found in note *28. Other financial payables*.

14. Other tangible assets

Details of other tangible assets are as follows:

	31.12.2009		31.12.2008		
	Gross	Net	Gross	Net	Change
Industrial and commercial equipment	182,095	27,993	167,420	26,154	1,839
Other	49,171	13,684	45,532	13,488	196
Work in progress and advances	3,548	3,548	3,078	3,078	470
Total	**234,814**	**45,225**	**216,030**	**42,720**	**2,505**

The following table reports movements during 2009:

	Industrial and commercial equipment	Other	Work in progress and advances	Total
Net opening balance	**26,154**	**13,488**	**3,078**	**42,720**
Additions	12,025	3,946	1,739	17,710
Disposals	(301)	(226)	(77)	(604)
Depreciation	(10,824)	(3,766)	-	(14,590)
Translation difference and other movements	939	242	(1,192)	(11)
Net closing balance	**27,993**	**13,684**	**3,548**	**45,225**

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

15. Equity investments

	31.12.2009	31.12.2008	Change
Associated companies	-	2,628	(2,628)
Other companies	671	714	(43)
Total	**671**	**3,342**	**(2,671)**

During the first half of 2009 the group sold its interest in the associated company Emer S.p.A., reported in the balance sheet at 31 December 2008 as €2,628 thousand, and realized a capital gain of €271 thousand, as already described in note *9. Financial income (expenses)*.

Equity investments in other companies refer to available-for-sale financial assets.

16. Non-current receivables

The balance at 31 December 2009 includes €1,848 thousand in security deposits (€1,609 at 31 December 2008) and €46 thousand in other non-current receivables (€14 thousand at 31 December 2008).

17. Other non-current financial assets

	31.12.2009	31.12.2008	Change
Bonds	-	2,500	(2,500)
Other non-current financial assets	101	67	34
Total	**101**	**2,567**	**(2,466)**

The reduction in this balance mainly reflects reclassification to "Current financial receivables and assets" of the bond issued by Edifriuli S.p.A. subscribed by the subsidiary DL Radiators S.p.A., which matures in 2010. More details can be found in note *23. Current financial receivables and assets*.
The remaining balance at 31 December 2009 of €101 thousand refers to bonds held by subsidiaries.

18. Deferred tax assets and deferred tax liabilities

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

	31.12.2009	31.12.2008	Change
Deferred tax assets	38,060	42,153	(4,093)
Deferred tax liabilities	(25,304)	(21,501)	(3,803)
Net asset balance	**12,756**	**20,652**	**(7,896)**

"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.

Details of the net balance are as follows:

	31.12.2009	31.12.2008	Change
- Temporary differences	1,875	11,683	(9,808)
- Tax losses	10,881	8,969	1,912
Net asset balance	**12,756**	**20,652**	**(7,896)**

The change in the net asset balance also reflects a reduction of €1,062 thousand in amounts booked to net equity in the "Fair value and cash flow hedge reserve".

It is also reported that no deferred taxes have been recognized on €10.1 million in carried forward tax losses reported by certain group companies, since these are unlikely to be recovered in the future.

Current assets

19. Inventories

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

	31.12.2009	31.12.2008	Change
Raw, ancillary and consumable materials	57,863	70,446	(12,583)
Work in progress and semi-finished products	20,766	22,143	(1,377)
Finished products and goods	207,208	256,420	(49,212)
Advances	65	106	(41)
Inventory writedown allowance	(28,818)	(28,651)	(167)
Total	**257,084**	**320,464**	**(63,380)**

The value of inventories is stated after deducting an allowance for obsolete or slow-moving goods totalling €28,818 thousand (€28,651 thousand at 31 December 2008), in relation to products and raw materials no longer deemed to be of strategic interest.

20. Trade receivables

These are detailed as follows:

	31.12.2009	31.12.2008	Change
Trade receivables			
- due within 12 months	374,743	386,186	(11,443)
- due beyond 12 months	456	3	453
Allowance for doubtful accounts	(23,320)	(19,009)	(4,311)
Total trade receivables	**351,879**	**367,180**	**(15,301)**

Trade receivables are stated net of an allowance for doubtful accounts of €23,320 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 the balance sheet date is €125,846 thousand at 31 December 2009. The total amount of receivables factored in 2009 (under Law 52/1991 known as the Factoring Law) was €361,971 thousand.

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

	31.12.2008	Increases	Utilization	Translation difference and other movements	31.12.2009
Allowance for doubtful accounts	19,009	9,223	(5,129)	217	23,320

The group has received €1,597 thousand in sureties and €650 thousand in letters of patronage from customers as guarantees against trade balances; in addition, a significant proportion of the receivables are covered by insurance polices with major insurers. More details can be found in note *37. Risk management*.

Trade receivables are broken down by geographical area as follows:

Geographical area	31.12.2009	%	31.12.2008	%
Italy	66,148	18.8%	70,915	19.3%
United Kingdom	17,554	5.0%	24,751	6.7%
Rest of Europe	168,842	48.0%	179,197	48.8%
United States, Canada, Mexico	13,808	3.9%	13,889	3.8%
Rest of the world	85,527	24.3%	78,428	21.4%
Total	**351,879**	**100.0%**	**367,180**	**100.0%**

21. Current tax assets
These are detailed as follows:

	31.12.2009	31.12.2008	Change
VAT	9,398	5,839	3,559
Tax payments on account	4,394	4,775	(381)
Direct taxes	2,058	3,116	(1,058)
Tax refunds requested	1,964	3,012	(1,048)
Other tax receivables	715	432	283
Total current tax assets	**18,529**	**17,174**	**1,355**

The amount of current tax assets due beyond 12 months is €421 thousand (€429 thousand at 31 December 2008).

22. Other receivables
“Other receivables” are broken down as follows:

	31.12.2009	31.12.2008	Change
Prepaid insurance costs	2,591	4,905	(2,314)
Advances to suppliers	4,462	4,306	156
Employees	376	410	(34)
Other	7,915	11,221	(3,306)
Total other receivables	**15,344**	**20,842**	**(5,498)**

Other receivables include €82 thousand in amounts due beyond 12 months.

23. Current financial receivables and assets
“Current financial receivables and assets” are analyzed as follows:

	31.12.2009	31.12.2008	Change
Fair value of derivatives	5,213	11,660	(6,447)
Other financial receivables	6,129	6,499	(370)
Other securities	2,544	44	2,500
Total current financial receivables and assets	**13,886**	**18,203**	**(4,317)**

More details on the fair value of derivatives can be found in note *28. Other financial payables*.

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

The increase in “Other securities” mainly reflects a reclassification from “Other non-current financial assets” of €2,500 thousand for a bond issued by Edifriuli S.p.A. and subscribed by the subsidiary DL Radiators S.p.A.. This bond matures in 2010 and carries floating-rate annual interest equal to the interest rate applied by the European Central Bank uplifted by two-thirds.
“Other securities” also include €44 thousand in Banca Popolare di Vicenza bonds purchased by the subsidiary De’Longhi Appliances S.r.l. to invest surplus cash.

24. Cash and cash equivalents
This balance consists of surplus liquidity on bank current accounts, mostly relating to customer payments received at period end.
Some of the group’s foreign companies report a total of €171.3 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 €149.5 million in overdrafts held by other foreign companies with the same bank. 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 balance sheet, as allowed 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 2009 include €2,203 thousand in current accounts of a Chinese subsidiary that are restricted having been given as collateral.

Comments on the balance sheet: net equity

Net equity
Net equity is made up as follows:

	31.12.2009	31.12.2008	Change
Group portion	686,845	659,929	26,916
Minority interests	1,678	2,346	(668)
Total net equity	**688,523**	**662,275**	**26,248**

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

The annual general meeting (AGM) of De’Longhi S.p.A. held on 21 April 2009 declared a dividend totalling 8,970 thousand, which was paid in the year.

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.

25. Share capital

Share capital is made up of 149,500,000 ordinary shares of par value €3.00 each, for a total of €448,500 thousand.

26. Reserves

These are broken down as follows:

	31.12.2009	31.12.2008	Change
Share premium reserve	325	325	-
Legal reserve	7,777	6,430	1,347
Other reserves			
- Extraordinary reserve	58,792	42,173	16,619
- Fair value and cash flow hedge reserve	3,301	484	2,817
- Translation differences	(25,066)	(25,778)	712
- Profit (loss) carried forward	160,859	147,635	13,224
Total reserves	**205,988**	**171,269**	**34,719**

The "Share premium reserve" was set up following the public offering accompanying the parent company's flotation on the Milan stock exchange on 23 July 2001. The residual amount of this reserve is €325 thousand.
The "Legal reserve" had a balance of €6,430 thousand at 31 December 2008. The intervening increase of €1,347 thousand is due to the allocation of the profit for 2008, as approved by the above AGM of De'Longhi S.p.A..

The "Extraordinary reserve" has increased due to the allocation of the parent company's profit for 2008, as resolved by the above AGM.

The "Fair value and cash flow hedge" reserve is stated net of €1,255 thousand in tax. This reserve has been recognized under IAS 39, adopted with effect from 1 January 2005, and includes the effective portion of net gains and losses on financial instruments designated as cash flow hedges against the exposure of future revenues and costs to exchange rate fluctuations.
This reserve also includes the net result of measuring "available for sale" financial assets at fair value.
The increase of €2,817 thousand in the "Fair value and cash flow hedge reserve" during 2009 reflects €3,888 thousand in positive fair value changes in cash flow hedges (net of €1,065 thousand in tax) and €9 thousand in negative fair value changes in available-for-sale financial assets (net of €3 thousand in tax).

"Translation differences" comprise €25,066 thousand in exchange differences arising on the translation of foreign company financial statements into euro.

"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 change reflects the distribution of €8,970 thousand in dividends, as resolved by the above AGM.

Minority interests in net equity amount to €1,678 thousand. The interests held by minority interests and their corresponding share of net equity and results for the year ended 31 December 2009 are summarized below:

Company	% interest	Net equity	Profit (loss) for the period
E-Services S.r.l.	49%	1,738	619
Climaveneta Polska S.P.Zo.O.	19.12%	(60)	(8)
De'Longhi Bosphorus Ev Aleteri Ticaret Anonim Sirketi (*)	-	-	(187)
Total		**1,678**	**424**

(*) The remaining 30% of this company was acquired in the third quarter of 2009; the profit (loss) pertaining to minority interests therefore refers to the period before this acquisition.

The decrease of 668 thousand in minority interests in net equity in 2009 primarily reflects 788 thousand for changes in the scope of consolidation, as already described in the note on "Change in the scope of consolidation".

Below is a summary 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:

Company	Net equity 31.12.2009	Profit for 2009	Net equity 31.12.2008	Profit for 2008
De'Longhi S.p.A. financial statements	**541,831**	**13,748**	**537,053**	**26,936**
Share of subsidiaries' equity and results for period attributable to the group, after deducting carrying value of the investments	26,466	10,898	19,466	23,461
Allocation of goodwill arising on consolidation and related amortization and reversal of goodwill recognized for statutory purposes	141,342	(2,130)	137,310	(7,745)
Elimination of intercompany profits	(19,948)	9,929	(30,164)	(2,934)
Other adjustments	(1,168)	336	(1,390)	671
Consolidated financial statements	**688,523**	**32,781**	**662,275**	**40,389**
Minority interests	(1,678)	(424)	(2,346)	(229)
Group portion	**686,845**	**32,357**	**659,929**	**40,160**

Non-current liabilities

27. 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 31.12.2009	Within one year	One to five years	Beyond five years	Balance 31.12.2008	Change
Overdrafts	6,874			6,874	31,334			31,334	(24,460)
Short-term loans in euro or foreign currency	48,252			48,252	109,468			109,468	(61,216)
Advances	1,808			1,808	3,650			3,650	(1,842)
Long-term loans (current portion)	67,075			67,075	52,898			52,898	14,177
Total short-term bank loans and borrowings	**124,009**	**-**	**-**	**124,009**	**197,350**	**-**	**-**	**197,350**	**(73,341)**
Long-term loans	-	95,929	347	96,276	-	139,879	3,635	143,514	(47,238)
Total bank loans and borrowings	**124,009**	**95,929**	**347**	**220,285**	**197,350**	**139,879**	**3,635**	**340,864**	**(120,579)**

Long-term loans comprise the following:

Loans (including short-term portion)	Balance 31.12.2009	Balance 31.12.2008
Banca Popolare di Verona	59,277	76,642
BNP Paribas	29,018	58,444
Banca Popolare di Sondrio	27,391	30,059
KBC Bank	20,763	-
Banca Popolare Friuladria	14,301	14,415
Banca di Cividale	8,169	9,981
IMI (Law 46)	2,994	1,357
Unicredit	482	1,121
Banca Popolare Commercio e Industria	-	802
Other minor loans	956	3,591
Total long-term loans	**163,351**	**196,412**

During 2009 De'Longhi S.p.A. obtained a new loan for €25 million from KBC Bank N.V. (Italian Branch), maturing in 2012 and carrying floating rate interest indexed to Euribor. This loan calls for annual compliance with financial covenants (the ratios between consolidated net debt and net equity and consolidated net debt and EBITDA), calculated with reference to the annual financial statements starting from 31 December 2009. These covenants have been observed at 31 December 2009.

The loan arranged by BNP Paribas calls for the observance of financial covenants (the ratios between consolidated financial net debt and net equity and consolidated financial net debt and EBITDA), compliance with which is verified on a six-monthly basis. Such covenants have been observed in accordance with contract at 31 December 2009.

The loan from Banca Popolare Friuladria calls for the observance of financial covenants (the ratios between consolidated financial net debt and net equity and consolidated financial net debt and EBITDA), compliance with which is verified on an annual basis starting from 31 December 2009. These covenants have been observed at 31 December 2009.

The other loans do not call for the observance of financial covenants.

All the loans carry floating-rate interest, meaning that interest is based on a benchmark rate (usually 1 or 3-month Libor/Euribor) plus a spread, which depends on the nature of the loan and its maturity. As a result, the fair value of loans, obtained by discounting expected future interest payments at current market rates, is not materially different from the value reported in the balance sheet. This is based on the fact that forecasts of future interest payments use an interest rate which reflects current market conditions (in terms of benchmark interest rates). Note 37. Risk management contains the results of analyzing sensitivity to changes in interest rates.

28. Other financial payables

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

	31.12.2009	31.12.2008	Change
Payables to lease companies (short-term portion)	1,832	4,405	(2,573)
Ministry of Industry loans (short-term portion)	546	535	11
Payables for the purchase of equity investments	477	162	315
Negative fair value of derivatives	1,253	2,897	(1,644)
Other short-term financial payables	13,856	9,754	4,102
Total short-term payables	**17,964**	**17,753**	**211**
Payables to lease companies (one to five years)	7,885	7,125	760
Ministry of Industry loans (one to five years)	2,142	2,186	(44)
Other financial payables (one to five years)	4,024	3,729	295
Total long-term payables (one to five years)	**14,051**	**13,040**	**1,011**
Payables to lease companies (beyond five years)	2,767	4,233	(1,466)
Ministry of Industry loans (beyond five years)	-	502	(502)
Total long-term payables (beyond five years)	**2,767**	**4,735**	**(1,968)**
Total other financial payables	**34,782**	**35,528**	**(746)**

More details on the fair value of derivatives can be found in note 37. *Risk management*.

This balance mostly refers to €12,484 thousand in payables recognized for finance leases (€15,763 thousand at 31 December 2008) and €2,688 thousand in low-interest loans from the Ministry of Industry (€3,223 thousand at 31 December 2008).

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

"Other financial payables (one to five years)" refer to the value of the call option over the remaining shares in Top Clima, which may be exercised starting from January 2011.

All the principal other financial payables (mostly consisting of recently-entered finance leases) carry floating-rate interest, meaning that interest is based on a benchmark rate (usually 1 or 3-month Libor/Euribor) plus a spread, which depends on the nature of the payable and its due date. As a result, the fair value of loans, obtained by discounting expected future interest payments at current market rates, is not materially different from the value reported in the balance sheet. This is based on the fact that forecasts of future interest payments use an interest rate which reflects current market conditions (in terms of benchmark interest rates). Note *37. Risk management* contains the results of analyzing sensitivity to changes in interest rates.

Net financial position

Details of the net financial position are as follows:

	31.12.2009	31.12.2008	Change
A. Cash	313	247	66
B. Cash equivalents	123,641	108,915	14,726
C. Securities	2,544	44	2,500
D. Total liquidity (A+B+C)	**126,498**	**109,206**	**17,292**
E 1. Current financial receivables	**11,342**	**18,158**	**(6,816)**
Of which: fair value of derivatives	*5,213*	*11,660*	*(6,447)*
E 2. Non-current financial receivables and other securities (*)	**136**	**2,572**	**(2,436)**
F. Current bank loans and borrowings	(56,934)	(144,452)	87,518
G. Current portion of non-current debt	(67,075)	(52,898)	(14,177)
H. Other current financial payables	(17,964)	(17,753)	(211)
Of which: Fair value of derivatives	*(1,253)*	*(2,897)*	*1,644*
I. Current financial debt (F+G+H)	**(141,973)**	**(215,103)**	**73,130**
J. Net current financial debt (I +E1+E2+D)	**(3,997)**	**(85,167)**	**81,170**
K. Non-current bank loans and borrowings	(96,276)	(143,514)	47,238
L. Bonds	-	-	-
M. Other non-current payables	(16,818)	(17,775)	957
Of which: Top Clima option	*(4,024)*	*(3,729)*	*(295)*
N. Non-current financial debt (K+L+M)	**(113,094)**	**(161,289)**	**48,195**
Total	**(117,091)**	**(246,456)**	**129,365**

(*) This amount differs from the non-current receivables reported in the balance sheet (€1,995 thousand at 31 December 2009 and €4,190 thousand at 31 December 2008) because the balance sheet amount includes non-financial receivables respectively for €1,859 thousand and €1,619 thousand.

The net financial position has improved by €129.4 million, with net debt coming down from €246.5 million to €117.1 million primarily thanks to cash flow from operations.
These effects, together with the new loans, have helped reduce current financial debt from €85.2 million at 31 December 2008 to €4.0 million at 31 December 2009.
Apart from the medium-term credit lines described earlier, the group has a significant amount of short-term facilities (amounting to more than €400 million with a maturity of less than 18 months), of which about one-fifth are committed and so cannot be revoked at the bank's discretion.

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

More details on the fair value of derivatives can be found in note *37. Risk management*.

Details of financial receivables and payables with related parties are reported in Appendix 2.

29. Employee benefits

These are made up as follows:

	31.12.2009	31.12.2008	Change
Provision for severance indemnities	16,965	18,363	(1,398)
Defined benefit plans	7,751	9,268	(1,517)
Long-term benefits	3,951	2,871	1,080
Total employee benefits	**28,667**	**30,502**	**(1,835)**

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

	31.12.2009	31.12.2008
Blue collar	3,894	3,768
White collar	2,840	2,847
Executives	121	123
Total	**6,855**	**6,738**

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 a self-financed 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 balance sheet 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:

Severance indemnity obligations	31.12.2009	31.12.2008	Change
Defined benefit obligations	16,965	18,363	(1,398)

Net cost charged to income	31.12.2009	31.12.2008	Change
Current service cost	82	68	14
Interest cost on defined benefit obligations	871	986	(115)
Total	**953**	**1,054**	**(101)**

Change in present value of obligations	31.12.2009	31.12.2008	Change
Present value at 1 January	**18,363**	**20,019**	**(1,656)**
Current service cost	82	68	14
Utilization of provision	(2,351)	(2,668)	317
Interest cost on obligations	871	986	(115)
Deconsolidation	-	(52)	52
Other changes	-	10	(10)
Present value at reporting date	**16,965**	**18,363**	**(1,398)**

Defined benefit plans:
Movements in the year are as follows:

Net cost charged to income	31.12.2009	31.12.2008	Change
Current service cost	266	234	32
Return on plan assets	(1,369)	(1,545)	176
Interest cost on obligations	1,651	2,016	(365)
Total	**548**	**705**	**(157)**

Change in present value of obligations	31.12.2009	31.12.2008	Change
Present value at 1 January	**9,268**	**13,800**	**(4,532)**
Net cost charged to income	548	705	(157)
Benefits paid	(2,289)	(2,960)	671
Translation difference	224	(2,277)	2,501
Present value at reporting date	**7,751**	**9,268**	**(1,517)**

The present value at 31 December 2009 reflects €5,371 thousand in respect of Kenwood Ltd. and €2,380 thousand for De'Longhi Japan Corp.

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

Assumptions used	Severance indemnity 2009	Severance indemnity 2008	Other plans 2009	Other plans 2008
Discount rate	4.1%	4.8%	1.75-5.7%	1.75-6.2%
Future salary increases	2.0-2.75%	2.2-2.95%	0.0-2.5%	0.0-2.5%
Inflation rate	2.0%	2.2%	0.0-3.7%	0.0-2.7%

The shareholders approved a share-based compensation scheme (Phantom Stock Option Plan) during 2008; this entitles beneficiaries to cash payments based on the growth in the company's ordinary share price.
De'Longhi S.p.A. has prepared an information circular in regard to this plan, pursuant to art. 84 *bis* of the Issuer Regulations, which has been drawn up in compliance with appendix 3, format 7 of the Issuer Regulations, and has been filed with Borsa Italiana and published on the company's website.
During 2008 the Board of Directors allotted a total of 700,000 Phantom stock options to beneficiaries of this plan; the allotment value is 4.00 and the cash payment will be made in relation to the increase in the value of the De'Longhi stock.
Under the plan, 50% of the phantom stock options can be exercised (and so give right to receipt of the above payment) from 1 May 2010, while the remaining 50% can be exercised from 1 October 2011; the options must be exercised by 31 December 2012 at the very latest.
The fair value of options is measured using mathematical financial models, which take account of the terms and conditions of granting the options.
The cost of adopting this Phantom Stock Option Plan has had an immaterial impact on the consolidated financial statements at 31 December 2009.

The long-term benefits refer to a Long-Term-Incentive Cash plan for the De'Longhi Group's top management and key people, aimed at retaining these resources within the group by focusing their efforts on medium/long-term success factors, and at improving the competitiveness of their remuneration with respect to the market in general.
The plan, approved in 2007 along with the regulations governing its operation, provides for a cash incentive, payable at different times and conditional upon:
- continued employment within the group;
- the achievement of performance objectives, based on EBITDA in the period 2007-2009. These performance objectives also called for the achievement of a target level of net working capital turnover at 31 December 2009.

As allowed in the plan regulations, the incentive associated with continued employment was partially paid in 2009 (one-third of the plan incentive in this regard); the remainder is due to be paid in 2010 (in April and December 2010).

As for the performance-related part of the incentive, the EBITDA objectives were only partially achieved, while the balance-sheet objective was far exceeded, with net working capital turnover considerably better than target.

Although the group's results in the three-year reference period were lower than those required in the plan, there were positive taken as a whole, also in view of the particularly difficult global economic context in which they were achieved. In light of this, the Compensation Committee of De'Longhi S.p.A. submitted a proposal to the company's Board of Directors, which duly approved it, to pay part of the incentives envisaged by the plan, on the established dates in April and December 2010.

30. Other provisions

These are detailed as follows:

	31.12.2009	31.12.2008	Change
Agents' leaving indemnity provision and other retirement provisions	6,515	7,271	(756)
Product warranty provision	18,182	14,991	3,191
Provisions for contingencies and other charges	13,020	13,406	(386)
Total non-current provisions for contingencies and other charges	**37,717**	**35,668**	**2,049**

Movements are as follows:

	31.12.2008	Utilization	Increases	Other	31.12.2009
Agents' leaving indemnity provision	7,271	(1,248)	813	(321)	6,515
Product warranty provision	14,991	(11,092)	14,007	276	18,182
Provisions for contingencies and other charges (*)	13,406	(6,900)	6,744	(230)	13,020
Total	**35,668**	**(19,240)**	**21,564**	**(275)**	**37,717**

(*) The increase in these provisions includes €1,057 thousand recognized in payroll costs.

The agents' leaving indemnity provision covers the payments that might be due to departing agents in accordance with article 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 2009. 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 for uninsured liabilities arising from product complaints (limited to policy deductibles) of €3,214 thousand (€2,372 thousand at 31 December 2008);
- the provision of €3,895 thousand for restructuring and reorganization in Italy and abroad (€3,592 thousand at 31 December 2008);
- provisions of €5,912 thousand by the parent company and certain subsidiaries against various contingencies and liabilities relating to legal disputes.

Current liabilities

31. Trade payables

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

Trade payables are broken down by geographical area as follows:

Geographical area	31.12.2009	%	31.12.2008	%
Italy	127,397	43.8%	138,618	48.4%
United Kingdom	8,232	2.8%	9,056	3.2%
Rest of Europe	60,847	20.9%	64,532	22.5%
United States, Canada, Mexico	5,740	2.0%	5,702	2.0%
Rest of the world	88,857	30.5%	68,269	23.9%
Total	**291,073**	**100.0%**	**286,177**	**100.0%**

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

32. Current tax liabilities

These are broken down as follows:

	31.12.2009	31.12.2008	Change
Direct taxes	12,793	10,770	2,023
Indirect taxes	8,752	4,971	3,781
Withholdings payable	5,377	5,014	363
Other taxes	7,875	9,747	(1,872)
Total current tax liabilities	**34,797**	**30,502**	**4,295**

Tax liabilities due beyond 12 months amount to €16 thousand at 31 December 2009 (€2,528 thousand at 31 December 2008).

33. Other payables

These are broken down as follows:

	31.12.2009	31.12.2008	Change
Employees	23,854	23,632	222
Social security institutions	8,010	6,699	1,311
Advances	2,354	2,343	11
Other	18,311	19,969	(1,658)
Total other payables	**52,529**	**52,643**	**(114)**

34. Commitments

These are broken down as follows:

	31.12.2009	31.12.2008	Change
Guarantees given to third parties	769	537	232
Other commitments	3,605	6,918	(3,313)
Total commitments	**4,374**	**7,455**	**(3,081)**

"Other commitments" mainly consist of €2.0 million in contractual obligations by the subsidiary De'Longhi America Inc..

In addition, further to the merger of Ariete S.p.A. into De'Longhi Appliances S.r.l., a total of €60.0 million in sureties have been issued to guarantee creditor balances reported in the financial statements of these companies, falling due on 16 February 2010.

35. 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.

Explanatory notes

		Assets		
31.12.2009	**Book value**	**Loans and receivables**	**Available for sale**	**Derivatives**
Non-current assets				
- Equity investments (other)	**671**		671	
- Receivables	**1,894**	1,894		
- Other non-current financial assets	**101**		101	
Current assets				
- Trade receivables	**351,879**	351,879		
- Current tax assets	**18,529**	18,529		
- Other receivables	**15,344**	15,344		
- Current financial receivables and assets	**13,886**	8,633	44	5,209
- Cash and cash equivalents	**123,954**	123,954		

		Liabilities	
31.12.2009	**Book value**	**Loans**	**Derivatives**
Non-current liabilities			
- Bank loans and borrowings (long-term portion)	**(96,276)**	(96,276)	
- Other financial payables (long-term portion)	**(16,818)**	(16,818)	
Current liabilities			
- Trade payables	**(291,073)**	(291,073)	
- Bank loans and borrowings (short-term portion)	**(124,009)**	(124,009)	
- Other financial payables (short-term portion)	**(17,964)**	(16,714)	(1,250)
- Current tax liabilities	**(34,797)**	(34,797)	
- Other payables	**(52,529)**	(52,529)	

		Assets		
31.12.2008	**Book value**	**Loans and receivables**	**Available for sale**	**Derivatives**
Non-current assets				
- Equity investments (other)	**714**		714	
- Receivables	**1,623**	1,623		
- Other non-current financial assets	**2,567**	2,500	67	
Current assets				
- Trade receivables	**367,180**	367,180		
- Current tax assets	**17,174**	17,174		
- Other receivables	**20,842**	20,842		
- Current financial receivables and assets	**18,203**	6,499	44	11,660
- Cash and cash equivalents	**109,162**	109,162		

31.12.2008	Book value	Liabilities Loans	Derivatives
Non-current liabilities			
- Bank loans and borrowings (long-term portion)	**(143,514)**	(143,514)	
- Other financial payables (long-term portion)	**(17,775)**	(17,775)	
Current liabilities			
- Trade payables	**(286,177)**	(286,177)	
- Bank loans and borrowings (short-term portion)	**(197,350)**	(197,350)	
- Other financial payables (short-term portion)	**(17,753)**	(14,856)	(2,897)
- Current tax liabilities	**(30,502)**	(30,502)	
- Other payables	**(52,643)**	(52,643)	

36. 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 2009. As required by IFRS 7, the hierarchy comprises the following levels:

- level 1: quoted prices in active markets for identical assets or liabilities;
- level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly;
- level 3: inputs for the asset or liability that are not based on observable market data.

Financial instruments measured at fair value	Level 1	Level 2	Level 3
Derivatives:			
- derivatives with positive fair value	-	5,213	-
- derivatives with negative fair value	-	(1,253)	-
Available-for-sale financial assets:			
- other non-current financial assets	33	-	-

There were no transfers between the levels during the year.

37. 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 payables;
- 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 goal of insuring against the risk of default by a number 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 historic 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, which is €375,199 thousand at 31 December 2009 (€386,189 thousand at 31 December 2008).

This amount corresponds to the gross balance of trade receivables of €396,537 thousand at 31 December 2009 (€422,704 thousand at 31 December 2008), net of deductions and accounting offsets, which reduce the overall credit risk, mainly in relation to 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 €396,537 thousand at 31 December 2009 comprise €317,077 thousand in current balances and €79,460 thousand in past due amounts, of which €51,810 thousand past due by less than 90 days and €27,650 thousand past due by more than 90 days.

The amount of insured or guaranteed receivables at 31 December 2009 is €174,623 thousand, of which €154,339 thousand is current, €17,337 thousand past due by less than 90 days and €2,948 thousand past due by more than 90 days.

The group has recognized €23,320 thousand in allowances for doubtful accounts against €221,914 thousand in unguaranteed receivables (of which €34,474 thousand past due by less than 90 days and €24,702 thousand past due by more than 90 days).

Trade receivables of €422,704 thousand at 31 December 2008 comprised €344,818 thousand in current balances and €77,886 thousand in past due amounts, of which €50,202 thousand past due by less than 90 days and €27,684 thousand past due by more than 90 days.

The amount of insured or guaranteed receivables at 31 December 2008 was €193,337 thousand, of which €165,656 thousand was current, €21,426 thousand past due by less than 90 days and €6,255 thousand past due by more than

90 days.
The group's allowance for doubtful accounts against unguaranteed receivables, which amounted to €229,368 thousand (of which €28,777 thousand past due by less than 90 days and €21,429 thousand past due by more than 90 days) was €19,009 thousand at this date.

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 35. 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 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 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 35 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 2009 and 31 December 2008 on the basis of undiscounted contractual payments. The group's financial assets and derivatives are all short term at these dates.

	Undiscounted cash flows at 31.12.2009	Within one year	One to five years	Beyond five years	Undiscounted cash flows at 31.12.2008	Within one year	One to five years	Beyond five years
Bank loans and borrowings (*)	(226,926)	(126,683)	(99,809)	(433)	(360,891)	(205,403)	(151,623)	(3,865)
Other financial payables (**)	(37,075)	(18,781)	(16,245)	(2,049)	(39,921)	(17,364)	(17,290)	(5,267)
Trade payables	(291,073)	(291,073)			(286,177)	(286,177)	-	-
Current tax liabilities and other payables (***)	(87,326)	(87,033)	(8)	(285)	(83,310)	(80,731)	(2,579)	-

(*) The corresponding balance in the accounts is €220,284 thousand at 31 December 2009 and €340,864 thousand at 31 December 2008, which refers to long-term loans inclusive of the short-term portion.
(**) The corresponding balance in the accounts is €34,782 thousand at 31 December 2009 and €35,528 thousand at 31 December 2008, which refers to the long-term payables (inclusive of the short-term portion) relating to finance leases and Ministry of Industry loans.
(***) The corresponding balance in the accounts is €83,145 thousand at 31 December 2008.

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 balance sheet 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 two 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.
The principal currencies to which the group is exposed are:
- the US dollar (mainly the EUR/USD and GBP/USD exchange rates), being the currency in which a significant part of the cost of raw materials, parts and finished products is denominated;
- the British pound (EUR/GBP exchange rate), for sales on the UK market;
- the Japanese yen (EUR/JPY exchange rate), for sales on the Japanese market.

Instruments used: highly liquid instruments of a non-speculative nature are used, mostly forward purchase/sale agreements and call and put options. The counterparties to such transactions are leading institutions of high international repute.

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.

Outstanding transactions at 31 December 2009

A list of outstanding currency derivatives at 31 December 2009 is provided below:

- Forward agreements to hedge 2010 budget:

	Notional amount			Fair value (in Euro)	
Currency	**Purchases**	**Sales**	**Total**	**Asset**	**Liability**
USD/EUR (*)	(220,627,400)	5,100,000	(215,527,400)	3,052,570	(1,177)
USD/GBP	(60,000,000)	-	(60,000,000)	1,623,199	-
Total				**4,675,769**	**(1,177)**

(*) This figure includes the positive fair value of €71 thousand of certain agreements, which have been recognized in profit or loss in 2009 in accordance with IAS 39.

A positive cash flow hedge reserve of €3,311 thousand has been recorded in net equity at 31 December 2009 in relation to these hedges, after €1,262 thousand in related tax; this same reserve was a negative €488 thousand at 31 December 2008, after the related tax of €197 thousand.

During 2009 the group reversed to the income statement a net amount of €488 thousand (net of €197 thousand in tax) from the cash flow hedge reserve at 31 December 2008.
This amount was reported in the following lines of the income statement:

	2009	**2008**
Increase (reduction) in revenues	524	260
(Increase) reduction in materials consumed	57	(7,866)
Financial income (expenses)	104	-
Taxes	(197)	2,089
Total recognized in income statement	**488**	**(5,517)**

Hedges against foreign currency receivables and payables:

	Notional amount			Fair value (in Euro)	
Currency	**Purchases**	**Sales**	**Total**	**Asset**	**Liability**
AUD/EUR	(1,729,100)	23,477,021	21,747,921	3,587	(176,757)
AUD/GBP	-	6,527,000	6,527,000	-	(40,835)
CAD/EUR	(1,015,700)	14,265,600	13,249,900	-	(43,128)
CHF/EUR	(1,028,300)	2,820,036	1,791,736	1,656	(16,335)
CHF/GBP	(1,151,400)	1,759,400	608,000	-	(6,717)
CHF/JPY	(1,282,000)	-	(1,282,000)	24,309	-
CZK/EUR	(7,682,300)	46,918,200	39,235,900	7,123	(1,122)
CZK/GBP	-	11,302,700	11,302,700	4,390	-
DKK/GBP	(1,668,600)	1,689,700	21,100	524	(948)
EUR/AUD	(744,660)	-	(744,660)	-	(13,362)
EUR/CNY	(518,400)	-	(518,400)	-	(2,709)
EUR/HKD	(3,054,000)	-	(3,054,000)	-	(10,579)
GBP/EUR	(2,400,700)	37,362,598	34,961,898	40,733	(540,318)
HKD/EUR	(1,307,400)	1,215,000	(92,400)	627	(675)
HUF/EUR	-	248,069,500	248,069,500	-	(22,105)
JPY/EUR	(357,410,900)	1,155,008,800	797,597,900	231,423	(25,648)
NOK/EUR	-	6,426,000	6,426,000	-	(8,558)
NOK/GBP	(704,000)	6,296,500	5,592,500	-	(3,690)
NZD/EUR	(347,600)	1,807,100	1,459,500	2,087	(18,424)
NZD/GBP	(360,600)	1,880,000	1,519,400	-	(22,484)
PLN/EUR	-	19,823,700	19,823,700	-	(98,909)
PLN/GBP	-	1,651,900	1,651,900	-	(5,958)
TRY/EUR	-	9,713,400	9,713,400	-	(91,076)
USD/AUD	(1,804,000)	-	(1,804,000)	3,635	-
USD/CAD	-	1,374,000	1,374,000	8,336	-
USD/EUR	(3,374,100)	26,069,602	22,695,502	49,686	(38,705)
USD/GBP	-	22,520,100	22,520,100	145,813	-
USD/JPY	(518,000)	-	(518,000)	10,083	-
USD/NZD	(660,302)	-	(660,302)	3,062	-
ZAR/EUR	-	12,553,640	12,553,640	-	(63,119)
				537,074	**(1,252,161)**

Derivatives that hedge cash flow are treated in accordance with hedge accounting since they meet the requirements stipulated by IAS 39. Derivatives that hedge payables and receivables in currency are reported as financial assets and liabilities held for trading with changes in their fair value through profit or loss. These instruments offset the risk on the hedged item (already recorded in the financial statements).

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 balance sheet amounts at 31 December 2009:

(a) the risk associated with future expected revenues/costs (as estimated in budgets and/or long-term plans) is countered by related hedges at 31 December 2009, 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 principal exposed currency (the USD) is estimated to produce a change of around +/- €9.6 million before tax (+/- €4.4 million before tax at 31 December 2008). This amount would affect the income statement only in the year in which the hedged revenues/costs are reported in income;

(b) as for the risk associated with balance sheet amounts expressed in foreign currency, the estimate looks at 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 produced by the hedged items. A +/- 5% change in year-end exchange rates of the principal exposed currencies (USD, GBP and EUR) against the principal functional currencies would produce a change in fair value of around +/-€1.1 million before tax (+/- €3.1 million before tax at 31 December 2008).

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.

All of the group's financial debt at 31 December 2009 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 pre-set the maximum cost (in terms of the interbank rate, which represents the benchmark for these borrowings) for a part of the debt.

Outstanding transactions at 31 December 2009

There were no interest rate hedges at 31 December 2009.

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 have been considered and not any others (meaning a total net liability of €115.0 million out of a total of €117.1 million at 31 December 2009 and a total net liability in 2008 of €253.7 million out of a total of €246.5 million).

The group's debt is currently all at a floating rate and so, in the absence of hedges, 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 produce €1.1 million in more/less pre-tax financial expenses respectively at 31 December 2009 reported through the income statement (+/- €2.5 million before tax at 31 December 2008).

38. Tax position

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

De'Longhi S.p.A.

A general tax audit for tax year 2005 by the tax police's Treviso division.

The preliminary notice of findings was issued on 16 September 2008, in respect of which the company has not made the election under art. 5 *bis* of Decree 218 dated 19 June 1997, as amended by art. 83 par. 18 of Decree 112 dated 25 June 2008.

The company has stated that it will appeal before the competent bodies against the findings contained in the preliminary notice, although the tax authorities have not yet issued any notice of assessment.

Ariete S.p.A.

A tax audit for tax years 2003 and 2004 by the Tuscany regional tax office.

A preliminary notice of findings was issued on 14 June 2006. All the matters regarding direct taxes have now been settled. The related cost has already been reflected in the financial statements.

As regards the VAT findings, since no agreement was reached with the Prato tax office, the company presented an appeal to the Prato Provincial Tax Commission, which ruled in the company's favour on 8 July 2008. The Prato provincial tax office has not accepted this ruling and presented an appeal on 30 September 2009.

DL Radiators S.p.A.

A general tax audit for tax year 2005 by the Treviso tax office.

A preliminary notice of findings was issued on 18 December 2008; the company has not made the election under art. 5 *bis* of Decree 218 dated 19 June 1997, as amended by art. 83 par.18 of Decree 112 dated 25 June 2008.

The company has stated that it will demonstrate before the competent bodies that these findings are unfounded, although the tax authorities have not yet issued any notice of assessment.

Climaveneta S.p.A.

A general tax audit for tax year 2005 by the Treviso tax office.

A preliminary notice of findings was issued on 31 December 2008; the company has not made the election under art. 5 *bis* of Decree 218 dated 19 June 1997, as amended by art. 83 par.18 of Decree 112 dated 25 June 2008.

A tax audit for tax years 2007 and 2008 by the Treviso customs office, relating to proper compliance with the obligations under European Community law as introduced in Law 427/93. The preliminary notice of findings was issued on 23 February 2010, in respect of which the company has not made the election under art. 5-bis of Decree 218 dated 19 June 1997, as amended by art.83 par.18 of Decree 112 dated 25 June 2008.

In both cases the company has stated that it will appeal before the competent bodies against the findings contained in the preliminary notices, although the tax authorities have not yet issued any notice of assessment.

Fisher & Paykel Appliances S.p.A. (ex Elba S.p.A.)
A general tax audit for tax year 2005 by the Montebelluna (Treviso) tax office.
A preliminary notice of findings was issued on 23 December 2008.
The company inspected is no longer part of the De'Longhi Group, having been sold to third parties in 2006. However, in the year audited Elba S.p.A was a member of the De'Longhi tax group for income tax and VAT purposes headed up by De'Longhi S.p.A..
As a result, De'Longhi S.p.A. could be called upon to respond within the direct and indirect extent and limits envisaged by prevailing law governing the functions and responsibilities of tax group heads.
On 17 February 2010 the Montebelluna tax office issued a notice to appear for the purposes of starting a process to settle the dispute in a friendly fashion.

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 has not made the election under art. 5 *bis* of Decree 218 dated 19 June 1997, as amended by art. 83 par.18 of Decree 112 dated 25 June 2008.
The tax auditors formally recorded on 23 December 2009 that they were suspending the audit for tax periods from 01/01/2008 to 29/05/2009 until 30 April 2010.
The company has stated that it will appeal before the competent bodies against the findings contained in the preliminary notice, although the tax authorities have not yet issued any notice of assessment.

De'Longhi Capital Services S.r.l.
Specific access for direct taxes relating to tax years 2004, 2005 and 2006 by the regional tax office for the Veneto.
A preliminary notice of findings was issued on 14 December 2009; the company has not made the election under art. 5 *bis* of Decree 218 dated 19 June 1997, as amended by art. 83 par.18 of Decree 112 dated 25 June 2008.
The company has stated that it will appeal before the competent bodies against the findings contained in the preliminary notice, although the tax authorities have not yet issued any notice of assessment.

Climaveneta Home System S.r.l.
General tax audit of tax year 2007 by the Treviso tax office.
The preliminary notice of findings was issued on 5 March 2010, in respect of which the company has not made the election under art. 5 *bis* of Decree 218 dated 19 June 1997, as amended by art. 83 par. 18 of Decree 112 dated 25 June 2008.

The company has stated that it will appeal before the competent bodies against the findings contained in the preliminary notice, although the tax authorities have not yet issued any notice of assessment

Kenwood Appliances Ltd. and Kenwood Ltd.
An audit of the tax returns for 2004 and 2005.

These disputes were settled in 2009 through written agreements with the UK tax authorities.
A number of points regarding 2006 and 2007 still remain open, especially in relation to the taxation in the United Kingdom of the dividends received by Italian companies.

De'Longhi-Kenwood Gmbh
Audit by the competent tax authorities of tax years 2004 to 2007.
This audit concluded in 2009 with the signing of an agreement with the local tax authorities.

39. Transactions and balances with related parties

Appendix 2 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. All transactions have fallen within the group's normal operations and have been 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.

40. Operating segments

Information relating to operating segments is presented below:

Income statement data

	31.12.2009				
	Household	Professional	Corporate	Eliminations	Consolidated total
Total revenues	1,077,045	333,976	12,332	(19,286)	1,404,067
EBITDA	**113,397**	**24,326**	**(7,877)**	**59**	**129,905**
Amortization and depreciation	(27,255)	(9,540)	(673)	-	(37,468)
EBIT	**86,141**	**14,786**	**(8,549)**	**59**	**92,437**
Financial income (expenses)					(35,263)
Profit (loss) before taxes					**57,175**
Taxes					(24,394)
Profit (loss) after taxes					**32,781**
Profit (loss) pertaining to minority interests					424
Profit (loss) for the year					**32,357**

Balance sheet data (31 December 2009)

	Household	Professional	Corporate	Eliminations	Consolidated total
Total assets	926,927	487,271	172,192	(172,713)	1,413,677
Total liabilities	(334,243)	(387,775)	(175,674)	172,548	(725,154)

Income statement data

	31.12.2008				
	Household	Professional	Corporate	Eliminations	Consolidated total
Total revenues	1,136,849	411,204	17,334	(31,986)	1,533,401
EBITDA	**111,796**	**35,253**	**16,573**	**(682)**	**162,941**
Amortization and depreciation	(33,082)	(15,924)	(2,683)	-	(51,689)
EBIT	**78,714**	**19,330**	**13,890**	**(682)**	**111,252**
Financial income (expenses)					(52,607)
Profit (loss) before taxes					58,645
Taxes					(18,256)
Profit (loss) after taxes					**40,389**
Profit (loss) pertaining to minority interests					229
Profit (loss) for the year					**40,160**

Explanatory notes

Balance sheet data (31 December 2008)

	Household	Professional	Corporate	Eliminations	Consolidated total
Total assets	913,759	571,248	216,008	(205,355)	1,495,660
Total liabilities	(380,955)	(433,877)	(223,720)	205,167	(833,385)

The following table presents revenues and non-current assets by geographical area, as required by IFRS 8:

	2009		2008	
	Italy	Abroad	Italy	Abroad
Revenues	265,507	1,138,560	300,207	1,233,194
Non-current assets (*)	433,529	158,747	429,578	163,372

(*) Includes property, plant and equipment and intangible assets.

Note *1. Revenues* contains further details about revenues earned from abroad.

41. Subsequent events

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

Treviso, 12 March 2010

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 Transactions and balances with related parties:
   a) Income statement and balance sheet
   b) Summary by company
3 Emoluments of directors and statutory auditors.
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

List of consolidated companies

Company name	Registered office	Currency	Share capital (1)	Interest held at 31.12.2009	
				Directly	Indirectly
LINE-BY-LINE METHOD:					
DE'LONGHI APPLIANCES S.R.L.	Treviso	EUR	200,000,000,00	100%	
DE'LONGHI AMERICA INC.	Saddle Brook	USD	9,100,000,00		100%
DE'LONGHI FRANCE S.A.R.L.	Clichè	EUR	2,737,500,00		100%
DE'LONGHI CANADA INC.	Mississauga	CAD	1,00		100%
DE'LONGHI DEUTSCHLAND GMBH	Seligenstadt	EUR	2,100,000,00		100%
DE'LONGHI ELECTRODOMESTICOS ESPANA S.L.U.	Barcelona	EUR	5,510,000,00		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 NEDERLAND B.V.	Breda	EUR	226,890,00		100%
DL TRADING LIMITED	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	55,112,118,00		100%
DONG GUAN DE'LONGHI-KENWOOD APPLIANCES CO.LTD.	Qing Xi Town	CNY	13,940,020,00		100%
CLIMAVENETA S.P.A.	Treviso	EUR	10,000,000,00		100%
CLIMAVENETA DEUTSCHLAND GMBH	Nordstedt	EUR	306,775,00		100%
CLIMAVENETA FRANCE SASU	Epone	EUR	150,000,00		100%
DE'LONGHI HOUSEHOLD S.A.	Luxembourg	EUR	181,730,990,00	100%	
DE'LONGHI JAPAN CORPORATION	Tokyo	JPY	50,000,000,00		100%
DL RADIATORS S.P.A.	Treviso	EUR	5,000,000,00		100%
DE'LONGHI CLIMA POLSKA SP.ZO.O	Warsaw	PLN	597,000,00		100%
Company controlled through nominee company (3)	Nuremberg	EUR	26,000,00		100%
DL RADIATORS FRANCE S.A.R.L.	Paris	EUR	150,000,00		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%
CLIMAVENETA HOME SYSTEM S.R.L.	Treviso	EUR	5,000,000,00		100%
ALABUGA INTERNATIONAL S.A.	Luxembourg	EUR	200,000,00	0.05%	99.95%
ZASS ALABUGA LLC	Elabuga	RUB	95,242,767,00		100%
DE'LONGHI LLC	Elabuga	RUB	6,000,000,00		100%
DL TRADING (SHENZEN) COMPANY CO. LTD.	Shenzen	CNY	USD 1,543,000		100%
KENWOOD APPLIANCES LTD.	Havant	GBP	30,586,001,00		100%
KENWOOD APPLIANCES LUXEMBOURG S.A.	Luxembourg	EUR	1,000,000,00		100%
KENWOOD LIMITED	Havant	GBP	25,050,000,00		100%
KENWOOD INTERNATIONAL LTD.	Havant	GBP	20,000,000,00		100%

Company name	Registered office	Currency	Share capital (1)	Interest held at 31.12.2009 Directly	Indirectly
KENWOOD APPL. (SINGAPORE) PTE LTD.	Singapore	SGD	500,000,00		100%
KENWOOD APPL. (MALAYSIA) SDN.BHD.	Petaling Jaya	MYR	3,00		100%
DE'LONGHI-KENWOOD GMBH	Wr Neudorf	EUR	36,336,00		100%
KENWOOD HOME APPL. PTY LTD.	Maraisburg	ZAR	40,000,00		100%
KENWOOD HELLAS SOLE PARTNER LTD. LIABILITY COMPANY	Athens	EUR	48,000,00		100%
ARIETE S.P.A.	Campi Bisenzio	EUR	8,272,000,00		100%
ARIETE HISPANIA S.L.	Madrid	EUR	3,066,00		100%
ARIETE HELLAS EPE	Athens	EUR	18,000,00		100%
ARIES LUSITANIA ELECTRODOMESTICOS LDA	Maia	EUR	5,000,00		100%
ARIETE DEUTSCHLAND GMBH	Dusseldorf	EUR	25,000,00		100%
ARIETE FRANCE ELECTROMENAGER SARL	Paris	EUR	30,000,00		100%
CLIM.RE. S.A.	Luxembourg	EUR	1,239,468,00	4%	96%
DL PROFESSIONAL S.A.	Luxembourg	EUR	30,205,000,00	99.95%	0.05%
R.C. GROUP S.P.A.	Valle Salimbene	EUR	10,680,000,00		100%
R.C. LUX S.A.	Luxembourg	EUR	6,959,773,00		100%
ELLE SRL	Treviso	EUR	10,000,00		100%
DE'LONGHI BOSPHORUS EV ALETLERI TICARET ANONIM SIRKETI	Istanbul	TRY	3,700,000,00		100%
DE'LONGHI PRAGA S.RO	Prague	CZK	200,000,00		100%
TOP CLIMA S.L. (5)	Barcelona	EUR	1,606,000,00		100%
SOMORA ASESORES SL (5)	Barcelona	EUR	303,005,00		100%
SATER MANTENIMIENTO SL (5)	Madrid	EUR	250,000,00		99.99%
KENWOOD SWISS	Baar	CHF	1,000,000,00		100%
DL HRVATSKA D.O.O.	Zagreb	HRD	370,000,00		100%
DE'LONGHI BRASIL - COMÉRCIO E IMPORTAÇÃO Ltda	São Paulo	BRL	4,842,340,00		100%
GS LUX S.A.	Luxembourg	EUR	377,000,00		100%
FOSHAN RC AIR CONDITIONING R.E. CO. LTD.	Foshan City	CNY	9,159,370,00		100%
DE'LONGHI POLSKA SP. Z.O.O.	Warsaw	PLN	50,000		100%
CLIMAVENETA POLSKA SP. ZO.O	Legionowo	PLN	1,700,000		80.88%
DE'LONGHI LTD.	Wellingborough	GBP	4,000,000,00		100%

Proportionate method:

Company name	Registered office	Currency	Share capital (1)	Interest held at 31.12.2009 Directly	Indirectly
CHAT UNION CLIMAVENETA COMPANY LTD.	Hong Kong	HKD	10,000		50%
CLIMAVENETA CHAT UNION REFRIGERATION EQUIPMENT (SHANGAI) CO.LTD.	Shangai	CNY	USD 2,500,000		50%
CLIMAVENETA CHAT UNION TRADING (SHANGAI) CO.LTD.	Shangai	CNY	USD 600,000		50%
DL-TCL HOLDINGS (HK) LTD.	Hong Kong	HKD	USD 5,000,000		50%
TCL-DE'LONGHI HOME APPLIANCES (ZHONGSHAN) CO.LTD.	Zhongshan	CNY	USD 5,000,000		50%
RC ASIA PACIFIC LTD	Hong Kong	HKD	20,000		50%
RC AIR CONDITIONING (BEIJING) LIMITED	Beijing	CNY	HKD 1,000,000		50%

Equity method

Company name	Registered office	Currency	Share capital (1)	Interest held at 31.12.2009 Directly	Indirectly
EQUITY METHOD:					
Associated companies:					
Effegici S.r.l. (4)	Gorgo al Monticano (TV)	EUR	244,400		25%

Other subsidiaries (in liquidation or dormant)

Company name	Registered office	Currency	SHARE CAPITAL
Subsidiary companies: (6)			
Kenwood Appliances Inc.	Wilmington	USD	25,000

(1) Figures at 31 December 2009, unless otherwise 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 Plc.
(3) A distributor of heating products in Germany, the interest in which is held through a nominee company. As permitted by law, we have omitted the company's name to protect its interests and those of the group.
(4) Figures at 31 December 2008.
(5) The 100% interest includes the put and call options for the purchase of the 35% minority stake, which can be exercised starting from 2011.
(6) Dormant companies, whose financial statements are unavailable.

Transactions and balances with related parties

Consolidated income statement
pursuant to CONSOB Resolution 15519 of 27 July 2006)

(€/000)	31.12.2009	of which with related parties	31.12.2008	of which with related parties
Revenues from sales and services	1,379,323	282	1,503,592	139
Other revenues	24,744	84	29,809	2
Total consolidated revenues	**1,404,067**		**1,533,401**	
Raw and ancillary materials, consumables and goods	(627,695)	(500)	(786,599)	(113)
Change in inventories of finished products and work in progress	(54,550)		3,073	
Change in inventories of raw and ancillary materials, consumables and goods	(15,034)		(6,958)	
Materials consumed	**(697,279)**		**(790,484)**	
Payroll costs	(186,733)		(190,347)	
Services and other operating expenses	(359,788)	(7,252)	(389,666)	(692)
Provisions	(30,361)		(22,424)	
Other income (expenses)	-		22,461	5,929
Amortization, depreciation and impairment	(37,468)		(51,689)	
EBIT	**92,438**		**111,252**	
Financial income (expenses)	(35,263)	4	(52,607)	4
PROFIT (LOSS) BEFORE TAXES	**57,175**		**58,645**	
Income taxes	(24,394)		(18,256)	
PROFIT (LOSS) AFTER TAXES	**32,781**		**40,389**	
Profit (loss) pertaining to minority interests	424		229	
PROFIT (LOSS) PERTAINING TO OWNERS OF THE PARENT	**32,357**		**40,160**	

Consolidated balance sheet
(pursuant to consob resolution 15519 of 27 july 2006)

Assets

(€/000)	31.12.2009	of which with related parties	31.12.2008	of which with related parties
NON-CURRENT ASSETS				
INTANGIBLE ASSETS	414,666		414,462	
- Goodwill	231,318		228,716	
- Other intangible assets	183,348		185,746	
PROPERTY, PLANT AND EQUIPMENT	177,609		178,488	
- Land, property, plant and machinery	132,384		135,768	
- Other tangible assets	45,225		42,720	
EQUITY INVESTMENTS AND OTHER FINANCIAL ASSETS	2,666		7,532	
- Equity investments (in associated companies)	-		2,628	
- Equity investments (in other companies)	671		714	
- Receivables	1,894		1,623	
- Other non-current financial assets	101		2,567	
DEFERRED TAX ASSETS	38,060		42,153	
TOTAL NON-CURRENT ASSETS	**633,001**		**642,635**	
CURRENT ASSETS				
INVENTORIES	257,084		320,464	
TRADE RECEIVABLES	351,879	164	367,180	820
CURRENT TAX ASSETS	18,529		17,174	
OTHER RECEIVABLES	15,344	-	20,842	420
CURRENT FINANCIAL RECEIVABLES AND ASSETS	13,886	78	18,203	74
CASH AND CASH EQUIVALENTS	123,954		109,162	
TOTAL CURRENT ASSETS	**780,676**		**853,025**	
TOTAL ASSETS	**1,413,677**		**1,495,660**	

Consolidated balance sheet
(pursuant to consob resolution 15519 of 27 july 2006)

Net equity and liabilities

(€/000)	31.12.2009	of which with related parties	31.12.2008	of which with related parties
NET EQUITY				
GROUP PORTION OF NET EQUITY	686,845		659,929	
- Share capital	448,500		448,500	
- Reserves	205,988		171,269	
- Profit (loss) pertaining to the group	32,357		40,160	
MINORITY INTERESTS	1,678		2,346	
TOTAL NET EQUITY	**688,523**		**662,275**	
NON-CURRENT LIABILITIES				
FINANCIAL PAYABLES	113,094		161,289	
- Bank loans and borrowings (long-term portion)	96,276		143,514	
- Other financial payables (long-term portion)	16,818		17,775	
DEFERRED TAX LIABILITIES	25,304		21,501	
NON-CURRENT PROVISIONS FOR CONTINGENCIES AND OTHER CHARGES	66,384		66,170	
- Employee benefits	28,667		30,502	
- Other provisions	37,717		35,668	
TOTAL NON-CURRENT LIABILITIES	**204,782**		**248,960**	
CURRENT LIABILITIES				
TRADE PAYABLES	291,073	270	286,177	448
FINANCIAL PAYABLES	141,973		215,103	
- Bank loans and borrowings (short-term portion)	124,009		197,350	
- Other financial payables (short-term portion)	17,964		17,753	
CURRENT TAX LIABILITIES	34,797		30,502	
OTHER PAYABLES	52,529		52,643	
TOTAL CURRENT LIABILITIES	**520,372**		**584,425**	
TOTAL NET EQUITY AND LIABILITIES	**1,413,677**		**1,495,660**	

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 transactions with related parties during 2009:

(€/million)	Revenues	Raw material and other costs	Trade, other and financial receivables	Trade payables
Associated companies: (1)				
Emer S.p.A.		(0.1)		
Related companies: (2)				
Max Information S.r.l.		(1.1)		(0.1)
Mokarabia S.p.A.	0.3	(0.4)		(0.2)
Gamma S.r.l.		(6.1)		
De'Longhi Holding S.A.			0.1	
Total related parties	**0.3**	**(7.7)**	**0.1**	**(0.3)**
TOTAL RELATED PARTIES	**0.3**	**(7.8)**	**0.1**	**(0.3)**

(1) After the interest in this company was sold, it is no longer an associated company at 31 December 2009.
(2) These mostly refer to dealings of a commercial nature.

Other than the above, there are no transactions with related parties except for the fees for professional services paid to the firm of Biscozzi Nobili.

In addition, the parent company De'Longhi S.p.A. recharged €0.7 million to Giuseppe De'Longhi (Chairman of the Board of Directors) during 2009 for the cost of services incurred.

The effects of the above transactions on the balance sheet and cash flow are not material.

Emoluments of directors and statutory auditors

(art. 78 of CONSOB Regulation approved in Resolution 11971 of 14 May 1999)

(€/000)

Name	Details of office held			Emoluments			
Name	Office held	Term in office	End of term	Emoluments of office	Benefits in kind	Bonuses and other incentives	Other emoluments
Giuseppe De'Longhi	Chairman	01.01.07/31.12.09	Approval annual report 2009	600			310 (1)
Fabio De'Longhi	Vice Chairman and Chief Executive Officer	01.01.07/31.12.09	Approval annual report 2009	760 (2)			78 14 (3)
Alberto Clò	Director	01.01.07/31.12.09	Approval annual report 2009	40			
Renato Corrada	Director	01.01.07/31.12.09	Approval annual report 2009	40			3 (4)
Silvia De'Longhi	Director	01.01.08/31.12.09	Approval annual report 2009	40			
Dario Melò	Director	15.07.09/31.12.09	Approval annual report 2009	20			729 10 (3)
Carlo Garavaglia	Director	01.01.07/15.07.09	15.07.2009	20			1 (4)
Giorgio Sandri	Director	01.01.07/31.12.09	Approval annual report 2009	40			
Silvio Sartori	Director	01.01.07/31.12.09	Approval annual report 2009	40			2 (4) 18 (1)
Giovanni Tamburi	Director	01.01.07/31.12.09	Approval annual report 2009	40			2 (4)
Gianluca Ponzellini	Chairman of the Board of Statutory Auditors	01.01.07/31.12.09	Approval annual report 2009	60			
Giuliano Saccardi	Standing member	01.01.07/31.12.09	Approval annual report 2009	40			
Massimo Lanfranchi	Standing member	01.01.07/31.12.09	Approval annual report 2009	40			
Key management personnel				1,993			

1) Emoluments relating to offices held in other subsidiaries.
2) The amount also includes remuneration received as an executive of De'Longhi S.p.A..
3) Emoluments relating to offices held in other subsidiaries transferable back to De'Longhi S.p.A..
4) Attendance fees relating to membership of the Compensation Committee and/or Internal Auditing and Corporate Governance Committee.

Carlo Garavaglia is a partner in the legal and tax firm of Biscozzi Nobili, which received €300 thousand in fees from the company during 2009.

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 2009
Auditing	PricewaterhouseCoopers S.p.A.	De'Longhi Spa (parent company)	226
	PricewaterhouseCoopers S.p.A.	Italian subsidiaries	476
	Network of parent company auditor	Foreign subsidiaries	910
Other services (*)	Network of parent company auditor	Foreign subsidiaries	496

(*)include due diligence, tax advice and other services

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 2009:

- 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 2009:

- 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 balance sheet, results of operations and financial position and of the group of companies included in the consolidation.

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

Fabio De'Longhi
Chief Executive Officer

Stefano Biella
Financial Reporting Officer

External auditors' report on the consolidated financial statements

AUDITORS' REPORT IN ACCORDANCE WITH ARTICLE N 156 OF LEGISLATIVE DECREE N 58 DATED 24 FEBRUARY 1998

To the shareholders of
De'Longhi SpA

1. We have audited the consolidated financial statements of De'Longhi SpA and its subsidiaries (De'Longhi Group) as of 31 December 2009, which comprise the income statement, the comprehensive statement of income, the balance sheet, the statement of changes in net equity, the cash flow statement and related explanatory notes. The directors of De'Longhi SpA are responsible for the preparation of these financial statements in compliance with the International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree n° 38/2005. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

2. We conducted our audit in accordance with the auditing standards and criteria recommended by CONSOB. Those standards and criteria require that we plan and perform the audit to obtain the necessary assurance about whether the consolidated financial statements are free of material misstatement and, taken as a whole, are presented fairly. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors. We believe that our audit provides a reasonable basis for our audit opinion.

   For the opinion on the consolidated financial statements of the prior period, the amounts of which are presented for comparative purposes and have been reclassified to reflect the changes to the financial statement presentation introduced by IAS 1, reference should be made to our report dated 3 April 2009.

3. In our opinion, the consolidated financial statements of De'Longhi Group as of 31 December 2009 comply with the International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree n° 38/2005; accordingly, they have been drawn up clearly and give a true and fair view

Sede legale e amministrativa: Milano 20149 Via Monte Rosa 91 Tel. 0277851 Fax 027785240 Cap. Soc. 3.754.400,00 Euro i.v., C.F. e P. IVA e Reg. Imp. Milano 12979880155 Iscritta al n. 43 dell'Albo Consob – Altri Uffici: **Bari** 70124 Via Don Luigi Guanella 17 Tel. 0805640211 – **Bologna Zola Predosa** 40069 Via Tevere 18 Tel. 0516186211 – **Brescia** 25123 Via Borgo Pietro Wuhrer 23 Tel. 0303697501 – **Firenze** 50121 Viale Gramsci 15 Tel. 0552482811 – **Genova** 16121 Piazza Dante 7 Tel. 01029041 – **Napoli** 80121 Piazza dei Martiri 58 Tel. 08136181 – **Padova** 35138 Via Vicenza 4 Tel. 049873481 – **Palermo** 90141 Via Marchese Ugo 60 Tel. 091349737 – **Parma** 43100 Viale Tanara 20/A Tel. 0521242848 – **Roma** 00154 Largo Fochetti 29 Tel. 06570251 – **Torino** 10129 Corso Montevecchio 37 Tel. 011556771 – **Trento** 38122 Via Grazioli 73 Tel. 0461237004 – **Treviso** 31100 Viale Felissent 90 Tel. 0422696911 – **Trieste** 34125 Via Cesare Battisti 18 Tel. 0403480781 – **Udine** 33100 Via Poscolle 43 Tel. 043225789 – **Verona** 37122 Corso Porta Nuova 125 Tel. 0458002561

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of the financial position, results of operations and cash flows of De'Longhi Group for the period then ended.

4 The directors of De'Longhi SpA are responsible for the preparation of the report on operations and corporate governance report and ownership structure in accordance with applicable laws and regulations. Our responsibility is to express an opinion on the consistency of the report on operations and of the information reported in compliance with paragraph 1, letters c), d), f), l), m) and paragraph 2, letter b) of article 123-bis of Italian Legislative Decree n° 58/1998, included in the corporate governance report and ownership structure, with the financial statements, 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 provided in compliance with paragraph 1, letters c), d), f), l), m) and paragraph 2, letter b) of article 123-bis of Italian Legislative Decree n° 58/1998 included in the corporate governance report and ownership structure are consistent with the consolidated financial statements of De'Longhi SpA as of 31 December 2009.

Treviso, 26 March 2010

PricewaterhouseCoopers SpA

Signed by

Roberto Adami
(Partner)

This report has been translated from the original which was issued in accordance with Italian legislation. We have not examined the translation of the financial statements referred to in this report.

Individual annual report and financial statements at 31 December 2009

Report on operations

Introduction

Following the property spin-off in 2008, the income statement figures for 2009 are not comparable with those of the prior year. The purpose of the spin-off was to "demerge" from the parent company the operations represented by its property-related assets and liabilities, basically associated with the management and maintenance of three industrial buildings let to other group companies. During the first eight months of 2008 the company provided holding company services, including management of the property portfolio; from September 2008 these holding company services no longer include property management.

Review of the balance sheet and income statement

Review of the income statement

The comparison between the two years has been affected by the property spin-off and subsequent sale of the related newco in 2008. The income statement for 2008 includes the results of property management services for the first eight months of the year.

(€/million)	2009	% of revenues	2008	% of revenues
Revenues	**5.9**	**100.0%**	**9.6**	**100.0%**
Change 2009/2008	*(3.7)*	*(38.5%)*		
Materials consumed & other production costs (production services and payroll costs)	(0.1)	(1.7%)	(0.1)	(1.0%)
Gross profit	**5.8**	**98.3%**	**9.5**	**99.0%**
Services & other expenses	(9.7)	(164.4%)	(11,0)	(114.6%)
Value added	**(3.9)**	**(66.1%)**	**(1.5)**	**(15.6%)**
Payroll (non-production)	(5.1)	(86.4%)	(5.5)	(57.3%)
Provisions	-	-	(0.2)	(2.1%)
EBITDA before non-recurring income/expenses	**(9.0)**	**(152.5%)**	**(7.2)**	**(75.0%)**
Change 2009/2008	*(1.8)*	*(25.0%)*		
Other non-recurring income (expenses)	(0.5)	(8.5%)	20.3	211.5%
EBITDA	**(9.5)**	**(161.0%)**	**13.1**	**136.5%**
Amortization and depreciation	-	-	(1.3)	(13.5%)
EBIT	**(9.5)**	**(161.0%)**	**11.8**	**122.9%**
Change 2009/2008	*(21.3)*	*(180.5%)*		
Financial income (expenses)	24.4	413.6%	12.0	125.0%
Profit (loss) before taxes	**14.9**	**252.5%**	**23.8**	**247.9%**
Taxes	(1.2)	(20.3%)	3.1	32.3%
Profit (loss) after taxes	**13.7**	**232.2%**	**26.9**	**280.2%**

The decrease in revenues includes €3.3 million for the absence of rental income (since September 2008) following the property spin-off. This is the same reason for the decrease in depreciation, calculated in 2008 on the value of the properties involved in the spin-off.

Since September 2008, the company has only performed holding company activities involving the management and provision of centralized services to its subsidiaries.

EBIT was a negative €9.5 million in 2009, having been positive in 2008 thanks to the net non-recurring income from gains on the property spin-off and subsequent sale of the related newco, and from the receipt of the insurance claim relating to the fire in 2007.

The result after taxes was a profit of €13.7 million (€26.9 million in 2008 primarily because of the aforementioned non-recurring income).

Review of the balance sheet and financial position

The reclassified balance sheet is summarized below.

(€/million)	31.12.2009	31.12.2008	Change	% change
- Property, plant and equipment	0.1	0.1	-	-
- Financial assets	601.7	601.7	-	-
- Deferred tax assets	6.9	9.3	(2.4)	(25.8%)
Non-current assets	**608.7**	**611.1**	**(2.4)**	**(0.4%)**
- Trade receivables	3.2	4.6	(1.4)	(30.4%)
- Trade payables	(3.3)	(5.3)	2.0	37.7%
- Other current assets (liabilities)	6.5	4.2	2.3	54.8%
Net working capital	**6.4**	**3.5**	**2.9**	**82.9%**
Total non-current liabilities and provisions	(6.0)	(8.9)	2.9	32.6%
Net capital employed	**609.1**	**605.7**	**3.4**	**0.6%**
Net financial position	**67.3**	**68.6**	**(1.3)**	**(1.9%)**
Total net equity	**541.8**	**537.1**	**4.7**	**0.9%**

The cash flow statement can be summarized as follows:

(€/million)	2009	2008
Cash flow generated (absorbed) by current operations	(12.9)	(21.7)
Cash flow generated (absorbed) by other changes in working capital	(4.0)	10.4
Cash flow generated (absorbed) by current operations and changes in net working capital	**(16.9)**	**(11.3)**
Cash flow generated (absorbed) by ordinary investment activities	27.2	22.7
Cash flow generated (absorbed) by operating activities	**10.3**	**11.4**
Non-recurring cash flow (*)	-	105.8
Cash flow generated (absorbed) by changes in equity accounts	(9.0)	(9.0)
Cash flow for the period	**1.3**	**108.2**
Opening net financial position	(68.6)	(176.8)
Closing net financial position	**(67.3)**	**(68.6)**

(*) Includes for 2008 the cash flow generated by spin-offs and receipt of the insurance claim.

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

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

(€/000)	Net equity 31.12.2009	Profit for year 2009	Net equity 31.12.2008	Profit for year 2008
De'Longhi S.p.A. financial statements	**541,831**	**13,748**	**537,053**	**26,936**
Share of subsidiaries' equity and results for period attributable to the group, after deducting carrying value of the investments	26,466	10,898	19,466	23,461
Allocation of goodwill arising on consolidation and related amortization and reversal of goodwill recognized for statutory purposes	141,342	(2,130)	137,310	(7,745)
Elimination of intercompany profits	(19,948)	9,929	(30,164)	(2,934)
Other adjustments	(1,168)	336	(1,390)	671
Consolidated financial statements	**688,523**	**32,781**	**662,275**	**40,389**
Minority interests	(1,678)	(424)	(2,346)	(229)
Group portion	**686,845**	**32,357**	**659,929**	**40,160**

Compliance with personal data protection laws

As the party responsible for personal data use, De'Longhi S.p.A. declares that it has updated its Personal Data Protection Plan for De'Longhi S.p.A. in compliance with Decree 196 of 30 June 2003.

Human resources and organization

The company had 36 employees at 31 December 2009 (38 at 31 December 2008).

The following table summarizes the average number of employees during 2009 compared with 2008:

	2009	%	2008	%	Difference
Blue collar	-	-	1	2%	(1)
White collar	26	72%	31	72%	(5)
Executives	10	28%	11	26%	(1)
Total	**36**	**100%**	**43**	**100%**	**(7)**

Code of conduct and environment

De'Longhi is a full member of the European Committee of Domestic Equipment Manufacturers (CECED) and has adopted its Code of Conduct under which it has committed to comply with all applicable environmental regulations wherever it operates.
The company's intention has been communicated to all stakeholders by the Board of Directors in the Ethical Code adopted in 2003, point 7 of whose specific principles ("Environmental protection") states: *"The company's business is based on the principle of safeguarding the environment and public health, in compliance with specific applicable regulations."*

In terms of environmental protection and workplace safety, a Safety and Environment Committee was set up in 2009, whose members include the Managers of the Prevention and Protection Services at all the group's Italian companies. Depending on the topic of discussion, committee meetings are also attended by the heads of the various company functions and the doctors responsible for the principal organizational units.

The mission of the Safety and Environment Committee is to continuously discuss and agree technical solutions, procedures, processes, experience and best practice in general with the aim of:

- further reducing accidents in every form and of protecting the external environment, by ensuring that solutions adopted by the group's various companies comply with applicable legislation;
- presenting management/employers of the various companies with plans to comply with the various laws and/or regulations as they apply, measures aimed at raising safety standards and respect for the environment, training programmes, and standardized operating procedures in general.

Principal risks and uncertainties facing the company

The principal risks and uncertainties facing the company are described below.

Macroeconomic risk

The company's results of operations, balance sheet and financial position are also affected by macroeconomic trends. The economic forecasts (Source: Bank of Italy) indicate about 2% growth in GDP for the advanced economies as a whole, a relatively modest rate compared with previous upturns. In contrast, China, India and Brazil should continue to grow fast, driven by strong domestic demand.
Certain elements of weakness could affect recovery in the advanced economies. The expansionary impact of fiscal stimuli should recede in the second half of the year, while uncertainty in the jobs markets could mean that consumption fails to fuel the recovery.

The outlook therefore remains very uncertain; if this situation should protract considerably, the company's strategies and outlook could be affected with a consequent impact on its financial and economic performance.

Interest rate and exchange rate risks

Transaction 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 balance sheet from such fluctuations, the company adopts a suitable hedging policy that eschews speculative ends; hedging is carried out centrally by a special team on the basis of information obtained from a detailed reporting system, using instruments and policies that comply with international accounting standards. The purpose of hedging is to protect the future revenues/costs contained in budgets and/or long-term plans and trade and financial receivables/payables.

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.
All of the company's financial debt at 31 December 2009 was at floating rates following the decision to obtain the maximum benefit from the downward trend in interest rates.

Any increase in interest rates could have a negative impact on the company's economic and financial performance; to date, rates have nonetheless followed a declining trend, which is not expected to reverse in 2010.

Financial market risks

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 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 uses specific policies and procedures for the purposes of monitoring and managing this risk, including the centralized management of financial payables and cash, the raising of medium and long-term finance on capital markets and the obtaining of short-term credit lines such as to ensure 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.

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.

Corporate governance and ownership structure

The company has adopted and complies with the Code of Conduct for Listed Companies, published in March 2006 (the "Code").
In compliance with applicable laws and regulations, as well as the Italian stockmarket's Regulations, the group prepares an annual Corporate Governance Report, 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* par. 2 of CONSOB Regulation 11971/99, and on adoption of the Code and observance of the related undertakings.
This report, prepared in the "Borsa Italiana edition II" format (February 2010), is available at www.delonghi.com, in the section "Corporate → Investor Relations → Governance → Corporate documentation".

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

Direction and Co-ordination

De'Longhi S.p.A. is not under the direction and co-ordination of its parent De' Longhi Soparfi 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 own subsidiaries.
In compliance with the Code of Conduct's principles, transactions of particular importance strategically, or for the balance sheet, results and financial position of the De'Longhi Group must be examined and approved solely by the Board of Directors of the issuer De'Longhi S.p.A., which contains three directors qualifying as non-executive and independent, based on the guidelines established by the Code's article 3.
It should nonetheless be noted – as communicated to the issuer – that the business purpose of the parent De'Longhi Soparfi S.A., contained in its articles of association, forbids it from interfering in the management of any of the companies in which it has an interest.

Board of Directors

The Board of Directors currently in office was appointed by the shareholders' meeting of 18 April 2007 (except for one director who was appointed by the shareholders' meeting of 22 April 2008), which set the total number of directors at nine. This Board will end its term in office at the shareholders' meeting called to approve the annual report at 31 December 2009.
The director Carlo Garavaglia resigned during 2009, after which the Board appointed Dario Melò in his place in accordance with art. 2386 par. 1 of the Italian Civil Code.
In compliance with art. 147-ter of Italy's Financial Markets Consolidation Act, the articles of association of De'Longhi S.p.A. establish that the Board of Directors is elected using a list voting mechanism, with one director elected from the list obtaining the second highest number of votes (the other members all being taken from the majority list). 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.

Since its meeting on 1 March 2007 the Board of Directors of De'Longhi S.p.A. has adopted a series of resolutions designed to implement the principles contained in the Code, with such resolutions duly implemented during 2007. Details of these resolutions can be found in the Corporate Governance Report.

During 2009 the Board of Directors:
- approved a revision of the General Section of the Organization and Management Model established under Decree 231 dated 8 June 2001;
- renewed the list of "strategically important subsidiaries", identifying them as De'Longhi Appliances S.r.l., Climaveneta S.p.A., De'Longhi Capital Service S.r.l., DL Radiators S.p.A. and RC Group S.p.A., all of which Italian registered companies, as well as Kenwood Ltd, a British registered company.

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 Code.
The Board has two executive directors - the Chairman and the Chief Executive Officer - and seven non-executive directors, who have no authority or managerial functions in the company or the group, of whom three qualify as independent.
In its meeting on 12 March 2010, the Board confirmed that the directors Alberto Clò, Renato Corrada and Giovanni Tamburi all satisfied the stated requirements of independence; what is more, since the Board has more than seven members, it was verified that at least two of them satisfied the independence requirements contained in art. 147-quater and art. 148 par. 3 of Decree 58/98.

Some of the current directors hold appointments in other listed or relevant companies. The list of the more significant appointments can be found in the Corporate Governance Report.

In implementation of the above principles, the Board of Directors has approved "Guidelines on particularly significant transactions and with related parties", which contain precise criteria for identifying transactions requiring Board approval. This document is appended to the Corporate Governance Report. In view of the new CONSOB Regulation concerning related party transactions, the company will start prompt work on drawing up new internal procedures to ensure full compliance with the new regulations.

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

Committees set up by the Board of Directors

In its meeting on 1 March 2007, and then after its reappointment on 18 April 2007, the Board of Directors voted to confirm the establishment of two sub-committees, namely:
- the Internal Auditing and Corporate Governance Committee and
- the Compensation Committee.

The Internal Auditing and Corporate Governance Committee met three times in 2009, with average attendance by 89% of its members. These meetings were also attended by the Chairman of the Board of Statutory Auditors or, if absent, by another standing statutory auditor, while the committee also extended invitations, according to its agenda, to the internal control officer and other members of the internal audit department, the financial reporting officer and the head of corporate affairs.

The Compensation Committee did not meet in 2009; it held a meeting on 10 March 2010, attended by all its members.
Details of the powers and operation of these two committees can be found in the Corporate Governance Report.

Board of Statutory Auditors

Following the resolutions adopted by the shareholders' meeting of 18 April 2007, the Board of Statutory Auditors comprises Gianluca Ponzellini, its chairman, and Giuliano Saccardi and Massimo Lanfranchi, both standing members. Their term in office expires with the approval of the annual report at 31 December 2009.

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 from the list obtaining the second highest number of votes.

External auditors

The company appointed to audit the financial statements of De'Longhi S.p.A. and its subsidiaries is ricewaterhouseCoopers S.p.A., in accordance with the resolution to extend its engagement adopted by the ordinary shareholders' meeting held on 18 April 2007.
The engagement will expire with the approval of the annual report for the year ended 31 December 2009.

Internal controls

The De'Longhi internal control model, approved in the meeting of the Board of Directors on 1 March 2007, is summarized in a framework document entitled "Internal control policies of the De'Longhi Group" ("Policies").

The model includes:

- an executive director to supervise the operation of the internal control system, who has been granted the following powers:
  a) to identify the principal business risks (taking account of the type of business conducted by the company and its subsidiaries) and to submit such risks to the periodic review of the Board;
  b) to implement the "Policies" approved by the Board, seeing to the design, implementation and management of internal controls, and to constantly check their overall adequacy, effectiveness and efficiency in compliance with the "Policies"; to revise such controls for operating conditions and changes in the legislative and regulatory framework;
  c) to submit for Board approval the nomination, revocation and remuneration of the internal control officers.

- the appointment of a Financial Reporting Officer by the Board of Directors. In accordance with art. 28 *bis* of the articles of association, the Financial Reporting Officer is selected, after consulting the Board of Statutory Auditors, from persons with at least three years of senior-level experience in accounting or administration, in a listed or nonetheless large company.

- the appointment of the Head of Internal Audit as the company's Internal Control Officer with all the functions indicated in the "Policies".

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

Introduction

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

The Internal Control Officer, who has responsibility for checking that internal controls operate efficiently and effectively, draws up an annual work programme which is submitted for the approval of the Internal Auditing Committee and then of the Board of Directors, and is also based on proposals by the Financial Reporting Officer and the requirements of Decree 262/05. This person also reports to the Internal Auditing Committee on the results of the work performed with reference to the problems uncovered, the agreed improvements and the results of testing activities. This person also provides a summary report to the Financial Reporting Officer and the Chief Executive Officer to allow them to assess the adequacy and effective application of the administrative procedures adopted to prepare the consolidated financial statements.

Description of principal characteristics

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;
- 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.

Critical processes and sub-processes have been identified in order to recognize the principal risks and distinguish the principal controls needed for risk reduction. This has involved identifying the strategically important companies, based on quantitative and qualitative financial parameters (ie. 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 company's general manager and finance manager are responsible for maintaining adequate internal controls and must provide a statement in which they confirm that internal controls are operating correctly.

The internal audit department also carries out checks as part of its audit programme using internal control self-assessment check lists.

With reference to the requirements of Chapter VI of the Regulations implementing Decree 58 dated 24 February 1998 concerning the regulation of markets ("Market Regulations"), it is reported that De'Longhi S.p.A. has direct or indirect control over seven companies established and regulated under the law of non-EU countries, which qualify as material for the purposes of art. 36, par. 2 of the Market 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 the income statement, balance sheet and financial data needed to prepare the consolidated financial statements;
- the auditors of De'Longhi S.p.A. have been provided with the information needed to audit its 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.

Organizational Model (Decree 231/2001)
Further to the enactment of Decree 231/2001 and its subsequent amendments and additions, which has introduced specific corporate liability for certain types of crime, the company has adopted suitable organizational and management models, under art. 6 of the Decree, for avoiding the insurgence of such liability at its expense.
The operation, observance and updating of these models is monitored by an Oversight Board, which has autonomous powers of action and control.
The activities aimed at preventing the types of crime addressed by the Decree have focused on areas and processes for which the risks have been assessed and potential risks consequently identified.
The company's Board of Directors has approved organizational models and subsequently any amendments to reflect the Decree's revision to include new types of crime.
The organizational models have been prepared on the basis of the Confindustria Guidelines (revised in 2008).

The current organizational models consist of:

- a "general section" which not only presents the model but also discusses:
  1. the model's bodies, activities and instruments of control, including:
  - the structure for implementing the organizational model;
  - the Oversight Board (with the duties of implementation, control, auditing, reporting, communication, education, information provision, breaches of the model, requested amendments and application of disciplinary punishments);
- how the model is implemented in practice, including through:
  - the ethical code;
  - the guidelines;
  - operational instructions on how to prevent offences;
  - a disciplinary system.
- a "special section" comprising:
  - procedures for managing and controlling sensitive processes;
  - decision-making procedures;
  - procedures for regulating and managing corporate affairs;
  - documentation on the safety and environmental management systems;
  - procedures for the quality management system;
  - personal data protection plan.

The organizational models were revised during 2009 for the organizational and legislative changes introduced in 2008.
With reference to the legislation, further additions were made (in July and August 2009) to the types of crime for which the company is liable; as a result, activities have started to analyze the potential risks and identify suitable preventive controls in respect of these new offences.
These activities have resulted in a revision of the general section of the organizational models, which was approved by the company's Board of Directors on 11 February 2010.
The amendments and additions to the special section should be completed and approved by the Board of Directors by the end of 2010, unless the legislator makes further changes.

The company's Oversight Board has a mixed membership, comprising members from within the company and outside consultants. The internal members include members of the internal audit, legal and human resources departments.
The outside consultants have been selected for their specific expertise and experience of corporate organization and civil and criminal law.
The duties, activities and operation of the Oversight Board are governed by specific rules of procedure.

Shares held by directors, statutory auditors, general managers and key management personnel (Art. 79 CONSOB Regulations approved in Resolution 11971 of 14.5.1999)

As required by article 79 of the CONSOB Regulation approved in Resolution 11971 of 14 May 1999, the following information relates to shares held by directors, statutory auditors, general managers and key management personnel of De'Longhi S.p.A. and its subsidiaries.

Name	Name of company in which interest held	No. shares held at 31.12.2008 (*)	Purchases 2009	Sales 2009	No. shares held at 31.12.2009 (*)
Fabio De'Longhi	De'Longhi S.p.A.	447,570	-	-	447,570
Giorgio Sandri	De'Longhi S.p.A.	30,750	-	-	30,750
Massimo Lanfranchi	De'Longhi S.p.A.	750	-	-	750
Key management personnel	De'Longhi S.p.A.	10,600	-	-	10,600

(*) includes shares held indirectly and/or through relatives.

Group tax election

During 2009 the company made an election to file 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.

Subsequent events

There have been no significant events since the end of the financial year.

Proposed allocation of profit

Shareholders,

We are submitting the annual report and financial statements for 2009 for your approval. In so doing we propose that the profit of €13,748,125 be allocated as follows:

- €687,407 to the legal reserve;

- €11,960,000 to the shareholders, corresponding to a gross dividend of €0.08 for each of the 149,500,000 outstanding shares;

- €1,100,718 to the extraordinary reserve.

Treviso, 12 March 2010

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

Individual financial statements of De'Longhi S.p.A.

Income statement

Balance sheet

Cash flow statement

Statement of changes in net equity of De'Longhi S.p.A.

Income statement

(€/000)	Notes	31.12.2009	of which non-recurring	31.12.2008	of which non recurring
Other revenues	1	5,948		9,656	-
Total revenues		**5,948**		**9,656**	
Raw and ancillary materials, consumables and goods	2	(68)		(127)	-
Materials consumed		**(68)**		**(127)**	
Payroll costs	3	(5,115)		(5,545)	-
Services and other operating expenses	4	(10,197)	(472)	(11,665)	(704)
Provisions	5	(21)		(1,560)	(1,419)
Other income (expenses)	6	-		22,379	22,379
Amortization, depreciation and impairment	7	(52)		(1,320)	-
EBIT		**(9,505)**		**11,818**	**20,256**
Financial income (expenses)	8	24,411		11,971	-
PROFIT (LOSS) BEFORE TAXES		**14,906**		**23,789**	
Income taxes	9	(1,158)		3,147	-
PROFIT (LOSS) AFTER TAXES		**13,748**		**26,936**	

Statement of comprehensive income

(€/000)	31.12.2009	31.12.2008
Profit (loss) after taxes	**13,748**	**26,936**
Other components of comprehensive income		
Change in fair value of cash flow hedges	-	-
Tax effect of change in fair value of cash flow hedges	-	-
Total comprehensive income (loss)	**13,748**	**26,936**

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

Balance sheet

Assets

(€/000)	Notes	31.12.2009	31.12.2008
NON-CURRENT ASSETS			
INTANGIBLE ASSETS	10	32	42
- Other intangible assets		32	42
PROPERTY, PLANT AND EQUIPMENT	11	109	61
- Other tangible assets		109	61
EQUITY INVESTMENTS AND OTHER FINANCIAL ASSETS		603,224	604,058
- Equity investments (in subsidiary companies)	12	601,705	601,705
- Receivables	13	1,519	2,353
DEFERRED TAX ASSETS	14	6,937	9,339
TOTAL NON-CURRENT ASSETS		**610,302**	**613,500**
CURRENT ASSETS			
TRADE RECEIVABLES	15	3,204	4,622
CURRENT TAX ASSETS	16	3,531	3,860
OTHER RECEIVABLES	17	12,831	13,980
CURRENT FINANCIAL RECEIVABLES AND ASSETS	18	32,296	44,872
CASH AND CASH EQUIVALENTS	19	201	551
TOTAL CURRENT ASSETS		**52,063**	**67,885**
TOTAL ASSETS		**662,365**	**681,385**

Balance sheet

Net equity and liabilities

(€/000)	Notes	31.12.2009	31.12.2008
NET EQUITY			
NET EQUITY		541,831	537,053
- Share capital	20	448,500	448,500
- Reserves	21	79,583	61,617
- Profit (loss) for the year		13,748	26,936
TOTAL NET EQUITY		**541,831**	**537,053**
NON-CURRENT LIABILITIES			
FINANCIAL PAYABLES		50,630	79,264
- Bank loans and borrowings (long-term portion)	22	48,488	76,576
- Other financial payables (long-term portion)	23	2,142	2,688
NON-CURRENT PROVISIONS FOR CONTINGENCIES AND OTHER CHARGES		6,005	8,904
- Employee benefits	24	4,265	3,267
- Other provisions	25	1,740	5,637
TOTAL NON-CURRENT LIABILITIES		**56,635**	**88,168**
CURRENT LIABILITIES			
TRADE PAYABLES	26	3,279	5,370
FINANCIAL PAYABLES		50,658	37,130
- Bank loans and borrowings (short-term portion)	22	48,228	36,551
- Other financial payables (short-term portion)	23	2,430	579
CURRENT TAX LIABILITIES	27	2,345	4,887
OTHER PAYABLES	28	7,617	8,777
TOTAL CURRENT LIABILITIES		**63,899**	**56,164**
TOTAL NET EQUITY AND LIABILITIES		**662,365**	**681,385**

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

Cash flow statement

(in terms of Cash and cash equivalents)

(€/000)	Notes	31.12.2009	31.12.2008
Profit (loss) after taxes		13,748	26,936
Income taxes for the period	9	1,158	(3,147)
Net effect of fire on profit or loss		-	(14,941)
Income from dividend receipts	8	(27,332)	(20,294)
Amortization, depreciation	7	52	1,320
Net change in provisions		(532)	(11,593)
Cash flow absorbed by current operations (A)		**(12,906)**	**(21,719)**
Change in assets and liabilities for the period:			
Trade receivables		1,431	996
Trade payables		(2,091)	2,832
Other current assets and liabilities		(2,739)	8,523
Payment of income taxes		(641)	(2,000)
Cash flow generated (absorbed) by movements in working capital (B)		**(4,040)**	**10,351**
Cash flow absorbed by current operations and movements in working capital (A+B)		**(16,946)**	**(11,368)**
Investment activities:			
Investments in intangible assets		-	(42)
Investments in property, plant and equipment	11	(90)	(3,342)
Proceeds from sale of property, plant and equipment and other cash flows		20	5,824
Net investments (disposals) in equity investments and other financial assets		-	-
Dividend receipts	8	27,332	20,294
Cash flow generated by ordinary investment activities (C)		**27,262**	**22,734**
Dividends paid		(8,970)	(8,970)
New loans	22	25,000	49,500
Repayment of loans and other net changes in sources of finance		(26,696)	(104,869)
Cash flow absorbed by changes in equity accounts and by financing activities (D)		**(10,666)**	**(64,339)**
Non-recurring cash flow (E) (*)		**-**	**53,156**
of which cash flow with related parties		*-*	*15,747*
Cash flow for the period (A+B+C+D+E)		**(350)**	**183**
Opening cash and cash equivalents	**19**	**551**	**368**
Increase (decrease) in cash and cash equivalents (A+B+C+D+E)		(350)	183
Closing cash and cash equivalents	**19**	**201**	**551**

(*) This refers in 2008 to cash flow from spin-offs and sale of equity investments and the effects of the fire on 18 April 2007.

Cash flow statement

(in terms of Net financial position)

(€/000)	Notes	31.12.2009	31.12.2008
Profit (loss) after taxes		13,748	26,936
Income taxes for the period	9	1,158	(3,147)
Net effect of fire on profit or loss		-	(14,941)
Income from dividend receipts	8	(27,332)	(20,294)
Amortization, depreciation	7	52	1,320
Net change in provisions		(532)	(11,593)
Cash flow absorbed by current operations (A)		**(12,906)**	**(21,719)**
Change in assets and liabilities for the period:			
Trade receivables		1,431	996
Trade payables		(2,091)	2,832
Other current assets and liabilities		(2,739)	8,523
Payment of income taxes		(641)	(2,000)
Cash flow generated (absorbed) by movements in working capital (B)		**(4,040)**	**10,351**
Cash flow absorbed by current operations and movements in working capital (A+B)		**(16,946)**	**(11,368)**
Investment activities:			
Investments in intangible assets		-	(42)
Investments in property, plant and equipment	11	(90)	(3,342)
Proceeds from sale of property, plant and equipment and other cash flows		20	5,824
Net investments (disposals) in equity investments and other financial assets		-	-
Dividend receipts	8	27,332	20,294
Cash flow generated by ordinary investment activities (C)		**27,262**	**22,734**
Dividends paid		(8,970)	(8,970)
Cash flow absorbed by changes in equity accounts (D)		**(8,970)**	**(8,970)**
Non-recurring cash flow (E) (*)		**-**	**105,815**
of which cash flow with related parties		*-*	*68,406*
Cash flow for the period (A+B+C+D+E)		**1,346**	**108,211**
Opening net financial position	**23**	**(68,617)**	**(176,828)**
Cash flow for the period (A+B+C+D+E)		1,346	108,211
Closing net financial position	**23**	**(67,271)**	**(68,617)**

(*) This refers in 2008 to cash flow from spin-offs and sale of equity investments and the effects of the fire on 18 April 2007.

Statement of changes in net equity of De'Longhi S.p.A.

(€/000)	Share capital	Share premium reserve	Legal reserve	Extraordinary Reserve	Profit (loss) carried forward	Profit (loss) for the year	Total
Balance at 31 December 2007	**448,500**	**325**	**6,285**	**48,376**	**12,688**	**2,913**	**519,087**
Allocation of 2007 result as per AGM resolution of 22 April 2008							
- distribution of dividends				(8,970)			(8,970)
- allocation to reserves			146	2,767		(2,913)	-
Movements from transactions with shareholders	**-**	**-**	**146**	**(6,203)**	**-**	**(2,913)**	**(8,970)**
Comprehensive income (loss)						26,936	26,936
Balance at 31 December 2008	**448,500**	**325**	**6,431**	**42,173**	**12,688**	**26,936**	**537,053**
Allocation of 2008 result as per AGM resolution of 21 April 2009							
- distribution of dividends						(8,970)	(8,970)
- allocation to reserves			1,347	16,619		(17,966)	-
Movements from transactions with shareholders	**-**	**-**	**1,347**	**16,619**	**-**	**(26,936)**	**(8,970)**
Comprehensive income (loss)						13,748	13,748
Balance at 31 December 2009	**448,500**	**325**	**7,778**	**58,792**	**12,688**	**13,748**	**541,831**

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 holding company for a group organized into the following segments:

- the *Household* segment operates in the domestic appliances market with products for air cooling and treatment, heating, food preparation and cooking, domestic cleaning and ironing, which are distributed mainly through the retail channel under the De'Longhi, Kenwood and Ariete trademarks.

- the *Professional* segment operates in the markets for large thermo-cooling systems (Climaveneta and RC Group), water-filled radiators (DL Radiators) and fixed air-conditioning units for the *professional* channel (Climaveneta Home System). These types of product are distributed mainly through the *professional* channel.

- the *Corporate* segment which mainly provides corporate services to the group with the functions of setting strategy, of control, co-ordination and management of centralized activities and resources.

Significant events

Group reorganization

Following the property spin-off in 2008, the income statement figures for 2009 are not comparable with those of the prior year. During the first eight months of 2008 the company provided holding company services, including management of the property portfolio; as from September 2008 these holding company services no longer include property management.

Accounting standards

The financial statements of De'Longhi S.p.A. at 31 December 2009 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 2009), 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 complementing 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 2009 are the same as those used for preparing the financial statements at 31 December 2008.

The format of the financial statements adopted by the company reflects the changes introduced by IAS *1- Presentation of financial statements (revised in 2007)*.
This standard has not only introduced some new names for the contents of the financial statements but also the requirement to present in a single statement (known as the statement of comprehensive income) or in two separate statements (a separate income statement and statement of comprehensive income) the components of profit or loss for the period and the costs and income recognized directly in net equity for transactions other than those with shareholders.
As far as the statement of comprehensive income is concerned, the company has elected to present it in two separate statements, with a consequent amendment of the statement of changes in net equity.

The other amendments to international financial reporting standards that apply as from the financial statements at 31 December 2009 have not had a material impact on the company's financial statements and are described below:
- *IFRS 8 – Operating segments*, which requires the group to disclose information about its operating segments, identified in the same way used by company management for the purposes of making operating decisions.
- *IAS 23 (revised) – Borrowing costs*: the revised standard eliminates the option, adopted by the company up until 31 December 2008, which allowed borrowing costs incurred for qualifying assets to be immediately expensed to the income statement, where qualifying assets are defined as those assets that necessarily take a substantial period of time to get ready for their intended use or sale. It is therefore compulsory from 2009 to capitalize borrowing costs that are directly attributable to the acquisition, construction or production of such assets.
- *Amendment to IFRS 2 – Share-based payment*, which introduces some amendments to the treatment of vesting conditions and cancellations.
- *Amendments to IAS 39 – Financial instruments: recognition and measurement and to IFRS 7 – Financial instruments: disclosures*, mainly relating to information about the measurement of fair value and about liquidity risk.
- *Amendment to IAS 32 – Financial instruments: presentation*, relating to puttable financial instruments and obligations in the event of liquidation.
- *IFRIC 13 – Customer loyalty programmes*.
- *IFRIC 14 - The limit of a defined benefit asset, minimum funding requirements and their interaction*.
- Amendments to other IFRSs adopted under the IASB Improvement process.

The company is evaluating the impact, if any, of adopting certain new standards, which will be applicable from 1 January 2010:
- *IFRS 3 (revised) – Business combinations and IAS 27 - Consolidated and separate financial statements - Cost of investments in subsidiaries, joint ventures and associates*.
- *IFRIC 12 - Service concession arrangements*.
- *IFRIC 15 - Agreements for the construction of real estate*.
- *IFRIC 16 - Hedges of a net investment in a foreign operation*.
- *IFRIC 17 - Distribution of non-cash assets to owners*.
- *IFRIC 18 - Transfers of assets from customers*.
- *Amendment to IAS 32 – Financial instruments*: presentation, in relation to financial instruments in a currency other than the issuer's functional currency.

The financial statements at 31 December 2009 comprise the income statement, the statement of comprehensive income, the balance sheet, the cash flow statement, the statement of changes in net equity and these explanatory notes.
The balance sheet 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 structure regarded as suitable for faithfully representing the company's performance.
The cash flow statement has been prepared using the "indirect method" allowed by IAS 7.

This report is presented in euro (the company's functional currency) with all amounts rounded to thousands of euro, unless otherwise indicated.

The present annual report and financial statements were approved by the Board of Directors on 12 March 2010.

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 30. Risk management of the present Explanatory notes.

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 estimated useful life, generally between 10 and 20 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 depreciation rates used are as follows:

Industrial and commercial equipment	20% - 33%
Other	15% - 25%

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 balance sheet 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.

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 balance sheet 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 balance sheet 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 balance sheet 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 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 reported at cost, as adjusted for any impairment.

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 in subsidiary companies and non-current receivables from subsidiary companies.

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.

Equity investments in subsidiary and associated companies:

Equity investments in subsidiary and associated companies are recorded 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 on the liability side of the balance sheet. 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 net equity. The effective portion of the cumulative gains or losses are reversed from net equity and charged 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 reported in 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 net equity, are reported in the income statement at the same time as 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 released 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 balance sheet 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. The portion of the cumulative net value of the actuarial gains and losses which exceeds the greater of 10% of the present value of the obligation and 10% of the fair value of any plan assets at the end of the prior year is amortized over the average remaining working lives of the employees concerned ("corridor approach").
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 (supplementary pension fund 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.

Long-term liabilities for employee benefits are reported at the present value of the defined benefit obligation at the balance sheet date.

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

Dividends represent a movement in net equity in the period in which they are declared by the shareholders in general meeting.

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 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 offset. 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 balance sheet 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 paragraph discusses 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 death rates.
Interest rate curves were highly volatile in 2009; 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 balance sheet.

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 income against which such losses can be recovered.
Management must use their discretion when determining the amount of deferred tax assets that can be recognized in the balance sheet. They must estimate the likely timing of reversal and the amount of future taxable income, 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 balance sheet and not covered by insurance. It is determined on the basis of past experience, by analyzing current and historic past due amounts and the quality of credit.
The changed 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

The comparison of figures in the income statement has been affected by the property spin-off in 2008. The income statement for 2008 also includes the results of property management services (for the first eight months of the year).

1. Other revenues

"Other revenues" are broken down as follows:

	31.12.2009	31.12.2008	Change
Out-of-period gains	755	548	207
Damage reimbursement	50	20	30
Capital gains	20	706	(686)
Rental income	-	3,235	(3,235)
Other income	5,123	5,147	(24)
Total	**5,948**	**9,656**	**(3,708)**

"Rental income" in 2008 related to property management revenue, which ceased from September 2008 after the property spin-off.

"Other income" includes €4,355 thousand in revenue from related parties, as reported in Appendix 3.

2. Raw and ancillary materials, consumables and goods

The breakdown is as follows:

	31.12.2009	31.12.2008	Change
Raw materials	15	28	(13)
Other purchases	53	99	(46)
Total	**68**	**127**	**(59)**

3. Payroll costs

The breakdown is as follows:

	31.12.2009	31.12.2008	Change
Employee wages and salaries	5,115	5,545	(430)
Total	**5,115**	**5,545**	**(430)**

The figures relating to the cost of benefit plans provided by the company are reported in the note on provisions.

Explanatory notes

4. Services and other operating expenses

These are detailed as follows:

	31.12.2009	31.12.2008	Change
Travel and entertaining	3,136	3,538	(402)
Consulting services	2,448	2,897	(449)
Insurance	1,456	1,379	77
Directors' emoluments	1,187	1,197	(10)
Rentals and leasing	323	313	10
Statutory auditors' emoluments	177	141	36
Telecommunication costs	138	119	19
Other sundry services	621	1,334	(713)
Total services	**9,486**	**10,918**	**(1,432)**
Out-of-period losses	442	189	253
Sundry taxes	93	302	(209)
Other	176	256	(80)
Total other operating expenses	**711**	**747**	**(36)**
Total services and other operating expenses	**10,197**	**11,665**	**(1,468)**

"Consulting services" include €472 thousand in non-recurring costs, mainly for group reorganization projects. Services and other operating expenses included €704 thousand in non-recurring costs in 2008, mostly in connection with the fire on 18 April 2007.

"Services and other operating expenses" include €993 thousand in costs from related parties, as reported in Appendix 3.

5. Provisions

These include €6 thousand in increases in provisions for legal disputes (see note 25. *Other provisions*) and €15 thousand in additions to the allowance for doubtful accounts (see note 15. *Trade receivables*).

6. Other income (expenses)

"Other income (expenses)" referred in 2008 to the receipt of insurance claims and the capital gains on the property spin-off to Gamma S.r.l. and subsequent sale of this company.

Non-recurring income and expenses, which reported the above items in 2008, are directly classified in the income statement line items to which they refer; the breakdown is as follows:

	31.12.2009	31.12.2008
Proceeds (net of costs) from insurance claim	-	15,109
Capital gain on property spin-off	-	5,157
Capital gain on sale of equity investment	-	690
Group reorganization costs	(472)	-
Other income (expenses)	-	(700)
Total other income (expenses)	**(472)**	**20,256**

7. Amortization, depreciation and impairment

These are detailed as follows:

	31.12.2009	31.12.2008	Change
Depreciation of property, plant and equipment	42	1,320	(1,278)
Amortization of intangible assets	10	-	10
Total	**52**	**1,320**	**(1,268)**

8. Financial income (expenses)

Net financial income and expenses are broken down below:

	31.12.2009	31.12.2008	Change
Dividends	27,332	20,294	7,038
Financial income (expenses) from equity investments	**27,332**	**20,294**	**7,038**
Gains (losses) on currency hedging transactions	(1,614)	(27)	(1,587)
Exchange gains (losses)	(16)	(52)	36
Exchange gains (losses)	**(1,630)**	**(79)**	**(1,551)**
Interest income from loans	360	11	349
Bank interest income	1	19	(18)
Financial income	**361**	**30**	**331**
Interest expense on long-term loans and borrowings	(1,595)	(8,620)	7,025
Financial expenses	**(1,595)**	**(8,620)**	**7,025**
Other sundry income (expenses)	(57)	346	(403)
Other financial income (expenses)	**(57)**	**346**	**(403)**
Financial income (expenses)	**24,411**	**11,971**	**12,440**

Dividends relate to amounts declared and paid by the subsidiaries De'Longhi Appliances S.r.l., De'Longhi Capital Services S.r.l. and E-Services S.r.l.

"Financial income (expenses)" includes €26,576 thousand in income from group companies, as reported in Appendix 3.

9. Income taxes

These are made up as follows:

	31.12.2009	31.12.2008	Change
Current income taxes	3,487	(5,587)	9,074
Deferred income taxes	(4,645)	8,734	(13,379)
Total	**(1,158)**	**3,147**	**(4,305)**

The company has exercised the option to present a group tax return for companies based in Italy, as allowed by article 117 et seq of the Income Tax Consolidation Act (Presidential Decree 917/86).

Current income taxes consist of:

- €4,028 thousand in income from tax losses for IRES (Italy's corporate income tax);
- €536 thousand in tax payments for amicable settling of assessments;
- €5 thousand for the separate taxation of income under art. 168 of Presidential Decree 917/86 (€2 thousand in 2008).

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

More details on deferred taxes can be found in note *14. Deferred tax assets and deferred tax liabilities*.

The actual and theoretical tax charge are reconciled as follows:

	31.12.2009	Change	31.12.2008	Change
Profit before taxes	14,906	100.0%	23,789	100.0%
Theoretical taxes	(4,099)	(27.5%)	(6,542)	(27.5%)
Effects of realigning tax and accounting values	-	-	5,583	23.5%
Permanent tax differences (untaxable dividends, net of disallowable costs) and other effects	2,941	19.7%	3,796	16.0%
Total income taxes	**(1,158)**	**(7.8%)**	**2,837**	**11.9%**
IRAP	-	-	310	1.3%
Actual taxes	**(1,158)**	**(7.8%)**	**3,147**	**13.2%**

Comments on the balance sheet: assets

Non-current assets

10. Intangible assets

The breakdown is as follows:

	31.12.2009		31.12.2008		
	Gross	Net	Gross	Net	Change
Patents	42	32	42	42	(10)

The following table reports movements during 2009:

	Patents
Net opening balance	**42**
Amortization	(10)
Net closing balance	**32**

11. Property, plant and equipment

Details of other tangible assets are as follows:

	31.12.2009		31.12.2008		
	Gross	Net	Gross	Net	Change
Industrial and commercial equipment	6	-	4	-	-
Other	206	109	194	61	48
Total	**212**	**109**	**198**	**61**	**48**

The following table reports movements during 2009:

	Industrial and commercial equipment	Other	Total
Net opening balance	-	**61**	**61**
Additions	2	88	90
Depreciation	(2)	(40)	(42)
Net closing balance	-	**109**	**109**

The net increase of €48 thousand reflects €90 thousand in additions and €42 thousand in depreciation charges.

12. Equity investments in subsidiary companies

The breakdown is as follows:

Equity investments in subsidiary companies	31.12.2009	31.12.2008	Change
De'Longhi Appliances S.r.l.	242,678	242,678	-
De'Longhi Household S.A.	241,737	241,737	-
De'Longhi Professional S.A.	111,205	111,205	-
De'Longhi Capital Services S.r.l.	6,005	6,005	-
Clim.Re S.A.	54	54	-
E-Services S.r.l.	26	26	-
De'Longhi Polska SP.ZO.O.	-	-	-
Total	**601,705**	**601,705**	**-**

The list of subsidiary companies and details of any changes during 2009 can be found in Appendix 2.
No impairment indicators have emerged in relation to these equity investments and so they have not been tested for impairment.

13. Non-current receivables

This balance is analyzed as follows:

	31.12.2009	31.12.2008	Change
Receivables from subsidiary companies	1,519	2,353	(834)

Appendix 3 contains details of "Receivables from subsidiary companies".

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).
They also include the benefits arising from the carryforward of unused tax losses which are likely to be used in the future.

The breakdown is as follows:

	31.12.2009			31.12.2008			Effect on income statement
	Taxable amount	Tax rate	Total tax	Taxable amount	Tax rate	Total tax	
Provisions for contingencies and other charges	1,740	31.4%	546	4,937	31.4%	1,550	(1,004)
Provisions for contingencies and other charges (only for IRES purposes)	5,391	27.5%	1,483	5,032	27.5%	1,384	99
Other temporary differences	1,010	31.4/27.5%	284	2,471	31.4/27.5%	708	(424)
Total deferred tax assets	**8,141**		**2,313**	**12,440**		**3,642**	**(1,329)**
Accounting/tax differences for fixed assets	-	-	-	(29)	31.4%	(9)	9
Total deferred tax liabilities	**-**		**-**	**(29)**		**(9)**	**9**
Deferred tax assets on tax losses	**16,817**	**27.5%**	**4,624**	**20,750**	**27.5%**	**5,706**	**702**
Net total	**24,958**		**6,937**	**33,161**		**9,339**	**(618)**

The change in the net balance reflects the effects reported through the income statement in the year as well as changes through net equity relating to €1,784 thousand in deferred tax assets set off against taxable income transferred from subsidiaries under the group tax election.

Current assets

15. Trade receivables

These are detailed as follows:

	31.12.2009	31.12.2008	Change
Trade receivables due within 12 months	4,745	6,177	(1,432)
Allowance for doubtful accounts	(1,541)	(1,555)	14
Total	**3,204**	**4,622**	**(1,418)**

Trade receivables are stated net of an allowance for doubtful accounts of €1,541 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.

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

	31.12.2008	Increases	Utilization	31.12.2009
Allowance for doubtful accounts	1,555	15	(29)	1,541

"Trade receivables" include €3,176 thousand in amounts due from group companies, as reported in Appendix 3.
Trade receivables do not include any amounts due beyond 12 months.

Trade receivables are broken down by geographical area as follows:

	31.12.2009	%	31.12.2008	%
Italy	2,340	73.0%	3,126	67.6%
United Kingdom	521	16.3%	520	11.3%
Japan	60	1.9%	-	-
United States, Canada, Mexico	-	-	57	1.2%
Rest of Europe	-	-	13	0.3%
Rest of the world	283	8.8%	906	19.6%
Total	**3,204**	**100.0%**	**4,622**	**100.0%**

16. Current tax assets

These are detailed as follows:

	31.12.2009	31.12.2008	Change
VAT	2,629	1,899	730
Direct taxes	512	1,456	(944)
Tax refunds requested	262	486	(224)
Other tax receivables	128	19	109
Total current tax assets	**3,531**	**3,860**	**(329)**

For the purposes of optimizing the financial management of its tax affairs, the company opted to file for income tax on a group basis in 2009 as allowed by Chapter II Section II of Presidential Decree 917/86, and also to pay VAT on a group basis, as allowed by the Ministerial Decree dated 13 December 1979.

“Direct taxes” mainly comprise:

- €156 thousand in credits for IRAP (Italy’s regional business tax);
- €126 thousand in credits for payments on account of separate taxation of income under art. 168 of Presidential Decree 917/86;
- €47 thousand in credits for IRES (Italian corporate income tax) in relation to withholding taxes incurred by the company or its subsidiaries;
- €183 thousand in other credits for sundry taxes requested for refund.

“Tax refunds requested” include €8 thousand in foreign VAT credits, requested for refund from the different EU member tax authorities (under art. 271 of the VIII Directive 79/1072/CEE) and €254 thousand in additional VAT deductions on the purchase of motor vehicles and related costs, following the Court of Justice’s sentence of 14 September 2006.

17. Other receivables

“Other receivables” are broken down as follows:

	31.12.2009	31.12.2008	Change
Prepaid costs	602	511	91
Advances to suppliers	56	54	2
Employees	1	2	(1)
Other	12,172	13,413	(1,241)
Total other receivables	**12,831**	**13,980**	**(1,149)**

“Prepaid costs” mainly refer to the payment of an insurance premium relating to the following year.

“Other” receivables include €12,141 thousand in amounts due from related parties, as reported in Appendix 3.

None of the other receivables is due beyond 12 months.

18. Current financial receivables and assets

“Current financial receivables and assets” are analyzed as follows:

	31.12.2009	31.12.2008	Change
Financial receivables	32,289	44,857	(12,568)
Fair value of derivatives	7	15	(8)
Total current financial receivables and assets	**32,296**	**44,872**	**(12,576)**

Financial receivables in 2009 mostly refer to amounts owed by De’Longhi Capital Services S.r.l. as part of the centralized treasury service.

19. Cash and cash equivalents

This balance consists of surplus liquidity on bank current accounts.

Comments on the balance sheet: net equity

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 21 April 2009 declared a dividend totalling €8,970 thousand.

Movements in the equity accounts are reported in one of the earlier schedules accompanying 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 €3.00 each, for a total of €448,500 thousand.

21. Reserves

These are broken down as follows:

	31.12.2009	31.12.2008	Change
Share premium reserve	325	325	-
Legal reserve	7,778	6,431	1,347
Other reserves:			
- Extraordinary reserve	58,792	42,173	16,619
- Profit (loss) carried forward	12,688	12,688	-
Total reserves	**79,583**	**61,617**	**17,966**

The "Share premium reserve" was set up following the public offering accompanying the company's flotation on the Milan stock exchange on 23 July 2001. The residual amount of this reserve is €325 thousand.

The "Legal reserve" has a balance of €7,778 thousand at 31 December 2009. The increase of €1,347 thousand since 31 December 2009 is due to the allocation of the profit for 2008, as approved by the Annual General Meeting (AGM) held on 21 April 2009.

The "Extraordinary reserve" amounts to €58,792 thousand. The increase of €16,619 thousand since 31 December 2008 reflects the allocation of profit for 2008, as resolved by the above AGM.

Explanatory notes

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

Nature / Description:	Amount		Permitted use	Available amount
Share capital	448,500	(2)		
Capital reserves:				
- share premium reserve	325	(1)	A, B	
Earnings reserves:				
- Legal reserve	7,778		B	
- Extraordinary reserve	58,794		A, B, C	58,794
- Profit (loss) carried forward	12,686		A, B, C	4,112
Total	**528,083**	**(3)**		**62,906**
Undistributable amount				-
Distributable amount				**62,906**

(1) 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 limit set in art. 2430 of the Italian Civil Code.
(2) There is a tax restriction of €5,277 thousand following a bonus increase in capital in 1997 using tax-suspended reserves.
(3) There are tax restrictions relating to the realignment of tax and accounting values carried out in 2000 and 2005 as follows: €99,934 thousand relating to share capital, €2,324 thousand relating to the legal reserve and €34,628 thousand relating to the extraordinary reserve.

Key:
A: increases in share capital
B: coverage of losses
C: distribution to shareholders

Comments on the balance sheet: 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 31.12.2009	Within one year	One to five years	Beyond five years	Balance 31.12.2008	Change
Overdrafts	77	-	-	77	3,693	-	-	3,693	(3,616)
Long-term loans (current portion)	48,151	-	-	48,151	32,858	-	-	32,858	15,293
Total short-term bank loans and borrowings	**48,228**	**-**	**-**	**48,228**	**36,551**	**-**	**-**	**36,551**	**11,677**
Long-term loans	-	48,488	-	48,488	-	73,681	2,895	76,576	(28,088)
Total bank loans and borrowings	**48,228**	**48,488**	**-**	**96,716**	**36,551**	**73,681**	**2,895**	**113,127**	**(16,411)**

Bank loans are made up as follows:

Loans (including short-term portion)	31.12.2009	31.12.2008	Change
BNP Paribas (syndicated loan)	29,018	58,444	(29,426)
Banca Popolare di Sondrio Scpa	23,558	25,236	(1,678)
KBC Bank N.V., Italian branch	20,763	-	20,763
Banca Popolare Friuladria Spa	14,301	14,415	(114)
Banca di Cividale Spa	8,169	9,981	(1,812)
IMI (Law 46)	830	1,358	(528)
Total long-term loans	**96,639**	**109,434**	**(12,795)**

During 2009 the company obtained a new loan for €25,000 thousand, of which €4,167 thousand has already been repaid, resulting in a balance of €20,763 thousand (at amortized cost) at the balance sheet date. The new loan matures in three years and has a six-monthly repayment plan. This loan calls for annual compliance with financial covenants (the ratios between consolidated net debt and net equity and consolidated net debt and EBITDA). These covenants have been observed at 31 December 2009.
The loan from Banca Popolare Friuladria calls for the observance of financial covenants (the ratios between consolidated net debt and net equity and consolidated net debt and EBITDA), compliance with which is verified starting from 2009 with reference to the prior year financial statements. These covenants have been observed at 31 December 2009.
The loan arranged by BNP Paribas calls for the observance of financial covenants (the ratios between consolidated net debt and net equity and consolidated net debt and EBITDA), compliance with which is verified on a six-monthly basis. Such covenants have been observed in accordance with contract at 31 December 2009.

The other loans do not call for the observance of financial covenants.

All the loans carry floating-rate interest, meaning that interest is based on a benchmark rate (usually 1 or 3-month Libor/Euribor) plus a spread, which depends on the nature of the loan and its maturity. As a result, the fair value of loans, obtained by discounting expected future interest payments at current market rates, is not materially different from the value reported in the balance sheet. This is based on the fact that forecasts of future interest payments use an interest rate which reflects current market conditions (in terms of benchmark interest rates). Note 30 contains the results of analyzing sensitivity to changes in interest rates.

23. Other financial payables

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

	31.12.2009	31.12.2008	Change
Ministry of Industry loans (short-term portion)	546	535	11
Negative fair value of derivatives (short-term portion)	4	3	1
Other short-term financial payables	1,880	41	1,839
Total short-term payables	**2,430**	**579**	**1,851**
Ministry of Industry loans (one to five years)	2,142	2,186	(44)
Ministry of Industry loans (beyond five years)	-	502	(502)
Total long-term payables	**2,142**	**2,688**	**(546)**
Total other financial payables	**4,572**	**3,267**	**1,305**

More details on the fair value of derivatives can be found in note *30. Risk management*.

"Other short-term financial payables" relate to payables to group companies, as reported in Appendix 3.

Net financial position

Details of the net financial position are as follows:

	31.12.2009	31.12.2008	Change
A. Cash	18	9	9
B. Cash equivalents	183	542	(358)
C. Securities	-	-	-
D. Total liquidity (A+B+C)	**201**	**551**	**(349)**
E 1. Current financial receivables	**32,296**	**44,872**	**(12,576)**
E 2. Non-current financial receivables and other securities	**1,519**	**2,353**	**(834)**
F. Current bank loans and borrowings	(76)	(3,693)	3,616
G. Current portion of non-current debt	(48,151)	(32,858)	(15,293)
H. Other current financial payables	(2,430)	(579)	(1,851)
I. Current financial debt (F+G+H)	**(50,657)**	**(37,130)**	**(13,528)**
J. Net current financial debt (I+E1+E2+D)	**(16,641)**	**10,646**	**(27,287)**
K. Non-current bank loans and borrowings	(48,488)	(76,575)	28,087
L. Bonds	-	-	-
M. Other non-current payables	(2,142)	(2,688)	546
N. Non-current financial debt (K+L+M)	**(50,630)**	**(79,263)**	**28,633**
Total	**(67,271)**	**(68,617)**	**1,346**

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

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

24. Employee benefits

These are made up as follows:

	31.12.2009	31.12.2008	Change
Provision for severance indemnities	314	396	(82)
Long-term benefits	3,951	2,871	1,080
Total employee benefits	**4,265**	**3,267**	**998**

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

	31.12.2009	Average	31.12.2008	Average 2008
Blue collar	-	-	-	1
White collar	27	26	27	31
Executives	9	10	11	11
Total	**36**	**36**	**38**	**43**

Provision for severance indemnities

The provision for severance indemnities includes amounts payable to the company's employees 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*. Severance indemnity, as a self-financed 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 balance sheet date.

Movements in the year are summarized below:

Severance indemnity obligations	**31.12.2009**	**31.12.2008**	**Change**
Defined benefit obligations	314	396	(82)

Net cost charged to income	**31.12.2009**	**31.12.2008**	**Change**
Current service cost	-	-	-
Interest cost on obligations	18	22	(4)
Total	**18**	**22**	**(4)**

Change in present value of obligations	**31.12.2009**	**31.12.2008**	**Change**
Present value at 1 January	**396**	**479**	**(83)**
Current service cost	-	-	-
Utilization of provision	(33)	(71)	38
Interest cost on obligations	18	22	(4)
Spin-off to Gamma S.r.l.	-	(52)	52
Other changes	(67)	18	(85)
Present value at reporting date	**314**	**396**	**(82)**

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

Assumptions used	Severance indemnity 2009	Severance indemnity 2008
Discount rate	4.1%	4.8%
Future salary increases	2.5%	2.2-2.95%
Inflation rate	2.0%	2.2%

The shareholders approved a share-based compensation scheme (Phantom Stock Option Plan) during 2008; this entitles beneficiaries to cash payments based on the growth in the company's ordinary share price.
De'Longhi S.p.A. has prepared an information circular in regard to this plan, pursuant to art. 84 *bis* of the Issuer Regulations, which has been drawn up in compliance with appendix 3, format 7 of the Issuer Regulations, and has been filed with Borsa Italiana and published on the company's website.
During 2008 the Board of Directors allotted a total of 700,000 phantom stock options to beneficiaries of this plan; the allotment value is €4.00 and the cash payment will be made in relation to the increase in the value of the De'Longhi stock.
Under the plan, 50% of the phantom stock options can be exercised (and so give right to receipt of the above payment) from 1 May 2010, while the remaining 50% can be exercised from 1 October 2011; the options must be exercised by 31 December 2012 at the very latest.
The cost of these instruments, reported in the income statement under payroll costs, and the associated liability are recognized over the vesting period. For as long as the liability exists, the fair value is recalculated at each balance sheet date and at the actual payment date, with all changes in fair value going through the income statement.
The fair value of options is measured using mathematical financial models, which take account of the terms and conditions of granting the options.

The long-term benefits refer to a Long-Term-Incentive Cash plan for the De'Longhi Group's top management and key people, aimed at retaining these resources within the group by focusing their efforts on medium/long-term success factors, and at improving the competitiveness of their remuneration with respect to the market in general.
The plan, approved in 2007 along with the regulations governing its operation, provides for a cash incentive, payable at different times and conditional upon:
- continued employment within the group;
- the achievement of performance objectives, based on EBITDA in the period 2007-2009. These performance objectives also called for the achievement of a target level of net working capital turnover at 31 December 2009.

As allowed in the plan regulations, the incentive associated with continued employment was partially paid in 2009 (one-third of the plan incentive in this regard); the remainder is due to be paid in 2010 (in April and December 2010).

As for the performance-related part of the incentive, the EBITDA objectives were only partially achieved, while the balance-sheet objective was far exceeded, with net working capital turnover considerably better than target.

Although the group's results in the three-year reference period were lower than those required in the plan, there were

positive taken as a whole, also in view of the particularly difficult global economic context in which they were achieved. In light of this, the Compensation Committee of De'Longhi S.p.A. submitted a proposal to the company's Board of Directors, which duly approved it, to pay part of the incentives envisaged by the plan, on the established dates in April and December 2010.

25. Other provisions

Movements are as follows:

	31.12.2008	Utilization	Increases	Other	31.12.2009
Provision for uninsured liabilities	1,356	(543)	6	-	819
Other provisions for contingencies	4,281	(2,941)	-	(419)	921
Total	**5,637**	**(3,484)**	**6**	**(419)**	**1,740**

The "provision for uninsured liabilities" relates to the risk of liabilities arising from certain claims (limited to insurance policy deductibles).

"Other provisions for contingencies" mainly refer to costs associated with certain legal disputes and cases likely to be settled.

Current liabilities

26. Trade payables

This balance of €3,279 thousand represents the amount owed by the company to third parties and group companies for the provision of goods and services. Details of amounts owed to group companies are reported in Appendix 3.

Trade payables are broken down by geographical area as follows:

	31.12.2009	%	31.12.2008	%
Italy	2,689	82.0%	4,618	86.0%
United Kingdom	32	1.0%	39	0.7%
United States, Canada, Mexico	41	1.3%	83	1.6%
Rest of Europe	506	15.4%	628	11.7%
Rest of the world	11	0.3%	2	0.0%
Total	**3,279**	**100.0%**	**5,370**	**100.0%**

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

27. Current tax liabilities

These are broken down as follows:

	31.12.2009	31.12.2008	Change
Direct taxes	105	720	(615)
Withholdings payable	708	638	70
Other taxes	1,532	3,529	(1,997)
Total current tax liabilities	**2,345**	**4,887**	**(2,542)**

"Direct taxes" relate to the amount agreed for tax assessments received by companies in the Italian tax group which must be paid by the head of the tax group.
"Withholdings payable" relate to withholdings made by the company and payable to the tax authorities after the balance sheet date.
"Other taxes" relate to the flat-rate tax payable under art. 1, par. 33, 34, 48 and 51 of Law 244/2007 and the flat-rate tax payable under art. 1, par. 46 and 47 of Law 244/2007.

There are no current tax liabilities due beyond 12 months.

28. Other payables

These are broken down as follows:

	31.12.2009	31.12.2008	Change
Social security institutions	218	233	(15)
Sundry payables	7,399	8,544	(1,145)
Total other payables	**7,617**	**8,777**	**(1,160)**

"Social security institutions" include €173 thousand in payables to Italy's principal social security agency (INPS), €8 thousand in payables to pension funds and €37 thousand in amounts owed to other welfare agencies.

"Sundry payables" are detailed as follows:

	31.12.2009	31.12.2008	Change
Group companies	5,981	7,429	(1,448)
Employees	772	787	(15)
Advances	-	1	(1)
Other	646	327	319
Total sundry payables	**7,399**	**8,544**	**(1,145)**

"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*.

29. Commitments

These are broken down as follows:

	31.12.2009	31.12.2008	Change
Guarantees given for the benefit of:			
De'Longhi Capital Services S.r.l.	466,828	505,044	(38,216)
DL Trading Ltd	59,216	59,445	(229)
Promised Success Ltd	25,000	-	25,000
DL Radiators S.p.A.	23,684	27,791	(4,107)
De'Longhi Japan Corp.	21,853	19,423	2,430
Kenwood Ltd	19,000	-	19,000
De'Longhi Appliances S.r.l.	8,376	1,166	7,210
Zass Alabuga LLC	6,942	14,371	(7,429)
De'Longhi Electrodomesticos Espana S.L.	6,653	950	5,203
Climaveneta S.p.A.	3,444	4,124	(680)
On Shiu Zhongshan Electrical Appliance Co. Ltd	2,847	2,949	(102)
Climaveneta Home System S.r.l.	2,550	2,500	50
Kenwood Home Appliances Pty Ltd. SA – South Africa	1,500	1,500	-
Kenwood Hellas Sole partner Ltd Liability Co.	1,000	1,000	-
Elle S.r.l.	507	507	-
De'Longhi Brasil Ltda	108	-	108
Kenwood Appliances Singapore Pte Ltd	100	100	-
Ariete Hispania S.L.	13	13	-
E-Services S.r.l.	13	-	13
TCL De'Longhi Home Appliances Zhongshan Co. Ltd	-	2,106	(2,106)
Total	**649,134**	**642,989**	**6,145**

All the guarantees have been given in the interests of group companies; no guarantees have been given in the interests of third parties.

The above guarantees refer to credit lines partially drawn down by group companies and to short-term loans; no elements of risk as defined by IAS 37 have been noted to date.

30. 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 payables;
- **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.

As a holding company, De'Longhi S.p.A. is the ultimate guarantor of all the credit facilities granted to group companies (excluding outstanding medium-term loans to Climaveneta S.p.A., DL Radiators S.p.A. and RC Group S.p.A.).

The company has medium-term bank credit lines and short-term credit lines (typically renewed on an annual basis), for financing working capital and other operating needs (issue of guarantees, currency transactions etc.). These credit lines, along with cash flow generated by operations, are considered sufficient to allow the company to satisfy its 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 2009 on the basis of undiscounted contractual payments.

	Undiscounted cash flows at 31.12.2009	Within one year	One to five years	Beyond five years	Undiscounted cash flows at 31.12.2008	Within one year	One to five years	Beyond five years
Bank loans and borrowings(*)	(99,983)	(49,746)	(50,237)	-	(124,320)	(41,295)	(80,016)	(3,009)
Other financial payables(**)	(4,691)	(2,476)	(2,215)	-	(3,443)	(636)	(2,303)	(504)
Trade payables	(3,279)	(3,279)	-	-	(5,370)	(5,370)	-	-
Current tax liabilities and other payables	(9,962)	(9,962)	-	-	(13,770)	(11,508)	(2,262)	-
Total	**(117,915)**	**(65,463)**	**(52,452)**	**-**	**(146,903)**	**(58,809)**	**(84,581)**	**(3,513)**

(*) The corresponding balance in the accounts is €96,716 thousand at 31 December 2009 and €113,217 thousand at 31 December 2008, which refers to long-term loans inclusive of the short-term portion.
(**) The corresponding balance in the accounts is €4,572 thousand at 31 December 2009 and €3,267 thousand at 31 December 2008, which refers to the long-term payables (inclusive of the short-term portion) relating to finance leases and Ministry of Industry loans.

More details on the due dates of the company's financial assets and payables can be found in notes *13. 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 balance sheet from such fluctuations, the company adopts a suitable hedging policy that eschews speculative ends.

This risk is limited to transactions with group companies associated with holding company services.
Details of the policies, instruments and purpose of hedging at group level can be in the notes to the consolidated financial statements (note *37. Risk management*).

Outstanding transactions at 31 December 2009

Outstanding currency derivatives that hedge foreign currency receivables and payables at 31 December 2009 are reported below; all these transactions were completed with the subsidiary De'Longhi Capital Services S.r.l.:

	Notional amount						Fair value with group (in Euro)	
Currency	Group			Third parties			Asset	Liability
	Purchases	Sales	Total	Purchases	Sales	Total		
USD/EUR	-	136,400	136,400	-	-	-	557	-
GBP/EUR	-	76,800	76,800	-	-	-	-	(101)
CAD/EUR	-	83,600	83,600	-	-	-	-	(235)
NZD/EUR	-	147,000	147,000	-	-	-	-	(1,499)
HKD/EUR	-	1,215,000	1,215,000	-	-	-	627	-
AUD/EUR	-	294,900	294.900	-	-	-	-	(2,173)
JPY/EUR	-	27,360,000	27,360,000	-	-	-	5,482	-
Total fair value							**6,666**	**(4,008)**

Sensitivity analysis:
A +/- 5% change in year-end exchange rates of the principal exposed currencies (USD, GBP and JPY) would produce an immaterial change in fair value of foreign currency receivables and payables at year end.

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.
All of the company's financial debt at 31 December 2009 was at floating rates following the decision to obtain the maximum benefit from the continued low level of interest rates; there are currently no interest rate hedges.

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

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.
The company's debt is currently all at a floating rate and so, in the absence of hedges, 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 produce €0.7 million in more/less pre-tax financial expenses respectively at 31 December 2009 reported through the income statement (+/- €0.7 million before tax at 31 December 2008).

31. Ifrs 7 classification of financial assets and liabilities

For the purposes of classifying financial assets and liabilities in the categories identified in IAS 39 as required by IFRS 7, all the company's financial assets at 31 December 2009 fall into the "Loans and receivables" category, except for the positive fair value of derivatives of €7 thousand, reported in note *18. Current financial receivables and assets*.
All the company's financial liabilities at 31 December 2009 fall into the "Loans" category, except for the negative fair value of derivatives, of €4 thousand, reported in note *23. Other financial payables*.

The following table presents the hierarchical levels in which the fair value measurements of financial instruments have been classified at 31 December 2009. 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	-	7	-
- derivatives with negative fair value	-	(4)	-

There were no transfers between the levels during the year.

32. Tax position

The competent tax authorities have carried out the following inspections as part of their programme of periodic taxpayer audits, the status of which is described below:

- A general tax audit for tax year 2005 by the tax police's Treviso division.

The preliminary notice of findings was issued on 16 September 2008, in respect of which the company has not made the election under art. 5 *bis* of Decree 218 dated 19 June 1997, as amended by art. 83 par. 18 of Decree 112 dated 25 June 2008.

The company has stated that it will appeal before the competent bodies against the findings contained in the preliminary notice, although the tax authorities have not yet issued any notice of assessment.

33. Transactions and balances with related parties

Appendix 2 contains the information concerning transactions and balances with group companies and related parties required by CONSOB Circulars 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. Emoluments of directors and statutory auditors

Appendix 4 contains the information required by CONSOB Regulation 11971 dated 14 May 1999.

35. Subsequent events

There have been no significant events since the end of the financial year.

Treviso, 12 March 2010

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. List of subsidiary companies and changes in equity investments.
3. Transactions and balances with related parties:
   - Income statement and balance sheet
   - Summary by company
4. Emoluments of directors and statutory auditors.

Certification of the 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 financial statements during 2009:

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

It is also certified that:

- the financial statements at 31 December 2009:

- 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 balance sheet, results of operations and financial position.

- the report on operations contains a reliable account of performance and of the results of operations and of the situation of the issuer, together with a description of the principal risks and uncertainties to which it is exposed.

Fabio De'Longhi
Vice Chairman and Chief Executive Officer

Stefano Biella
Financial Reporting Officer

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									in €/000
De'Longhi Appliances S.r.l.	Treviso	Eur	200,000,000	Eur	262,712,276	Eur	1,439,555	100%	242,678
De'Longhi Household S.A.	Luxembourg	Eur	181,730,990	Eur	256,057,031	Eur	6,284,769	100%	241,737
De'Longhi Professional S.A.	Luxembourg	Eur	30,205,000	Eur	118,348,260	Eur	7,187,244	100%	111,205
De'Longhi Capital Services S.r.l.(1)	Treviso	Eur	53,000,000	Eur	67,487,015	Eur	2,765,932	11.32%	6,005
Clim.Re S.A.(2)	Luxembourg	Eur	1,239,468	Eur	3,980,564	Eur	394,491	4%	54
E-Services S.r.l.	Treviso	Eur	50,000	Eur	3,145,606	Eur	862,491	51%	26
De'Longhi Polska Sp.Zoo	Warsaw	Pln	50,000	Pln	1,816,008	Pln	1,316,008	0.1%	-
Total									**601,705**

Figures relating to the financial statements at 31 December 2009 drawn up under international accounting standards and used for consolidation purposes, unless otherwise specified.

(1) 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.
(2) The other 96% interest is held indirectly.

Appendix 2

Changes in equity investments

Equity investments	Book value at 31 December 2008	Acquisitions, subscriptions and recapitalizations	Disposals	Net impairment losses and reversals	Book value at 31 December 2009
in subsidiary companies					
De'Longhi Appliances S.r.l.	242,678	-	-	-	242,678
De'Longhi Household S.A.	241,737	-	-	-	241,737
De'Longhi Professional S.A.	111,205		-	-	111,205
De'Longhi Capital Services S.r.l.	6,005	-	-	-	6,005
Clim.Re S.A.	54	-	-	-	54
E-Services S.r.l.	26	-	-	-	26
De'Longhi Clima Polka Sp. Zoo.	-	-	-	-	-
Total	**601,705**	**-**	**-**	**-**	**601,705**

Appendix 3

Transactions and balances with related parties

Income statement
pursuant to CONSOB Resolution 15519 of 27 July 2006

(€/000)	Notes	31.12.2009	of which with related parties	31.12.2008	of which related parties
Other revenues	1	5,948	4,355	9,656	7,498
Total revenues		**5,948**		**9,656**	
Raw and ancillary materials, consumables and goods	2	(68)		(127)	
Materials consumed		**(68)**		**(127)**	
Payroll costs	3	(5,115)		(5,545)	
Services and other operating expenses	4	(10,197)	(993)	(11,665)	(1,257)
Provisions	5	(21)		(1,560)	
Other income (expenses)	6	-		22,379	5,157
Amortization, depreciation and impairment	7	(52)		(1,320)	
EBIT		**(9,505)**		**11,818**	
Financial income (expenses)	8	24,411	26,576	11,971	17,153
PROFIT (LOSS) BEFORE TAXES		**14,906**		**23,789**	
Income taxes	9	(1,158)		3,147	
PROFIT (LOSS) AFTER TAXES		**13,748**		**26,936**	

Balance sheet
pursuant to CONSOB Resolution 15519 of 27 July 2006

Assets

(€/000)	Notes	31.12.2009	of which with related parties	31.12.2008	of which related parties
NON-CURRENT ASSETS					
INTANGIBLE ASSETS	10	32		42	
- Other intangible assets		32		42	
PROPERTY, PLANT AND EQUIPMENT	11	109		61	
- Other tangible assets		109		61	
EQUITY INVESTMENTS AND OTHER FINANCIAL ASSETS		603,224		604,058	
- Equity investments (in subsidiary companies)	12	601,705		601,705	
- Receivables	13	1,519	1,519	2,353	2,353
DEFERRED TAX ASSETS	14	6,937		9,339	
TOTAL NON-CURRENT ASSETS		**610,302**		**613,500**	
CURRENT ASSETS					
TRADE RECEIVABLES	15	3,204	3,176	4,622	3,725
CURRENT TAX ASSETS	16	3,531		3,860	
OTHER RECEIVABLES	17	12,831	12,141	13,980	13,349
CURRENT FINANCIAL RECEIVABLES AND ASSETS	18	32,296	32,296	44,872	44,872
CASH AND CASH EQUIVALENTS	19	201		551	
TOTAL CURRENT ASSETS		**52,063**		**67,885**	
TOTAL ASSETS		**662,365**		**681,385**	

Balance sheet
pursuant to CONSOB Resolution 15519 of 27 July 2006

Net equity and liabilities

(€/000)	Notes	31.12.2009	of which with related parties	31.12.2008	of which related parties
NET EQUITY					
NET EQUITY		541,831		537,053	
- Share capital	20	448,500		448,500	
- Reserves	21	79,583		61,617	
- Profit (loss) for the year		13,748		26,936	
NON-CURRENT LIABILITIES					
FINANCIAL PAYABLES		50,630		79,264	
- Bank loans and borrowings (long-term portion)	22	48,488		76,576	
- Other financial payables (long-term portion)	23	2,142		2,688	
NON-CURRENT PROVISIONS FOR CONTINGENCIES AND OTHER CHARGES		6,005		8,904	
- Employee benefits	24	4,265		3,267	
- Other provisions	25	1,740		5,637	
TOTAL NON-CURRENT LIABILITIES		**56,635**		**88,168**	
CURRENT LIABILITIES					
TRADE PAYABLES	26	3,279	1,283	5,370	2,403
FINANCIAL PAYABLES		50,658		37,130	
- Bank loans and borrowings (short-term portion)	22	48,228		36,551	
- Other financial payables (short-term portion)	23	2,430	1,884	579	44
CURRENT TAX LIABILITIES	27	2,345		4,887	
OTHER PAYABLES	28	7,617	5,981	8,777	7,429
TOTAL CURRENT LIABILITIES		**63,899**		**56,164**	
TOTAL NET EQUITY AND LIABILITIES		**662,365**		**681,385**	

Transactions and balances with related parties

Summary by company

(€/million)	Other revenues	Costs for services	Financial income and expenses	Non-current financial receivables	Current financial receivables	Trade and other receivables (2)	Current financial payables	Trade and other payables (3)
Subsidiary companies: (1)								
De'Longhi Appliances S.r.l.	1,9	(0,2)	25,2	-	-	1,3	(1,8)	(1,2)
Kenwood Limited	0,5	-	-	-	-	0,6	-	-
DL Radiators S.p.A.	0,5	-	-	-	-	0,3	-	(2,5)
E-Services S.r.l.	0,4	(0,1)	0,3	-	-	0,8	-	-
Climaveneta S.p.A.	0,3	-	-	-	-	3,8	-	-
DL Trading Limited	0,2	-	0,3	0,3	-	0,2	-	-
Climaveneta Home System S.r.l.	0,1	-	-	-	-	-	-	(1,1)
Ariete S.p.A.	0,1	-	-	-	-	7,6	-	(0,6)
Tricom Industrial Co. Ltd	0,1	-	-	-	-	0,1	-	-
De'Longhi Japan Corporation	0,1	-	0,1	0,4	-	0,1	-	-
R.C. Group S.p.A.	0,1	-	-	-	-	0,4	-	-
De'Longhi Australia PTY Limited	0,1	-	0,1	0,2	-	0,1	-	-
De'Longhi Household S.A.	-	(0,5)	-	-	-	-	-	(0,5)
De'Longhi Capital Services S.r.l.	-	-	0,6	-	32,3	-	(0,1)	(1,3)
Alabuga International S.A.	-	-	-	0,2	-	-	-	-
De'Longhi America Inc.	-	-	-	0,1	-	-	-	-
De'Longhi Canada Inc.	-	-	-	0,1	-	-	-	-
De'Longhi New Zeland Limited	-	-	-	0,1	-	-	-	-
Kenwood Home Appl. PTY Limited	-	-	-	0,1	-	-	-	-
Elle S.r.l.	-	-	-	-	-	-	-	(0,1)
Total subsidiary companies (a)	**4,4**	**(0,8)**	**26,6**	**1,5**	**32,3**	**15,3**	**(1,9)**	**(7,3)**
Related companies:								
Gamma S.r.l.	-	(0,2)	-	-	-	-	-	-
Total related companies (b)	**-**	**(0,2)**	**-**	**-**	**-**	**-**	**-**	**-**
Total subsidiary and related companies (a+b)	**4,4**	**(1,0)**	**26,6**	**1,5**	**32,3**	**15,3**	**(1,9)**	**(7,3)**

(1) These mostly refer to dealings of a commercial nature and the supply of administrative services by company employees.
(2) This consists of €3.2 million in "Trade receivables" and €12.1 million in "Other receivables".
(3) This consists of €1.3 million in "Trade payables" and €6.0 million in "Other payables".

In addition to the amounts reported above the following other transactions took place with related parties: professional fees were paid to the firm of Biscozzi e Nobili for legal and tax advice provided in 2009. More information can be found in Appendix 4 to the explanatory notes: "Emoluments of directors and statutory auditors". Also during the year, the company recharged €0.7 million to Giuseppe De'Longhi (Chairman of the Board of Directors) for the cost of services incurred.

Emoluments of directors and statutory auditors

(art. 78 of CONSOB Regulation approved in Resolution 11971 of 14 May 1999)

(€/000)

Name	Details of office held			Emoluments			
Name	**Office held**	**Term in office**	**End of term**	**Emoluments of office**	**Benefits in kind**	**Bonuses and other incentives**	**Other emoluments**
Giuseppe De'Longhi	Chairman	01.01.07/ 31.12.09	Approval annual report 2009	600			310(1)
Fabio De'Longhi	Vice Chairman and Chief Executive Officer	01.01.07/ 31.12.09	Approval annual report 2009	760 (2)			78 14(3)
Alberto Clò	Director	01.01.07/ 31.12.09	Approval annual report 2009	40			
Renato Corrada	Director	01.01.07/ 31.12.09	Approval annual report 2009	40			3 (4)
Silvia De'Longhi	Director	01.01.08/ 31.12.09	Approval annual report 2009	40			
Dario Melò	Director	15.07.09/ 31.12.09	Approval annual report 2009	20			729 10 (3)
Carlo Garavaglia	Director	01.01.07/ 15.07.09	15.07.2009	20			1 (4)
Giorgio Sandri	Director	01.01.07/ 31.12.09	Approval annual report 2009	40			
Silvio Sartori	Director	01.01.07/ 31.12.09	Approval annual report 2009	40			2 (4) 18 (1)
Giovanni Tamburi	Director	01.01.07/ 31.12.09	Approval annual report 2009	40			2 (4)
Gianluca Ponzellini	Chairman of the Board of Statutory Auditors	01.01.07/ 31.12.09	Approval annual report 2009	60			
Giuliano Saccardi	Standing member	01.01.07/ 31.12.09	Approval annual report 2009	40			
Massimo Lanfranchi	Standing member	01.01.07/ 31.12.09	Approval annual report 2009	40			
Key management personnel				1,993			

1) Emoluments relating to offices held in other subsidiaries.
2) The amount also includes remuneration received as an executive of De'Longhi S.p.A.
3) Emoluments relating to offices held in other subsidiaries transferable back to De'Longhi S.p.A.
4) Attendance fees relating to membership of the Compensation Committee and/or Internal Auditing and Corporate Governance Committee.

Carlo Garavaglia is a partner in the legal and tax firm of Biscozzi Nobili, which received €300 thousand in fees from the company during 2009.

External auditors' report on the financial statements

AUDITORS' REPORT IN ACCORDANCE WITH ARTICLE N 156 OF LEGISLATIVE DECREE N 58 DATED 24 FEBRUARY 1998

To the shareholders of
De'Longhi SpA

1 We have audited the financial statements of De'Longhi SpA as of 31 December 2009, which comprise the income statement, the comprehensive statement of income, the balance sheet, the statement of changes in net equity, the cash flow statement and related explanatory notes. The directors of De'Longhi SpA are responsible for the preparation of these financial statements in compliance with the International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree n° 38/2005. Our responsibility is to express an opinion on these financial statements based on our audit.

2 We conducted our audit in accordance with the auditing standards and criteria recommended by CONSOB. Those standards and criteria require that we plan and perform the audit to obtain the necessary assurance about whether the financial statements are free of material misstatement and, taken as a whole, are presented fairly. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors. We believe that our audit provides a reasonable basis for our audit opinion.

For the opinion on the financial statements of the prior period, the amounts of which are presented for comparative purposes and have been reclassified to reflect the changes to the financial statement presentation introduced by IAS 1, reference should be made to our report dated 3 April 2009.

3 In our opinion, the financial statements of De'Longhi SpA as of 31 December 2009 comply with the International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree n° 38/2005; accordingly, they have been drawn up clearly and give a true and fair view

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of the financial position, results of operations and cash flows of De'Longhi Group for the period then ended.

4 The directors of De'Longhi SpA are responsible for the preparation of the report on operations and corporate governance report and ownership structure in accordance with applicable laws and regulations. Our responsibility is to express an opinion on the consistency of the report on operations and of the information reported in compliance with paragraph 1, letters c), d), f), l), m) and paragraph 2, letter b) of article 123-bis of Italian Legislative Decree n° 58/1998, included in the corporate governance report and ownership structure, with the financial statements, 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 provided in compliance with paragraph 1, letters c), d), f), l), m) and paragraph 2, letter b) of article 123-bis of Italian Legislative Decree n° 58/1998 included in the corporate governance report and ownership structure are consistent with the consolidated financial statements of De'Longhi SpA as of 31 December 2009.

Treviso, 26 March 2010

PricewaterhouseCoopers SpA

Signed by

Roberto Adami
(Partner)

This report has been translated from the original which was issued in accordance with Italian legislation. We have not examined the translation of the financial statements referred to in this report.

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