



DE' LONGHI SpA

**GUIDELINES AND IDENTIFICATION CRITERIA
FOR SIGNIFICANT TRANSACTIONS
AND, IN PARTICULAR,
FOR TRANSACTIONS WITH RELATED PARTIES**

Document approved by the Board of Directors on September 12th 2003

Introduction

In compliance with Article 1.2, letter e) of its Corporate Governance Code and with the commitment made by its Board of Directors in the 2003 report concerning the corporate governance (Article 1.2), De'Longhi SpA sets out below the guidelines and identification criteria for identifying significant transactions and, in particular, those with related parties, in order to regulate methods of execution of the same in detail.

Thus far, the practice followed by the Board in reviewing the transactions in question (for which it is given the sole prerogative by Article 10 of the company by-laws), has always been based on criteria of a qualitative nature, taking "significant" transactions to be those most important in business, capital and financial terms undertaken by the company or by its subsidiaries, whilst also meeting the statutory obligation of informing the Statutory Auditors' Committee of such transactions, and in particular of those involving potential conflicts of interest, in a timely manner and in any case at least on a quarterly basis.

The objective of this document is therefore to provide concrete implementation of the principle of the Board of Directors' centrality within the present governance system, enabling each director to participate in management in an aware and informed manner, in accordance with the principles of procedural and substantive correctness and transparency that must also be respected by transactions with related parties (Article 11 of the Self-Governance Code).

1. SIGNIFICANT TRANSACTIONS

1.1 Definition of significant transactions

For the purposes of these guidelines, "significant transactions" mean:

- a) Transactions that, per se (i.e. by definition/nature), impose on the company the requirement of market disclosure accompanied by a specifically prepared accounting schedule as per the instructions of financial markets' surveillance authorities (currently CONSOB (Italian market surveillance commission) Circular DIS/98081334 dated October 19th 1998, Attachment A)
- b) Transactions that, under Article 2381 of the Italian Civil Code, cannot be delegated to individual directors.

If they are of an amount exceeding 10% of the parent company's book net equity, the following transactions are also defined as being significant:

- Subscription, purchase and sale of equity interests, even if they are minority interest, and attachment of material rights to the same
- Acquisition, sale and rental of companies or company divisions
- Acquisition, sale or licensing of trademarks
- Purchase or disposal of property assets.

Lastly, significant transactions also include transactions with related parties or with group companies that:

- (i) Are of a value exceeding 5% of the net equity of the company involved
- (ii) Envisage a long-term duration.

Typical or normal transactions or those concluded at standard conditions are in any case excluded from the definition of significant transactions. More specifically:

- ◆ Typical or normal transactions are those that, by virtue of their subject, nature, characteristics or conditions form part of routine management of company business and do not feature any critical aspects, also as regards counterpart risks or the timing of their completion
- ◆ Transactions at standard conditions are those concluded at conditions in line with those of the market, or at conditions similar to those envisaged for transactions with unrelated parties.

1.2 Regulation of significant transactions

Significant transactions are the sole prerogative of the Board of Directors, which decides in the light of the analyses performed in terms of strategic consistency, economic feasibility, and expected return for the company.

2. TRANSACTIONS WITH RELATED PARTIES AND WITH GROUP COMPANIES

2.1 Definition of related parties

Related parties are (as per CONSOB Circular DEM/2064231 dated 30.09.2002):

- a) Parties that control, are controlled by, or are subject to joint control with, De'Longhi SpA
- b) Members, also in an indirect manner, of accompanying pacts as per Article 122, paragraph 1, of Italian Legislative Decree no. 58/1998, concerning exercise of voting rights, if such pacts have been assigned a combined controlling equity interest
- c) Parties connected with De'Longhi SpA and those that exercise considerable influence over the company
- d) Those to whom powers and responsibilities have been assigned as regards exercising of the functions of direction, management and control in the companies
- e) The close family members of the individuals included under letters a), b), c) and d)
- f) Parties controlled by the individuals included under letters b), c), d) and e), or over which the individuals included under letters a), b), c) and e) exercise considerable influence
- g) Parties that have the majority of directors in common with De'Longhi SpA.

For the purposes of the indications of the definition outlined above, it is specified that:

- "Controlling" and "controlled" have the meaning given by Article 93 of Italian Legislative Decree 58/1998
- "Connection" and "considerable influence" have the meanings envisaged by Article 2359, paragraph 3, of the Italian Civil Code
- The parties indicated under letter d) include members of corporate bodies, general managers, and managers endowed with powers conferred on them by the Board of Directors

- “Close family members” mean those potentially able to influence the individual related to the company, or to be influenced by the same, in their dealings with De’Longhi SpA, including cohabiting individuals. In any case “close family members” are taken to include a not legally separated spouse, blood relations and relations by marriage up to the second degree.

For the purposes of these guidelines, transactions with intercompany related parties are considered to be those to be concluded with parties that are directly or indirectly controlled by De’Longhi SpA, as well as those with parties over which the company or its subsidiaries exercise considerably influence, as long as they are not parties subject to considerable influence also from related parties other than those in the intercompany category.

2.2 Regulation of significant transactions with related parties

- 2.2.1. Significant transactions completed with parties indicated in the points in 2.1 above are the exclusive prerogative of the Board of Directors, as is any other transaction with related companies or with group companies that does not take place at market conditions (or pursuant to the transfer pricing policy, when applicable) or that its abnormal or unusual.
- 2.2.2. Significant transactions between related intercompany parties are the responsibility of the Boards of Directors of the individual parties involved, which, however, are under obligation to provide a specific report on them to the Board of Directors of the parent company De’Longhi SpA. In particular, if such transactions take place between related parties within the consolidation area, the report can be submitted after completion if the amount concerned is less than EUR 500,000.00, whereas in the case of transactions featuring higher amounts it must be submitted beforehand to receive an opinion of conformity from the parent company De’Longhi SpA.
- 2.2.3. Before deciding on significant transactions with related parties, the Board of Directors must receive adequate information on the nature of the relationships, on the transaction’s method of execution, on conditions – also economic – for its execution, on the evaluation process followed, on its interest and underlying motivations, and on possible risks for the company. In transactions with related parties, directors having an interest, even if potential or indirect, in the transaction, must:
 - i) Inform the Board of Directors promptly and exhaustively of the existence of such interest and of the latter’s circumstances
 - ii) Leave the Board meeting when the matter is decided upon.
- 2.2.4. The Board of Directors, depending on the transaction’s nature, value or characteristics, in order to prevent the transaction from being completed at inconsistent conditions, requests the assistance of one or more independent experts who express an opinion, depending on the cases in point, on the transaction’s economic terms and/or legitimacy and/or technical features. In selecting experts the choice will go to those of recognised professionalism and skill in the matters concerned.
- 2.2.5. For transactions with related parties not submitted to the Board of Directors, the executive directors or managers responsible for execution of the transaction collect and preserve, also by transaction type or category, adequate information on the nature of the relationship, on the transaction’s method of execution, on the terms,

also of an economic nature, for its execution, on the evaluation processes followed, on the interest and underlying motivations, and on any risks for the company. Also in the case of these transactions one or more experts can be appointed, according to the provisions made above.

- 2.2.6. On occasion of significant transactions with related parties and of significant transactions with group companies - also concluded via subsidiaries - that, by virtue of their subject matter, monetary entity, approach or execution timing might affect protection of corporate assets or on the completeness and correctness of information, including those of an accounting nature, relating to De'Longhi SpA, the company makes available to the public a document prepared as per Article 71/2 ("transactions with related parties") of the Italian Regulation for Issuers [Regolamento Emittenti] and its amendments and additions. The document is made available to the public at the company's registered HQ and c/o the company managing the stock market within 15 days after completion of the transaction. Alternatively, the company can issue, after completion of the transaction, a press release pursuant to Article 66 of the Italian Regulation for Issuers or, if the transaction concerns a merger, demerger or capital increase via conferment in kind, acquisition or sale, the prospectus envisaged in Articles 70 and 71 of the Italian Regulation for Issuers.

3. EXTENSION

The Board of Directors actively endeavours to ensure that group companies - compatibly with their respective national regulations and saving any particularly specific situations - comply with the present guidelines' requirements.

4. AMENDMENTS AND ADDITIONS

The Board of Directors of De'Longhi SpA reserves the right to update and supplement the guidelines and identification criteria for significant transactions and, in particular, of transactions with related parties, also taking into account regulatory developments, practical experience of application, and the best practice built up for the matters concerned.

5. DATE OF EFFECT

The present guidelines will come into force as from the date of approval by the Board of Directors.

CONSOB Circular no. DIS/98081334 dated 19-10-1998

sent to the issuers of listed shares and copied for information to the ABI [Italian banking association], Assogestioni [Italian association of asset managers], Assonime [the Italian association of joint-stock companies] and Borsa Italiana SpA [the company managing the Italian stock exchange].

Subject: Corporate information – Identification of general criteria for preparation of information documents as per Articles 24 and 25 of the Regulation concerning management of issuers, adopted with Resolution no. 11520 dated 1.7.1998, which implements Italian Legislative Decree no. 58 dated 24.2.1998.

The national commission for listed companies and the stock market [CONSOB] identifies the general criteria on the basis of which, according to the characteristics of extraordinary financial transactions, and of issuers, it can require preparation of the information documents envisaged by the regulations indicated in the heading above.

More specifically, below the commission provides the parameters determining significance as regards preparation of the aforementioned information documents, whilst specifying that, if at least of the parameters indicated hereunder is equal to or higher than 25%, merger/demerger transactions or acquisition/sale transactions – even if intercompany – will, in general, be rated as significant, and therefore that preparation of information documents as per Articles 24 and 25 of CONSOB resolution no. 11520 dated 1.7.1998 ^u will be required.

MERGERS AND DEMERGERS

The indicators in question are the following:

- a – Total assets of the non-surviving (merged) company or of the issuer's assets subject to demerger/total assets (data taken from consolidated year-end financial statements, if these are prepared)
- b – Profit/(loss) before tax and extraordinary items of the non-surviving (merged) company or of the assets to be demerged/profit/(loss) before tax and extraordinary items of the issuer (data taken from consolidated year-end financial statements, if these are prepared)
- c – Total net equity of the non-surviving (merged) company or of the company division demerged/total net equity of issuer (data taken from consolidated year-end financial statements, if these are prepared).

It is specified, on a general basis, that CONSOB in any case intends to require preparation of an information document in the case of merger (by incorporation or by consolidation) between listed companies as well as in the case of merger by consolidation between a listed and an unlisted company or in that of merger by incorporation of a listed company in an unlisted company.

ACQUISITIONS AND DIVESTITURES

Here the following indicators are involved:

- a – Price of the company (or of the company branch or of the assets) acquired (or divested)/ average market capitalisation of the issuer in the last six months
- b – Profit/(loss) before tax and extraordinary items of the company (or of the company division) acquired (or divested)/profit before tax and extraordinary items of the issuer (data taken from consolidated year-end financial statements, if these are prepared)

c – Total net equity of the company (or company division) acquired (or divested)/total net equity of the issuer (data taken from consolidated year-end financial statements, if these are prepared).

If the divestiture/acquisition transactions concerns an asset, the only parameter applicable is the one identified above in point a).

The Commission's possibility of requiring, pursuant to Article 114, paragraph 4, of Italian Legislative Decree no. 58/1998, preparation of the information documents in question in the cases of both transactions equivalent to acquisitions/divestitures (such as, for example, conferments on companies) and those featuring thresholds of an entity lower than the parameters indicated above, depending on the characteristics of the transaction and of the issuers (type of business, entity of annual sales, total assets, etc.), in order to ensure that the public receives the necessary information.

Issuers can in any case ask to be exonerated from preparation of the document in question, if the specifics of the transaction do not make preparation of the said information document meaningful.

It is also specified that the content of the information documents in question has been defined in templates 1, 2 and 3 in Attachment 2B of the Regulation mentioned in the heading. As regards this, readers are reminded that, as highlighted in the said templates, the latter have been drawn up based on the merger/demerger and acquisition/divestiture transactions occurring most frequently and that, in the case of transactions that, by virtue of their nature, do not fully match those considered, the templates will require appropriate adaptation.

As regards major cases, the companies concerned should advise CONSOB on a timely basis of the elements necessary to determine the parameters indicated in the points above. With special reference to major mergers and demergers, companies should contact the Rome offices of this Commission, Corporate Information Division, before transmitting documentation as per Article 2501/6, numbers 1) and 3) and Articles 2504/8 and 2504/9 of the Italian Civil Code.

Luigi Spaventa
THE PRESIDENT