Half-year financial report at 30 June 2008

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Half-year financial report at 30 June 2008

Contents

Company officers

Company officers*

Board of Directors

GIUSEPPE DE'LONGHI	Chairman
FABIO DE'LONGHI	Vice Chairman and Chief Executive Officer
ALBERTO CLÒ **	Director
RENATO CORRADA **	Director
SILVIA DE'LONGHI	Director
CARLO GARAVAGLIA	Director
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 **
CARLO GARAVAGLIA
GIOVANNI TAMBURI **

Compensation Committee

ALBERTO CLÒ **
CARLO GARAVAGLIA
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.
*** Extension of audit engagement to financial years 2007-2008-2009 approved by the shareholders' meeting of 18 April 2007.

Interim report on operations

Overview of first-half results

The Group has had growing revenues and margins; revenues increased by 7.8% on the first half of 2007 to € 686.4 million. Revenue growth at constant exchange rates was 11.8%. EBITDA before non-recurring expenses came to € 63.1 million, up € 5.6 million on the same period in 2007 and reporting an improvement in margin from 9% in 2007 to 9.2% in 2008.

This is a very positive performance that goes against the market trend, having been achieved in an uncertain macroeconomic environment featuring sharp rises in raw material prices and a general slowdown in trade.

The principal consolidated figures are as follows:

First-half income statement data

(€/million)	1st half 2008	% of revenues	1st half 2007	% of revenues	Change	% change
Revenues	686.4	100.0%	636.5	100.0%	49.9	7.8%
Gross profit	279.0	40.6%	250.1	39.3%	28.9	11.5%
EBITDA before non-recurring income/expenses	63.1	9.2%	57.5	9.0%	5.6	9.7%
EBITDA	60.6	8.8%	51.8	8.1%	8.9	17.1%
EBIT	41.3	6.0%	32.7	5.1%	8.6	26.2%
Profit for the period pertaining to the Group	12.9	1.9%	3.5	0.6%	9.4	-

Second-quarter income statement data

(€/million)	2nd quarter 2008	% of revenues	2nd quarter 2007	% of revenues	Change	% change
Revenues	356.0	100.0%	345.3	100.0%	10.7	3.1%
Gross profit	143.5	40.3%	138.7	40.2%	4.8	3.4%
EBITDA before non-recurring income/expenses	31.3	8.8%	33.9	9.8%	(2.5)	(7.5%)

Balance sheet data

(€/million)	30.06.2008	31.12.2007	30.06.2007
Net working capital	382.6	363.4	372.5
Net capital employed	1,016.1	986.5	994.9
Net financial position	(395.7)	(355.9)	(381.1)
Net working capital/revenues (pro-forma) (*)	30.4%	32.0%	32.3%

(*) These figures assume the same scope of consolidation and ignore the benefits of factoring receivables without recourse.

The growth in revenues was mainly thanks to strong performance in the Household division. Despite the adverse weather conditions in the six months which had a negative impact on sales of portable air-conditioning and heating products, the division boosted its revenues by 10.1%, particularly thanks to excellent sales of small domestic appliances for cooking and food preparation, especially coffee machines.

The Professional division reported a small increase in sales (+0.4%); sales of professional thermo-cooling products were up, while those of water-filled radiators were down in a difficult market affected by weakness in the construction sector and depreciation of the pound sterling.

Geographically, sales were up both in Europe, with a higher share of the coffee machines market in the principal countries, and in the rest of the world. Markets in Italy, the United States and United Kingdom were weak, particularly in the latter two cases due to depreciation of the respective local currencies.

Second-quarter revenues were 3.1% higher (7% at constant exchange rates), reflecting not only the effects described above but also the comparison with a strong second quarter in 2007 when growth was 15.1%.

First-half gross profit was € 279 million, with its margin improving from 39.3% in the first half of 2007 to 40.6% in the same period of 2008, reflecting the product mix and the benefits of a weaker dollar, which were limited by the Group's currency risk hedging policies.

EBITDA before non-recurring expenses was 9.7% higher at € 63.1 million, reporting an improvement in margin from 9% in 2007 to 9.2% in 2008.

EBIT increased by 26.2% to € 41.3 million, with the margin climbing from 5.1% in the first half of 2007 to 6.0% in the same period of 2008.

With reference to segment reporting, as from 2008 the traditional Household and Professional divisions have been joined by the Corporate division following the company reorganization carried out in 2007; this new division principally comprises the activities of the parent company De'Longhi S.p.A. and other subsidiaries providing corporate services to the Group's two operating divisions.
The Household division's EBITDA before non-recurring expenses climbed by 41.2% from € 32.7 million to € 46.2 million.
The Professional division's EBITDA before non-recurring expenses went down from € 24.8 million in the first half of 2007 to € 19.8 million in the first half of 2008, with the margin going from 12.2% to 9.7%; this year's result reflected the negative performance of water-filled radiators due to a stronger Euro against the pound sterling and to strong pressure on margins exerted by higher raw material prices.

Net financial expenses were € 0.3 million lower, having benefited from lower average debt and the absence of € 1.3 million in one-off costs incurred in the first half of 2007 for renewing the receivables factoring programme.
These effects more than made up for higher interest rates.

The result after taxes was a profit of € 12.9 million, marking a major improvement on the corresponding figure of € 3.5 million reported in the first half of 2007.

The net financial position reported net borrowings of € 395.7 million, € 14.6 million more than at 30 June 2007. This increase reflects greater factoring of receivables and a series of non-recurring events in the past twelve months: the acquisition of equity investments in the second half of 2007 and in the first half of 2008, net of the disposal of properties no longer deemed to be of strategic value to the Group, the effects of the fire on the income statement and balance sheet and the change in the fair value of derivatives.
Ignoring the impact of these events, the Group's net borrowings at 30 June 2008 would have been € 46.8 million lower than a year earlier.

Review of the Group's results, balance sheet and financial position

This document relating to the consolidated results in the first half of 2008 constitutes the half-year financial report required by art 154-ter of Decree 58/98 and comprises the half-year condensed financial statements, the interim report on operations and the certification required by art. 154-bis, para. 5 of Decree 58/98.

The half-year financial report has been prepared on a consolidated basis and was approved by the Board of Directors on 29 August 2008.
The half-year condensed consolidated financial statements have been submitted to a limited audit by PricewaterhouseCoopers S.p.A..

The information on operations refers to the first half of 2008 and 2007 and to the second quarter of 2008 and 2007. The balance sheet information refers to 30 June 2008, 31 December 2007 and 30 June 2007. This report includes details of any significant transactions, including with related parties.
The format of the financial statements presented therein is comparable with the reclassified statements presented in the report on operations contained in the annual reports.

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.

Group results

The reclassified consolidated income statement is presented below:

(€/million)	1st half 2008	% of revenues	1st half 2007	% of revenues
Revenues	**686.4**	**100.0%**	**636.5**	**100.0%**
Change 2008/2007	49.9	7.8%		
Materials consumed & other production costs (services and production payroll costs)	(407.5)	(59.4%)	(386.4)	(60.7%)
Gross profit	**279.0**	**40.6%**	**250.1**	**39.3%**
Services & other expenses	(148.9)	(21.7%)	(134.9)	(21.2%)
Value added	**130.1**	**18.9%**	**115.2**	**18.1%**
Payroll (non-production)	(58.6)	(8.5%)	(51.7)	(8.1%)
Provisions	(8.4)	(1.2%)	(6.0)	(0.9%)
EBITDA before non-recurring income/expenses	**63.1**	**9.2%**	**57.5**	**9.0%**
Change 2008/2007	5.6	9.7%		
Other non-recurring income (expenses)	(2.5)	(0.4%)	(5.7)	(0.9%)
EBITDA	**60.6**	**8.8%**	**51.8**	**8.1%**
Amortization and depreciation	(19.4)	(2.8%)	(19.1)	(3.0%)
EBIT	**41.3**	**6.0%**	**32.7**	**5.1%**
Change 2008/2007	8.6	26.2%		
Financial income (expenses)	(22.8)	(3.3%)	(21.9)	(3.4%)
Financial expenses for new without-recourse receivables factoring programme	-	0.0%	(1.3)	(0.2%)
Profit before taxes	**18.5**	**2.7%**	**9.6**	**1.5%**
Taxes	(5.3)	(0.8%)	(5.9)	(0.9%)
Profit (loss) after taxes	**13.2**	**1.9%**	**3.7**	**0.6%**
Profit (loss) pertaining to minority interests	0.3	0.0%	0.1	0.0%
Profit (loss) pertaining to the Group	**12.9**	**1.9%**	**3.5**	**0.6%**

The gross profit (materials consumed) presented above differs by € 71.4 million at 30 June 2008 (€ 62.7 million at 30 June 2007) from the consolidated income statement, reflecting the reclassification of production-related payroll and service costs from payroll and services respectively, with the purpose of achieving a better presentation of period performance.

Gross profit improved by € 28.9 million from € 250.1 million in 2007 to € 279.0 million in 2008 (with the margin going from 39.3% to 40.6%), reflecting product mix and the benefits of a weaker dollar, which were limited by the Group's currency risk hedging policies.

Services & other expenses accounted for 21.7% of revenues compared with 21.2% in the first half of 2007, mainly due to provisions booked in the period and higher promotional costs in support of the Group's principal brands.
Non-production payroll costs were 13.3% higher than in the first half of 2007, mainly because of changes in the scope of consolidation.

EBITDA before non-recurring expenses came to € 63.1 million, up 9.7% on the same period in 2007 and reporting an improvement in margin from 9.0% in 2007 to 9.2% in 2008.

Other non-recurring income (expenses) mostly refer to the costs of restructuring certain production and commercial activities.

Net financial expenses were € 0.3 million lower, having benefited from lower average debt and the absence of € 1.3 million in one-off costs incurred in the first half of 2007 for renewing the receivables factoring programme. These effects more than made up for higher interest rates.

Taxes came to € 5.3 million (€ 5.9 million in 2007).

After tax, the profit pertaining to the Group was € 12.9 million, having increased by € 9.4 million on the first half of 2007.

Results by business segment

The Group's reorganization in 2007 resulted in its separation into the two distinct business sectors in which it operates (Household and Professional), with the aim of improving its market positioning and competitiveness.
De'Longhi S.p.A. has therefore become a holding company for the two divisions, with the functions of setting strategy, of control, co-ordination and management of centralized activities and resources.
As a result of this process, the Group's segment reporting has been revised in order to improve the presentation of the results on the basis of the new corporate structure.
The traditional Household and Professional divisions have been joined by the Corporate division, which principally comprises the activities of the parent company De'Longhi S.p.A. and other subsidiaries providing the Group with corporate services.

The Group's results of operations by segment are summarized in the following table:

	1st half 2008				1st half 2007		
(€/million)	Household	Professional	Corporate	Consolidated total	Household	Professional	Consolidated total
Revenues	494.5	204.3	8.3	686.4	449.2	203.5	636.5
Change 2008/2007	45.3	0.9					
EBITDA before non-recurring expenses	46.2	19.8	(2.8)	63.1	32.7	24.8	57.5
Change 2008/2007	13.5	(4.9)					
% of revenues	9.3%	9.7%		9.2%	7.3%	12.2%	9.0%
EBITDA	44.6	19.3	(3.2)	60.6	26.9	24.8	51.8
Change 2008/2007	17.7	(5.6)					
% of revenues	9.0%	9.4%		8.8%	6.0%	12.2%	8.1%
EBIT	30.5	15.4	(4.5)	41.3	11.5	21.2	32.7
Change 2008/2007	19.1	(5.9)					
% of revenues	6.2%	7.5%		6.0%	2.5%	10.4%	5.1%

Total segment revenues are reconciled to the consolidated figures by eliminating certain intersegment transactions, amounting to **€** 20.8 million at 30 June 2008 and **€** 16.2 million at 30 June 2007.

Household

This division's revenues were 10.1% higher; EBITDA made important progress, jumping from € 26.9 million at 30 June 2007 to € 44.6 million at 30 June 2008, with a margin of 9% (6% in the first half of 2007).
These results are mainly due to the continued, strong growth in sales of fully automatic coffee machines, coffee machines using capsules and Kenwood kitchen products.

Given the previous analysis of consolidated results by business segment (in which the new Corporate division's results were included in the Household division), the current results are not significantly different to those previously presented (net revenues in the first half of 2008 would have been€ 3.0 million higher, while EBITDA would have been € 3.2 million lower).

Professional

The division's revenues increased by 0.4%. The division enjoyed good sales of large and precision thermo-cooling systems; however, the overall results were penalized by lower sales of water-filled radiators following a downturn on the UK market due to the property slump and the Euro's appreciation against the pound sterling.

Corporate

The Corporate division had € 8.3 million in revenues in the first six months of 2008.
EBITDA was a negative € 3.2 million, reflecting costs incurred for the division's normal activities.

The principal risks and uncertainties being faced in the remaining six months of the year are discussed in the explanatory notes (Note 36. *Risk management*).

Markets

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

(€/million)	1st half 2008	1st half 2007	Change	% change
Italy	142.0	163.5	(21.5)	(13.1%)
United Kingdom	60.2	67.2	(7.0)	(10.5%)
Rest of Europe	329.4	263.4	66.0	25.0%
United States, Canada and Mexico	40.1	43.1	(3.0)	(6.9%)
Rest of the world	114.7	99.2	15.5	15.6%
Total	686.4	636.5	49.9	7.8%

The Italian market was negatively affected by the economic climate and particularly by sales of thermo-cooling products due to the adverse weather conditions.

The growth in sales in the "Rest of Europe" particularly benefited from strong performance in Germany, Spain, Holland and other West European countries thanks to continued rising demand for coffee machines; other East European countries also contributed to sales growth in this region, as did Russia thanks to investments in the previous year (acquisition of a factory manufacturing oil-filled radiators and opening of a commercial office).

Sales in the United Kingdom and North America were down, mainly because of depreciation of the respective local currencies.

Sales in the "Rest of the world" did well.

Review of the balance sheet and financial position

The reclassified consolidated balance sheet is presented below:

(€/million)	30.06.2008	31.12.2007	Change 30.06.08-31.12.07	30.06.2007	Change 30.06.08-30.06.07
Non-current assets	**712.8**	**709.4**	**3.4**	**709.3**	**3.5**
Inventories	409.2	335.2	74.0	384.5	24.7
Trade receivables	314.4	378.0	(63.6)	329.9	(15.5)
Other current assets	56.7	63.8	(7.1)	63.3	(6.5)
Trade payables	(321.8)	(333.7)	11.8	(328.0)	6.2
Other current liabilities	(76.0)	(79.9)	4.0	(77.2)	1.3
Net working capital	**382.6**	**363.4**	**19.2**	**372.5**	**10.1**
Total non-current liabilities and provisions	(79.3)	(86.2)	6.9	(86.9)	7.5
Net capital employed	**1,016.1**	**986.5**	**29.6**	**994.9**	**21.2**
Net financial position	**395.7**	**355.9**	**39.8**	**381.1**	**14.6**
Total net equity	**620.4**	**630.7**	**(10.3)**	**613.8**	**6.6**
Total net borrowings and equity	**1,016.1**	**986.5**	**29.6**	**994.9**	**21.2**

Property, plant and equipment reflect € 15.3 million in investments in the first half of 2008 (compared with € 23.7 million in the first half of 2007, including extraordinary expenditure of € 7.8 million on new column radiator production lines and other new production lines to replace those destroyed by the fire in April 2007) and € 6.5 million in disposals of property no longer of strategic value to the Group.

As regards working capital, this year's figures will be compared with those a year earlier since the figures at 31 December are heavily affected by seasonal factors. Net working capital turnover improved from 26.2% of revenues at 30 June 2007 to 24.8% at 30 June 2008, reflecting measures to keep the level of inventories and trade receivables in check; assuming the same scope of consolidation and ignoring the benefits of factoring receivables without recourse, this turnover ratio improved from 32.3% at 30 June 2007 to 30.4% at 30 June 2008. The level of working capital in both periods has been affected by the recognition of the receivable for the insurance claim relating to the fire in Treviso in April 2007.

Inventories increased by € 24.7 million relative to 30 June 2007 (+6.4%). The value of inventories at 30 June 2007 was affected by the impact of damages incurred during the fire: the inventories destroyed, worth € 17.1 million, had only been partly replaced by 30 June 2007.

Trade receivables were € 15.5 million lower than at 30 June 2007 (€ 19.2 million lower assuming the same scope of consolidation and before the benefits of factoring receivables without recourse) mainly because of changes in the Group's business, with a shift of the sales mix towards less seasonal products and countries with better terms of payment; this structural change in business has brought about a consequent improvement in the management of trade receivables.

The net financial position reported net borrowings of € 395.7 million, € 14.6 million more than at 30 June 2007. This increase reflects a series of non-recurring events in the past twelve months: € 25.5 million for the acquisition of equity investments in the second half of 2007 and first half of 2008 (inclusive of the related debt and recognition of call options), net of the disposal of property no longer deemed to be of strategic value to the Group, € 20 million for extraordinary capital expenditure to restore production capacity after the fire, being the part not yet reimbursed by insurance cover (the impact at 30 June 2007 was a positive € 12.7 million due to receipt of the advance payment against the claim), and € 8.6 million for changes in the fair value of derivatives. Ignoring the impact of these events and the change in factored receivables, the Group's net borrowings at 30 June 2008 would have been € 46.8 million lower than at 30 June 2007.

The cash flow statement can be summarized as follows:

(€/million)	1st half 2008	1st half 2007	31.12.2007
Cash flow generated (absorbed) by current operations and changes in working capital	1.6	(29.5)	65.1
Cash flow generated (absorbed) by investment activities	(11.9)	(26.6)	(40.6)
Cash flow generated (absorbed) by operating activities	**(10.3)**	**(56.2)**	**24.4**
Cash flow generated (absorbed) by extraordinary investment activities	(7.9)	-	(23.9)
Cash flow absorbed by the fire	-	-	(19.4)
Payment of dividends	(9.0)	(9.0)	(9.0)
Cash flow generated (absorbed) by changes in fair value and cash flow hedge reserves	(6.5)	(0.1)	(7.0)
Change in currency translation reserve	(6.3)	(1.6)	(6.8)
Change in minority interests in net equity	0.2	0.3	0.4
Cash flow generated (absorbed) by changes in equity accounts	**(21.6)**	**(10.4)**	**(22.3)**
Cash flow for the period	**(39.8)**	**(66.5)**	**(41.3)**
Opening net financial position	(355.9)	(314.6)	(314.6)
Closing net financial position	**(395.7)**	**(381.1)**	**(355.9)**

First-half cash flow traditionally features a general absorption of the cash balances reported at 31 December of the previous year. Cash flow for the first half of 2008 was a negative € 39.8 million (€ 66.5 million in the first half of 2007) and included negative changes in the equity accounts of € 6.3 million in relation to the currency translation reserve (mainly for pounds sterling and dollars) and of € 6.5 million in relation to the cash flow hedge reserve following the recognition of hedging derivatives.

Human resources

The following table summarizes the average number of employees in each of the Group's divisions during the first half of 2008 compared with the first half of 2007:

	1st half 2008	%	1st half 2007	%	31.12.2007	%
Household	5,836	76%	5,889	79%	5,998	79%
Professional	1,716	23%	1,537	21%	1,609	21%
Corporate (*)	84	1%	-	-	-	-
Total	**7,636**	**100%**	**7,426**	**100%**	**7,607**	**100%**

(*) Refers to employees of the parent company De'Longhi S.p.A. and of the IT and financial services companies, which provide services to the two operating divisions.

Compliance with Part VI of the regulations on market discipline implementing Decree 58 of 24 February 1998 ("Market Regulations")

De'Longhi S.p.A. has direct or indirect control over a number of companies established and regulated under the law of non-EU countries.

Since the financial statements of such companies, prepared for the purposes of the De'Longhi Group's consolidated financial statements, will be made available in the manner and terms established by existing law, the company considers that the requirements of art. 36 of the Market Regulations have been satisfied.

However, if necessary a plan for compliance would be quickly adopted and publicly announced, together with the related implementation timetable.

Phantom Stock Option Plan

The shareholders' meeting of 22 April 2008 approved a share-based compensation scheme (Phantom Stock Option Plan) reserved for the top three positions in the Group.

Unlike traditional stock option plans, phantom stock options do not involve granting a right to buy or subscribe to shares, but involve granting their beneficiaries an entitlement to a cash payment based on the growth in the company's ordinary share price.

The plan is designed to focus the Group's top management positions on enhancing the issuer's value, by concentrating their efforts on the Group's medium-long term factors for strategic success.

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, filed with Borsa Italiana and published on the company's website.

More details on how this plan works can be found in this circular, while the explanatory notes forming part of this report discuss its accounting treatment for IFRS purposes.

Related-party transactions

The transactions and balances arising from dealings by Group companies with ultimate parent companies, associated companies and other related parties are summarized in the explanatory notes.

Subsequent events

An operation was approved on 24 July to spin off the "property" business of De'Longhi S.p.A. to a specific company, Gamma S.r.l., a wholly-owned subsidiary which has approved an increase in capital to service this transfer.
This operation forms part of the De'Longhi Group's reorganization process started in 2007. This process is basically designed to separate operationally and legally the Group's two principal businesses, namely the Household and Professional segments; this has resulted, amongst others, in spinning off the Household division of De'Longhi S.p.A ("De'Longhi") into a wholly-owned subsidiary called De'Longhi Appliances.
De'Longhi S.p.A. has become a holding company, with the functions of setting strategy, control, co-ordination and management of centralized activities and resources, including management of certain industrial buildings.
This stage of the project has sought to "demerge" from the parent company property and property-related activities by spinning off its property-related assets and liabilities, basically associated with the management and maintenance of three industrial buildings rented to other Group companies.
This operation has no impact on consolidated net equity, net debt or EBITDA.

During the first half of 2008 De' Longhi and Assicurazioni Generali continued working on the final valuation of the claim relating to the fire; subsequent to the end of the half year, the loss adjusters appointed by the parties agreed on a proposed settlement involving the payment of an amount not less than the receivable currently reported in the balance sheet. This settlement will be formalized in a "final loss adjustment report" and with the consequent payment of the claim, both expected by the end of September.

Outlook for the current year

The Group is continuing to implement its three-year plan and believes that it will be able to achieve its predetermined growth objectives provided the macroeconomic situation does not get any worse.

Treviso, 29 August 2008

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

Consolidated income statement

(€/000)	Notes	30.06.2008	30.06.2007
Revenues from sales and services	1	672,769	623,081
Other revenues	1	13,670	13,453
Total consolidated net revenues		**686,439**	**636,534**
Raw and ancillary materials, consumables and goods	2	(417,729)	(403,327)
Change in inventories of finished products and work in progress	3	78,845	55,647
Change in inventories of raw and ancillary materials, consumables and goods	3	2,852	23,969
Materials consumed		**(336,032)**	**(323,711)**
Payroll costs	4	(95,797)	(84,867)
Services and other operating expenses *of which non-recurring expenses*	5	(183,747) *(631)*	(164,464)
Contingency and other provisions *of which non-recurring expenses*	6	(10,233) *(1,827)*	(6,006)
Other non-recurring income (expenses)	7	-	(5,707)
Amortization and depreciation	8	(19,375)	(19,087)
EBIT		**41,255**	**32,692**
Financial income (expenses) from equity investments	9	12	2
Other financial income (expenses)	9	(22,814)	(23,137)
Financial income (expenses)		**(22,802)**	**(23,135)**
PROFIT (LOSS) BEFORE TAXES		**18,453**	**9,557**
Income taxes for the period	10	(5,293)	(5,901)
PROFIT (LOSS) AFTER TAXES		**13,160**	**3,656**
Profit (loss) pertaining to minority interests	27	270	133
PROFIT (LOSS) PERTAINING TO THE GROUP		**12,890**	**3,523**
EARNINGS PER SHARE			
- basic		0.09	0.02
- diluted		0.09	0.02

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

Consolidated balance sheet

Assets

(€/000)	Notes	30.06.2008	31.12.2007	30.06.2007
NON-CURRENT ASSETS				
INTANGIBLE ASSETS		425,556	421,437	412,969
- Goodwill	11	237,006	232,410	223,701
- Other intangible assets	12	188,550	189,027	189,268
PROPERTY, PLANT AND EQUIPMENT		241,488	241,835	243,532
- Land, property, plant and machinery	13	200,661	202,573	200,951
- Other tangible assets	14	40,827	39,262	42,581
EQUITY INVESTMENTS AND OTHER FINANCIAL ASSETS		7,044	7,373	11,932
- Equity investments (in associated companies)	15	2,457	2,628	6,607
- Equity investments (in other companies)	15	712	731	731
- Receivables	16	1,313	1,469	2,094
- Other non-current financial assets	17	2,562	2,545	2,500
DEFERRED TAX ASSETS	18	41,301	34,804	43,911
TOTAL NON-CURRENT ASSETS		**715,389**	**705,449**	**712,344**
CURRENT ASSETS				
INVENTORIES	19	409,242	335,194	384,517
TRADE RECEIVABLES	20	314,421	377,982	329,899
CURRENT TAX ASSETS	21	16,319	22,067	26,228
OTHER RECEIVABLES	22	40,408	41,710	37,044
CURRENT FINANCIAL RECEIVABLES AND ASSETS	23	9,099	8,186	5,389
CASH AND CASH EQUIVALENTS	24	86,124	107,368	76,804
TOTAL CURRENT ASSETS		**875,613**	**892,507**	**859,881**
NON-CURRENT ASSETS HELD FOR SALE	25	-	6,519	-
NON-CURRENT ASSETS HELD FOR SALE		-	6,519	-
TOTAL ASSETS		**1,591,002**	**1,604,475**	**1,572,225**

Consolidated balance sheet

Net equity and liabilities

(€/000)	Notes	30.06.2008	31.12.2007	30.06.2007
NET EQUITY				
GROUP PORTION OF NET EQUITY		618,108	625,220	608,464
- Share capital	26	448,500	448,500	448,500
- Reserves	27	156,718	146,156	156,441
- Profit (Loss) pertaining to the Group		12,890	30,564	3,523
MINORITY INTERESTS	27	2,294	5,458	5,339
TOTAL NET EQUITY		**620,402**	**630,678**	**613,803**
NON-CURRENT LIABILITIES				
FINANCIAL PAYABLES		141,249	171,870	181,961
- Bank loans and borrowings (long-term portion)	28	117,673	141,026	165,778
- Other financial payables (long-term portion)	29	23,576	30,844	16,183
DEFERRED TAX LIABILITIES	18	17,962	19,181	21,860
NON-CURRENT PROVISIONS FOR CONTINGENCIES AND OTHER CHARGES		61,365	67,051	65,013
- Employee benefits	30	33,451	35,721	36,560
- Other provisions	31	27,914	31,330	28,453
TOTAL NON-CURRENT LIABILITIES		**220,576**	**258,102**	**268,834**
CURRENT LIABILITIES				
TRADE PAYABLES	32	321,825	333,669	328,005
FINANCIAL PAYABLES		352,236	302,099	284,364
- Bank loans and borrowings (short-term portion)	28	325,131	273,219	263,652
- Other financial payables (short-term portion)	29	27,105	28,880	20,712
CURRENT TAX LIABILITIES	33	20,365	24,286	20,516
OTHER PAYABLES	34	55,598	55,641	56,703
TOTAL CURRENT LIABILITIES		**750,024**	**715,695**	**689,588**
TOTAL NET EQUITY AND LIABILITIES		**1,591,002**	**1,604,475**	**1,572,225**

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	30.06.2008	30.06.2007
Profit (loss) pertaining to the Group		12,890	3,523
Income taxes for the period		5,293	5,901
Net capital losses relating to the fire on 18 April 2007		-	14,321
Amortization and depreciation		19,375	19,087
Net change in provisions and writedowns		(510)	(2,086)
Cash flow generated (absorbed) by current operations (A)		**37,048**	**40,746**
Change in assets and liabilities for the period:			
Trade receivables		59,419	17,063
Inventories		(74,048)	(77,878)
Trade payables		(11,845)	917
Other current assets and liabilities		(5,607)	(6,859)
Payment of income taxes		(3,374)	(3,516)
Cash flow generated (absorbed) by movements in working capital (B)		**(35,455)**	**(70,273)**
Cash flow generated (absorbed) by current operations and movements in working capital (A+B)		**1,593**	**(29,527)**
Investment activities:			
Investments in intangible assets		(5,449)	(4,922)
Other cash flows from investments in intangible assets		279	29
Investments in property, plant and equipment		(15,336)	(23,655)
Proceeds from sale of property, plant and equipment and other cash flows		1,945	2,466
Disposal of non-current assets held for sale		6,519	-
Net investments in equity investments and other financial assets		167	(554)
Cash flow generated (absorbed) by ordinary investment activities		**(11,875)**	**(26,636)**
Expenditure on purchasing equity investments		(7,940)	-
Cash flow generated (absorbed) by investment activities (C)		**(19,815)**	**(26,636)**
Dividends paid		(8,970)	(8,970)
Change in currency translation reserve		(6,299)	(1,577)
Increase (decrease) in minority interests in capital and reserves		192	302
Repayment of loans and other net changes in sources of finance		12,055	30,260
Cash flow generated (absorbed) by changes in equity accounts and by financing activities (D)		**(3,022)**	**20,015**
Increase (decrease) in cash and cash equivalents (A+B+C+D)		**(21,244)**	**(36,148)**
Opening cash and cash equivalents	**24**	**107,368**	**112,952**
Increase (decrease) in cash and cash equivalents (A+B+C+D)		(21,244)	(36,148)
Closing cash and cash equivalents	**24**	**86,124**	**76,804**

Consolidated cash flow statement

(in terms of Net financial position)

(€/000)	Notes	30.06.2008	30.06.2007
Profit (loss) pertaining to the Group		12,890	3,523
Income taxes for the period		5,293	5,901
Net capital losses relating to the fire on 18 April 2007		-	14,321
Amortization and depreciation		19,375	19,087
Net change in provisions and writedowns		(510)	(2,086)
Cash flow generated (absorbed) by current operations (A)		**37,048**	**40,746**
Change in assets and liabilities for the period:			
Trade receivables		59,419	17,063
Inventories		(74,048)	(77,878)
Trade payables		(11,845)	917
Other current assets and liabilities		(5,607)	(6,859)
Payment of income taxes		(3,374)	(3,516)
Cash flow generated (absorbed) by movements in working capital (B)		**(35,455)**	**(70,273)**
Cash flow generated (absorbed) by current operations and movements in working capital (A+B)		**1,593**	**(29,527)**
Investment activities:			
Investments in intangible assets		(5,449)	(4,922)
Other cash flows from investments in intangible assets		279	29
Investments in property, plant and equipment		(15,336)	(23,655)
Proceeds from sale of property, plant and equipment and other cash flows		1,945	2,466
Disposal of non-current assets held for sale		6,519	-
Net investments in equity investments and other financial assets		167	(554)
Cash flow generated (absorbed) by ordinary investment activities		**(11,875)**	**(26,636)**
Cash flow effect of purchasing equity investments		(7,940)	-
Cash flow generated (absorbed) by investment activities (C)		**(19,815)**	**(26,636)**
Fair value and cash flow hedge reserves		(6,529)	(115)
Dividends paid		(8,970)	(8,970)
Change in currency translation reserve		(6,299)	(1,577)
Increase (decrease) in minority interests in capital and reserves		192	302
Cash flow generated (absorbed) by changes in equity accounts (D)		**(21,606)**	**(10,360)**
Cash flow for the period (A+B+C+D)		**(39,828)**	**(66,523)**
Opening net financial position	**29**	**(355,866)**	**(314,604)**
Cash flow for the period (A+B+C+D)		(39,828)	(66,523)
Closing net financial position	**29**	**(395,694)**	**(381,127)**

Statement of changes in consolidated net equity

(€/000)	Share capital	Share premium reserve	Legal reserve	Other reserves	Fair value and cash flow hedge reserve	Profit (loss) carried forward	Profit (loss) pertaining to group	Group portion of net equity	Minority interests	Total net equity
Balance at 31 December 2006	**448,500**	**325**	**5,593**	**44,192**	**(1,525)**	**78,707**	**39,776**	**615,568**	**5,037**	**620,605**
Allocation of 2006 result as per AGM resolution of 18 April 2007										
- payment of dividends							(8,970)	(8,970)		(8,970)
- allocation to reserves			692	4,184		25,930	(30,806)	-		-
Movements from transactions with shareholders	**-**	**-**	**692**	**4,184**	**-**	**25,930**	**(39,776)**	**(8,970)**	**-**	**(8,970)**
Movement in cash flow hedge reserve					(80)			(80)		(80)
Difference from conversion of foreign companies' financial statements into Euro						(1,577)		(1,577)	169	(1,408)
Gains (losses) recognized directly in net equity	**-**	**-**	**-**	**-**	**(80)**	**(1,577)**	**-**	**(1,657)**	**169**	**(1,488)**
Profit for the period							**3,523**	**3,523**	**133**	**3,656**
Balance at 30 June 2007	**448,500**	**325**	**6,285**	**48,376**	**(1,605)**	**103,060**	**3,523**	**608,464**	**5,339**	**613,803**
Balance at 31 December 2007	**448,500**	**325**	**6,285**	**48,376**	**(6,708)**	**97,878**	**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)		(8,970)
- 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)**	**(3,356)**	**(12,326)**
Movement in cash flow hedge reserve					(4,733)			(4,733)		(4,733)
Difference from conversion of foreign companies' financial statements into Euro						(6,299)		(6,299)	(78)	(6,377)
Gains (losses) recognized directly in net equity	**-**	**-**	**-**	**-**	**(4,733)**	**(6,299)**	**-**	**(11,032)**	**(78)**	**(11,110)**
Profit for the period							**12,890**	**12,890**	**270**	**13,160**
Balance at 30 June 2008	**448,500**	**325**	**6,430**	**42,173**	**(11,441)**	**119,231**	**12,890**	**618,108**	**2,294**	**620,402**

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 was reorganized during 2007 in order to improve its market positioning and competitiveness; as a result, its two traditional Household and Professional divisions have been joined by the Corporate division, which principally comprises the activities of the parent company De'Longhi S.p.A. and other subsidiaries providing the Group with corporate services.
De'Longhi S.p.A. has therefore become a holding company for the two divisions, with the functions of setting strategy, of control, co-ordination and management of centralized activities and resources.

The Household division 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 division 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.

Accounting standards

This half-year financial report has been prepared on the basis of the recommendations of IAS 34 (Interim Financial Reporting), taking into account the requirements of CONSOB Communication DEM 6064293 of 28 July 2006.
The interim financial report is presented in a condensed format and does not include all the information required in annual financial reports.

The half-year condensed consolidated financial statements at 30 June 2008 comprise the income statement, balance sheet, cash flow statement, statement of changes in consolidated net equity and these explanatory notes.
The format of the financial statements is the same as that adopted for the annual financial statements.
As from this reporting date "Other non-recurring income (expenses)" are being directly classified in the relevant line items of the income statement.

This report is presented in thousands of Euro, which is the functional currency of the parent company and the Group's principal companies.

The half-year condensed consolidated financial statements have used the same consolidation procedures and accounting policies as those described in the annual report, to which the reader should refer.

The Group's business is traditionally seasonal, with first-half revenues and profit proportionately lower than those of the year as a whole.

The following exchange rates have been used:

		30.06.2008		30.06.2007		31.12.2007
Currency		Period-end exchange rate (*)	Average exchange rate (*)	Period-end exchange rate (*)	Average exchange rate (*)	Period-end exchange rate (*)
US dollar	USD	1.57640	1.53089	1.35050	1.32935	1.47210
British pound	GBP	0.79225	0.77527	0.67400	0.67466	0.73335
Hong Kong dollar	HKD	12.29430	11.93642	10.55690	10.38523	11.48000
Chinese renminbi (Yuan)	CNY	10.80510	10.80115	10.28160	10.25892	10.75240
Australian dollar	AUD	1.63710	1.65452	1.58850	1.64432	1.67570
Canadian dollar	CAD	1.59420	1.5403	1.42450	1.50816	1.44490
Japanese yen	JPY	166.44000	160.5627	166.63000	159.64367	164.93000
Malaysian ringgit	MYR	5.15090	4.92765	4.66260	4.60270	4.86820
New Zealand dollar	NZD	2.06320	1.95509	1.75020	1.85138	1.90240
Polish zloty	PLN	3.35130	3.49028	3.76770	3.84390	3.59350
South African rand	ZAR	12.34260	11.7434	9.55310	9.52994	10.02980
Singapore dollar	SGD	2.14460	2.12315	2.06640	2.03157	2.11630
Russian rouble	RUB	36.94770	36.61958	34.80700	34.66850	35.98600
Turkish lira	TRY	1.93230	1.88963	1.77400	1.82623	1.71700
Czech koruna	CZK	23.89300	25.18575	28.71800	28.15370	26.62800
Swiss franc	CHF	1.60560	1.6059	1.65530	1.63189	1.65470

(*) source: Bank of Italy

Change in the scope of consolidation

The scope of consolidation has changed in the first half of 2008 after De'Longhi purchased the remaining shares in the RC Group, a leading manufacturer and seller of equipment for cooling mobile radio stations, for the precision cooling of computer and fixed telephony rooms, of liquid refrigeration systems and heat pumps.
This Group was already 83.3% controlled and has been consolidated line-by-line since 1 October 2006.

This acquisition has involved recognizing € 4,586 thousand in goodwill, determined as follows:

Total transaction value (*)	5,350
(Fair value of assets and liabilities acquired)	(764)
Goodwill	4,586

(*) This refers to the purchase of the equity interest; the transaction also involved repaying a shareholder loan of 2,650 thousand.

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

	Book value	Value recognized under IFRS
Equity investments	3,000	3,356
Current financial assets	60	60
Total assets	**3,060**	**3,416**
Liabilities	2,652	2,652
Contingent liabilities	-	-
Total liabilities	**2,652**	**2,652**
Net assets	**408**	**764**

Segment reporting

The primary reporting format consists of the Corporate, Household and Professional business segments, while the secondary reporting format refers to geographical areas. This distinction is based on the nature of the risks and returns relating to the Group's business and reflects its internal organizational structure and the management reporting system.
The notes on the income statement contain a breakdown of revenues by business segment and geographical area; the segment information (for the primary reporting format) relating to EBIT and the balance sheet can be found in note 39. Segment reporting.
Comments on the results by business segment and geographical area can be found in the interim report on operations.

Comments on the income statement

1. Revenues

Revenues, comprising revenues from sales and services and other revenues, are broken down as follows:

Revenues by business segment:

	30.06.2008	30.06.2007	Change
Household	494,528	449,235	45,293
Professional	204,344	203,484	860
Corporate	8,349	-	8,349
Intersegment transactions	(20,782)	(16,185)	(4,597)
Total	**686,439**	**636,534**	**49,905**

Following the Group's reorganization, as from 2008 the Household and Professional divisions have been joined by the Corporate division. The section of the interim report on operations entitled "Results by business segment" contains comments on the changes and comparability of the results reported by the Household division.

Revenues by geographical area:

	30.06.2008	30.06.2007	Change	% change
Italy	141,990	163,485	(21,495)	(13.1%)
United Kingdom	60,207	67,245	(7,038)	(10.5%)
Rest of Europe	329,407	263,439	65,968	25.0%
United States, Canada and Mexico	40,148	43,146	(2,998)	(6.9%)
Rest of the world	114,687	99,219	15,468	15.6%
Total	**686,439**	**636,534**	**49,905**	**7.8%**

The "Markets" section of the interim report on operations contains comments on the more significant changes.

"Other revenues" are broken down as follows:

	30.06.2008	30.06.2007	Change
Freight reimbursement	3,743	3,793	(50)
Commercial rights	1,811	1,404	407
Out-of-period gains	2,714	2,223	491
Damages reimbursed	119	503	(384)
Other income	5,283	5,530	(247)
Total	**13,670**	**13,453**	**217**

2. Raw and ancillary materials, consumables and goods

The breakdown is as follows:

	30.06.2008	30.06.2007	Change
Raw materials	104,955	121,106	(16,151)
Parts	116,289	110,723	5,566
Finished products	190,501	164,358	26,143
Other purchases	5,984	7,140	(1,156)
Total	**417,729**	**403,327**	**14,402**

3. Change in inventories

The breakdown is as follows:

	30.06.2008	30.06.2007	Change
Change in inventories of finished products and work in progress	78,845	55,647	23,198
Change in inventories of raw and ancillary materials, consumables and goods	2,852	23,969	(21,117)

4. Payroll costs

The breakdown is as follows:

	30.06.2008	30.06.2007	Change
Employee wages and salaries	91,865	81,494	10,371
Temporary workers	3,932	3,373	559
Total	**95,797**	**84,867**	**10,930**

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.

A share-based compensation scheme (Phantom Stock Option Plan) was approved in the first half of 2008; this entitles beneficiaries to cash payments based on the growth in the company's ordinary share price.
The interim report on operations contains more details on how this plan works.
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 main factors used for this valuation are as follows:

	22 April 2008	30 June 2008
Expected share price volatility	37.77%	37.67%
Risk-free interest rate	4.432%	5.158%
Current share price	2.743	2.927
Constant annualized dividend yield s	2.28%	2.28%
Fair value	0.4513	0.5380

The estimated cost of adopting this Phantom Stock Option plan has had an immaterial impact on the half-year consolidated financial statements at 30 June 2008.

5. Services and other operating expenses

These are detailed as follows:

	30.06.2008	30.06.2007	Change
Transport (for purchases and sales)	39,250	35,531	3,719
Advertising and promotional expenses	36,662	32,605	4,057
Subcontracted work	11,045	7,982	3,063
Commissions	13,263	13,503	(240)
Technical support	8,968	6,637	2,331
Travel	7,720	6,806	914
Insurance	2,778	2,234	544
Storage and warehousing	8,175	8,979	(804)
Consulting services	8,048	6,350	1,698
Power	4,945	4,842	103
Postage, telegraph and telephones	2,258	2,351	(93)
Maintenance	2,043	2,073	(30)
Other services	12,401	11,501	900
Rentals and leasing	11,220	10,277	943
Total services	**168,776**	**151,671**	**17,105**
Out-of-period losses	3,201	1,315	1,886
Sundry taxes	8,919	9,325	(406)
Bad debts	7	44	(37)
Other	2,844	2,109	735
Total other operating expenses	**14,971**	**12,793**	**2,178**
Total services and other operating expenses	**183,747**	**164,464**	**19,283**

“Rentals and leasing” at 30 June 2008 consist of premises rental (€ 8,128 thousand), operating lease payments (€ 486 thousand), royalties (€ 1,077 thousand) and equipment hire (€ 1,529 thousand).

At 30 June 2008 services and other operating expenses include € 631 thousand in non-recurring services mainly incurred as a result of the fire.

6. Contingency and other provisions

These include € 4,642 thousand in increases in provisions for contingencies and other charges, as discussed in note 31. Non-current provisions for contingencies and other charges.
This amount also includes € 5,433 thousand in increases to the provision for doubtful accounts and € 158 thousand in increases in the provision for the defined benefit plan at the subsidiary DL Japan Corp..

Contingency and other provisions also include € 1,827 thousand in non-recurring provisions at 30 June 2008, most of which refer to costs incurred for restructuring the subsidiary De’Longhi Appliances S.r.l. and for winding up DL Radiators France S.a.r.l..

7. Other non-recurring income (expenses)

As from this reporting date “Other non-recurring income (expenses)” of € 2,458 thousand at 30 June 2008 are being directly classified in the income statement line items to which they refer (€ 631 thousand in services and other operating expenses, € 1,827 thousand in contingency and other provisions).

The breakdown is as follows:

	30.06.2008	30.06.2007	Change
Non-recurring expenses relating to inventories destroyed	-	(17,094)	17,094
Capital losses on property, plant and equipment	-	(19,304)	19,304
Other costs relating to the fire	(568)	(6,010)	5,442
Insurance reimbursements	-	37,077	(37,077)
Total net non-recurring expenses relating to the fire	**(568)**	**(5,331)**	**4,763**
Non-recurring income (Law 296 of 27.12.2006)	-	2,228	(2,228)
Restructuring costs	(1,387)	-	(1,387)
Other non-recurring income (expenses)	(503)	(2,604)	2,101
Total non-recurring income (expenses)	**(2,458)**	**(5,707)**	**3,249**

These non-recurring income (expenses) have had an immaterial impact on consolidated cash flows in the first half of 2008.

8. Amortization and depreciation

These charges comprise:

	30.06.2008	30.06.2007	Change
Amortization of intangible assets	5,637	5,543	94
Depreciation of property, plant and equipment	13,738	13,544	194
Total amortization and depreciation	**19,375**	**19,087**	**288**

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

9. Financial income (expenses)

Net financial income and expenses are broken down as follows:

	30.06.2008	30.06.2007	Change
Other income from equity investments	12	2	10
Financial income (expenses) from equity investments	**12**	**2**	**10**
Exchange gains (losses) on currency hedges	**360**	**128**	**232**
Extraordinary financial expenses for without-recourse factoring of receivables	**-**	**(1,278)**	**1,278**
Interest expense and other bank charges	(15,302)	(15,330)	28
Financial discounts	(5,015)	(4,250)	(765)
Other financial income (expenses)	(2,857)	(2,407)	(450)
Other net financial income (expenses)	**(23,174)**	**(21,987)**	**(1,187)**
Total net financial income (expenses)	**(22,802)**	**(23,135)**	**333**

"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 and of leases, as well as adjustments arising under IAS to calculate the amortized cost of bank loans and borrowings and the forward component of currency hedging instruments.

10. Income taxes for the period

These are made up as follows:

	30.06.2008	30.06.2007	Change
Current income taxes:			
- Income taxes	12,923	8,733	4,190
- IRAP	3,122	3,054	68
- Flat-rate tax	1,401	-	1,401
Deferred income taxes	(12,153)	(5,886)	(6,267)
Total	**5,293**	**5,901**	**(608)**

"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, set aside by the parent company and 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 the first half of 2008 is 28.7% (61.7% in the first half of 2007) and includes the effect of booking a flat-rate tax of € 1,401 thousand on corporate actions introduced by art. 1 para. 46 of Law 244/2007 and of releasing € 3,530 thousand in deferred taxes no longer needed.

The actual and theoretical tax charge are reconciled as follows:

	30.06.2008	%	30.06.2007	%
Profit before taxes	18,453	100%	9,557	100%
Theoretical taxes	5,074	27.5%	3,154	33.0%
Tax on corporate actions	(2,129)	(11.5%)	-	0.0%
Other	(774)	(4.2%)	(307)	(3.2%)
Total income taxes	**2,171**	**11.8%**	**2,847**	**29.8%**
IRAP	3,122	16.9%	3,054	32.0%
Actual taxes	**5,293**	**28.7%**	**5,901**	**61.7%**

Comments on the balance sheet: assets

Non-current assets

11. Goodwill

	30.06.2008		31.12.2007		
	Gross	Net	Gross	Net	Change
Goodwill	265,333	237,006	260,737	232,410	4,596

The change in goodwill mainly reflects the purchase of 16.7% of the RC Group in the first half of the year, taking the total interest to 100%.

Goodwill is not amortized since it is considered to have an indefinite useful life. Instead, it is tested for impairment at least once a year to identify any evidence of loss in value.
The objective of the test is to determine the value in use of the cash generating units (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.
The De'Longhi Group has two principal business segments: the Household and Professional divisions, which have been joined by the Corporate division since the start of 2008. 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 the notes to the consolidated financial statements.
Six CGUs have been identified within these segments. Individual companies are generally attributable to a specific CGU, meaning that CGU results and balance sheets can be derived by subconsolidating the legal entities concerned. The results of some companies, however, are attributable to several CGUs: in this case their results and balance sheets are split by business unit, each one of which is allocated to the CGU concerned.
Most of the Group's goodwill (accounting for 84% of the total) refers to the Professional segment.
The main assumptions adopted for the test performed at 31 December 2007 relate to the discount and growth rates, which are also based on the Group's plans and budgets. The discount rate used of 7.5% reflects current market assessments of the time value of money and takes account of the risks specific to the individual cash generating units.
The cash flows discounted to present value do not include tax receipts or payments (in keeping with the discount rate which is a pre-tax one).
The impairment test carried out at the end of 2007 did not reveal any significant evidence that goodwill might have suffered an impairment loss. No events of significance have occurred in the first half of 2008 such as might suggest that the carrying amount of goodwill could be impaired.

12. Other intangible assets

The breakdown is as follows:

	30.06.2008		31.12.2007		
	Gross	Net	Gross	Net	Change
New product development costs	36,173	13,349	34,944	14,770	(1,421)
Patents	27,892	3,367	27,358	3,522	(155)
Trademarks and similar rights	220,652	161,063	220,564	163,047	(1,984)
Work in progress and advances	9,824	9,824	6,645	6,645	3,179
Other	15,471	947	15,343	1,043	(96)
Total	**310,012**	**188,550**	**304,854**	**189,027**	**(477)**

The following table reports movements in the main asset categories during 2008:

	New product development costs	Patents	Trademarks and similar rights	Work in progress and advances	Other	Total
Net opening balance	**14,770**	**3,522**	**163,047**	**6,645**	**1,043**	**189,027**
Additions	1,154	556	88	3,462	189	5,449
Amortization	(2,650)	(689)	(2,072)	-	(226)	(5,637)
Translation difference	(208)	(3)	-	-	(12)	(223)
Other movements (*)	283	(19)	-	(283)	(47)	(66)
Net closing balance	**13,349**	**3,367**	**161,063**	**9,824**	**947**	**188,550**

(*) The amounts reported as “Other movements” mostly refer to reclassifications of certain intangible assets.

With reference to “New product development costs”, which report an increase of € 1,154 thousand, these costs have been capitalized by virtue of their estimated future utility, based on detailed reporting and analysis of the costs incurred. The change in “Work in progress and advances” also refers to newly capitalized development costs for projects that had not been completed at the balance sheet date.

The Group has incurred some € 16 million in research and development costs during the first half of 2008.

“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 trademarks viewed as having an indefinite useful life under the criteria specified in IAS 38. The review of the De’Longhi and Climaveneta trademarks carried out upon IFRS transition supported the thesis that they have indefinite useful lives. This conclusion was based on 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 2007 on the basis of discount rates reflecting current market assessments of the time value of money and the risks specific to the individual cash generating units, did not reveal any evidence that these assets might have suffered an impairment loss. No events of significance have occurred in the first half of 2008 such as might suggest that the carrying amount of trademarks could be impaired.

13. Land, property, plant and machinery

These are detailed as follows:

	30.06.2008		31.12.2007		
	Gross	Net	Gross	Net	Change
Land and buildings	156,194	135,390	152,075	133,561	1,829
Plant and machinery	193,712	65,271	194,668	69,012	(3,741)
Total	**349,906**	**200,661**	**346,743**	**202,573**	**(1,912)**

The following table reports movements during 2008:

	Land and buildings	Plant and machinery	Total
Net opening balance	**133,561**	**69,012**	**202,573**
Additions	2,989	2,924	5,913
Disposals	(3)	(1)	(4)
Depreciation	(2,228)	(3,818)	(6,046)
Translation difference and other movements	1,071	(2,846)	(1,775)
Net closing balance	**135,390**	**65,271**	**200,661**

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

	30.06.2008	31.12.2007	Change
Buildings	3,829	9,788	(5,959)
Plant and equipment	17,149	17,710	(561)
Other	105	169	(64)
Total	**21,083**	**27,667**	**(6,584)**

The decrease mainly refers to the sale of two buildings, as discussed in note 25.Non-current assets held for sale.
Information on the financial liability arising under the related lease agreements can be found in note 29. Other financial payables.

14. Other tangible assets

Details of other tangible assets are as follows:

	30.06.2008		31.12.2007		
	Gross	Net	Gross	Net	Change
Industrial and commercial equipment	161,670	22,808	160,044	24,491	(1,683)
Other	44,087	13,210	42,246	12,291	919
Work in progress and advances	4,809	4,809	2,480	2,480	2,329
Total	**210,566**	**40,827**	**204,770**	**39,262**	**1,565**

The following table reports movements during 2008:

	Industrial and commercial equipment	Other	Work in progress and advances	Total
Net opening balance	**24,491**	**12,291**	**2,480**	**39,262**
Additions	4,690	2,776	1,957	9,423
Disposals	(217)	(185)	(8)	(410)
Depreciation	(5,867)	(1,825)	-	(7,692)
Translation difference and other movements	(289)	153	380	244
Net closing balance	**22,808**	**13,210**	**4,809**	**40,827**

15. Equity investments

	30.06.2008	31.12.2007	Change
Associated companies	2,457	2,628	(171)
Other companies	712	731	(19)
Total	**3,169**	**3,359**	**(190)**

The value of equity investments in associated companies refers to Emer S.p.A..

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

16. Other non-current receivables

The balance at 30 June 2008 includes € 1,298 thousand in security deposits (€ 1,455 at 31 December 2007) and € 15 thousand in other non-current receivables (€ 14 thousand at 31 December 2007).

17. Other non-current financial assets

This reports financial assets classified as "Loans and receivables".
These assets include € 2,500 thousand for the 2006-2011 bond issued by Edifriuli S.p.A. subscribed by the subsidiary DL Radiators S.p.A., carrying floating rate annual interest at a rate two-thirds higher than the European Central Bank's rate.

18. Deferred tax assets and deferred tax liabilities

Deferred tax assets and deferred tax liabilities are detailed as follows at 30 June 2008:

	30.06.2008	31.12.2007	Change
Deferred tax assets	41,301	34,804	6,497
Deferred tax liabilities	(17,962)	(19,181)	1,219
Net asset balance	**23,339**	**15,623**	**7,716**

"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 set aside by the parent company and 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:

	30.06.2008	31.12.2007	Change
- Temporary differences	11,892	2,059	9,833
- Tax losses	11,447	13,564	(2,117)
Net asset balance	**23,339**	**15,623**	**7,716**

The net asset balance reflects € 1,796 thousand in amounts booked to net equity in the "Fair value and cash flow hedge reserve".

Current assets

19. Inventories

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

	30.06.2008	31.12.2007	Change
Raw, ancillary and consumable materials	71,300	68,982	2,318
Work in progress and semi-finished products	26,253	23,609	2,644
Finished products and goods	311,589	242,519	69,070
Advances	100	84	16
Total	**409,242**	**335,194**	**74,048**

The value of inventories is stated after deducting a provision for obsolete or slow-moving goods totalling € 28,005 thousand (€ 27,008 thousand at 31 December 2007), in relation to products and raw materials no longer deemed to be of strategic interest.

20. Trade receivables

These are made up as follows:

	30.06.2008	31.12.2007	Change
Trade receivables			
- due within 12 months	336,357	395,771	(59,414)
- due beyond 12 months	2	6	(4)
Provision for doubtful accounts	(21,938)	(17,795)	(4,143)
Total	**314,421**	**377,982**	**(63,561)**

Trade receivables are stated net of a provision for doubtful accounts of € 21,938 thousand, representing a reasonable estimate of the expected risk at the reporting date. The provision 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 provision for doubtful accounts are shown in the following table:

	31.12.2007	Increases	Utilization	Translation difference and other movements	30.06.2008
Provision for doubtful accounts	17,795	5,433	(1,620)	330	21,938

The Group has received € 1,781 thousand in customer guarantees (mainly in the form of sureties) against commercial transactions.

Trade receivables are broken down by geographical area as follows:

Geographical area	30.06.2008	%	31.12.2007	%
Italy	91,776	29.2%	84,592	22.4%
United Kingdom	25,887	8.2%	25,949	6.9%
Rest of Europe	132,288	42.1%	183,449	48.5%
United States, Canada, Mexico	15,364	4.9%	16,573	4.4%
Rest of the world	49,106	15.6%	67,419	17.8%
Total	**314,421**	**100.0%**	**377,982**	**100.0%**

21. Current tax assets

“Current tax assets” are detailed below:

	30.06.2008	31.12.2007	Change
VAT	8,496	12,099	(3,603)
Tax payments on account	4,267	5,425	(1,158)
Direct taxes	188	711	(523)
Tax refunds requested	2,770	3,073	(303)
Other tax receivables	598	759	(161)
Total current tax assets	**16,319**	**22,067**	**(5,748)**

“Tax refunds requested” include the amount requested for additional VAT deductions on the purchase of motor vehicles and related costs, following the Court of Justice’s sentence of 14 September 2006, and the credit for duties on mineral oils paid upon the import of oil-filled radiators into Italy, subsequently re-exported or sold in another EU state.
The amount of current tax assets due beyond 12 months is € 453 thousand (€ 420 thousand at 31 December 2007).

22. Other receivables

"Other receivables" are broken down as follows:

	30.06.2008	31.12.2007	Change
Advances to suppliers	6,306	5,038	1,268
Factors	1,454	1,760	(306)
Employees	390	479	(89)
Prepaid advertising and insurance costs	454	962	(508)
Other	31,804	33,471	(1,667)
Total other receivables	**40,408**	**41,710**	**(1,302)**

"Other" receivables include € 22,468 thousand in insurance reimbursements receivable after the fire.
This receivable, stated net of the € 15,000 thousand advanced by Assicurazioni Generali against the claim, does not include the right to receive additional compensation on top of the book value of the assets destroyed or the entitlement to reimbursement for indirect expenses (amongst which the loss of earnings and the refund of costs incurred after the fire), which will be recognized when the claim is finally settled.
Other receivables include € 53 thousand in amounts due beyond 12 months.

23. Current financial receivables and assets

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

	30.06.2008	31.12.2007	Change
Other financial receivables	7,297	2,412	4,885
Other securities	44	2,602	(2,558)
Fair value of derivatives	1,758	3,172	(1,414)
Total financial receivables and assets	**9,099**	**8,186**	**913**

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

"Other securities" refer to Banca Popolare di Vicenza bonds purchased by the subsidiary De'Longhi Appliances S.r.l. for investing surplus cash.

More details on the fair value of derivative financial instruments can be found in note 36. Risk management.

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 have a total of € 131 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 € 130 million in overdrafts held by certain 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.

25. Non-current assets held for sale

Two properties no longer viewed as strategic to the Group, classified as "Non-current assets held for sale" at 31 December 2007, were sold during the first half of 2008.
These sales gave rise to a capital gain of € 199 thousand, recognized in the income statement in the first half of 2008 under "Other revenues".

Comments on the balance sheet: net equity and liabilities

Net equity

"Net equity" is made up as follows:

	30.06.2008	31.12.2007	Change
Group portion	618,108	625,220	(7,112)
Minority interests	2,294	5,458	(3,164)
Total net equity	**620,402**	**630,678**	**(10,276)**

The annual general meeting (AGM) of De'Longhi S.p.A. held on 22 April 2008 declared a dividend totalling € 8,970 thousand.

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.

26. 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.

27. Reserves

These are broken down as follows:

	30.06.2008	31.12.2007	Change
Share premium reserve	325	325	-
Legal reserve	6,430	6,285	145
Other reserves			
- Extraordinary reserve	42,173	48,376	(6,203)
- Fair value and cash flow hedge reserve	(11,441)	(6,708)	(4,733)
- Profit (loss) carried forward	119,231	97,878	21,353
Total reserves	156,718	146,156	10,562

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" had a balance of € 6,285 thousand at 31 December 2007. The intervening increase of € 145 thousand is due to the allocation of the profit for 2007, as approved by the above AGM of De'Longhi S.p.A..

The "Extraordinary reserve" has gone down due to the combined effect of the parent company's allocation of profit for 2007 and the dividends declared by the above AGM.

The "Fair value and cash flow hedge" reserve is stated net of € 4,338 thousand in tax effects. 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 € 4,733 thousand in the Fair value and cash flow hedge reserve during 2008 is due to changes in the fair value of cash flow hedges, net of the related tax effect.

"Profit (loss) carried forward" includes the retained earnings of the consolidated companies, the effects of making accounting policy and consolidation adjustments and € 28,400 thousand in exchange differences arising on the translation of foreign company financial statements into Euro.

Minority interests in net equity amount to € 2,294 thousand. The interests held by minority interests and their corresponding share of net equity and results for the period ended 30 June 2008 are summarized below:

Company	% interest	Net equity	Profit (loss) for the period
E-Services S.r.l.	49%	1,355	266
Promised Success Ltd. - On Shiu (Zhongshan) Electrical Appliance Company Ltd.	33%	918	-
De'Longhi Bosphorus Ev Aleteri Ticaret Anonim Sirketi	30%	(28)	(103)
RC Group (*)	-	-	128
Zass Alabuga LLC	7.2%	49	(21)
Total		2,294	270

(*) The remaining 16.7% of RC Group was purchased in April 2008: the profit (loss) pertaining to minority interests therefore refers to the period before this purchase.

Non-current liabilities

28. 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 30.06.2008	Within one year	One to five years	Beyond five years	Balance 31.12.2007	Change
Overdrafts	98,255			98,255	24,545			24,545	73,710
Short-term loans in Euro or foreign currency	172,423			172,423	190,295			190,295	(17,872)
Advances	4,068			4,068	4,858			4,858	(790)
Long-term loans (current portion)	50,385			50,385	53,521			53,521	(3,136)
Total short-term bank loans and borrowings	**325,131**	**-**	**-**	**325,131**	**273,219**	**-**	**-**	**273,219**	**51,912**
Long-term loans	-	117,137	536	117,673	-	132,955	8,071	141,026	(23,353)
Total bank loans and borrowings	**325,131**	**117,137**	**536**	**442,804**	**273,219**	**132,955**	**8,071**	**414,245**	**28,559**

Long-term loans comprise the following:

Loans (including short-term portion)	30.06.2008	31.12.2007
Loans from Banca Popolare di Verona e Novara	86,509	95,195
Loan from BNP Paribas	72,798	86,989
Loan from Mediocredito del Friuli Venezia Giulia	-	682
Loan from Banca di Roma	527	1,045
Loan from Banca Popolare di Sondrio	-	838
Loan from Banca Popolare Commercio e Industria	1,315	1,822
Loan from Unicredit	1,428	1,734
Loan from IMI (Law 46)	1,505	1,877
Other minor loans	3,976	4,365
Total long-term loans	**168,058**	**194,547**

The loan arranged by BNP Paribas calls for the observance of financial covenants (principally the ratio 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 30 June 2008.

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

29. Other financial payables

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

	30.06.2008	31.12.2007	Change
Payables to lease companies (short-term portion)	3,379	3,784	(405)
Ministry of Industry loans (short-term portion)	563	696	(133)
Payables for the purchase of equity investments	-	1,732	(1,732)
Other short-term financial payables	9,153	9,183	(30)
Negative fair value of derivatives (short-term portion)	14,010	13,485	525
Total short-term payables	**27,105**	**28,880**	**(1,775)**
Payables to lease companies (long-term portion)	13,385	19,756	(6,371)
Ministry of Industry loans (long-term portion)	2,693	3,223	(530)
Other financial payables (long-term portion)	6,373	6,218	155
Negative fair value of derivatives (long-term portion)	1,125	1,647	(522)
Total long-term payables	**23,576**	**30,844**	**(7,268)**
Total other financial payables	**50,681**	**59,724**	**(9,043)**

More details on the fair value of derivative financial instruments can be found in note 36. Risk management.

This balance mostly refers to finance leases of € 16,764 thousand (€ 23,540 thousand at 31 December 2007) and low-interest loans from the Ministry of Industry of € 3,256 thousand (€ 3,919 thousand at 31 December 2007).
"Other financial payables (long-term portion)" include € 6,373 thousand for the value of the call option over the remaining shares in Top Clima, which may be exercised from January 2011.

Net financial position

Details of the net financial position are as follows:

	30.06.2008	31.12.2007	Change
A. Cash	237	182	55
B. Cash equivalents	85,887	107,186	(21,299)
C. Securities	44	2,602	(2,558)
D. Total liquidity (A+B+C)	**86,168**	**109,970**	**(23,802)**
E 1. Current financial receivables	**9,055**	**5,584**	**3,471**
Of which:			
Fair value of derivatives	1,758	3,172	(1,414)
E 2. Non-current financial receivables and other securities (*)	**2,568**	**2,549**	**19**
F. Current bank loans and borrowings	(274,746)	(219,698)	(55,048)
G. Current portion of non-current debt	(50,385)	(53,521)	3,136
H. Other current financial payables	(27,105)	(28,880)	1,775
Of which:			
Fair value of derivatives	(14,010)	(13,485)	(525)
I. Current financial debt (F+G+H)	**(352,236)**	**(302,099)**	**(50,137)**
J. Net current financial debt (I +E 1 + E 2+D)	**(254,445)**	**(183,996)**	**(70,449)**
K. Non-current bank loans and borrowings	(117,673)	(141,026)	23,353
L. Bonds	-	-	-
M. Other non-current payables	(23,576)	(30,844)	7,268
Of which:			
Top Clima option	(6,373)	(6,217)	(156)
Fair value of derivatives	(1,125)	(1,647)	522
N. Non-current financial debt (K+L+M)	**(141,249)**	**(171,870)**	**30,621**
Total	**(395,694)**	**(355,866)**	**(39,828)**

(*) This amount differs from the non-current receivables reported in the balance sheet (€ 1,313 thousand at 30 June 2008 and € 1,469 thousand at 31 December 2007) because the balance sheet amount includes € 1,307 thousand in non-financial receivables at 30 June 2008 (€ 1,465 thousand at 31 December 2007).

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

More details on the fair value of derivative financial instruments can be found in note 36. Risk management.

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

30. Employee benefits

These are made up as follows:

	30.06.2008	31.12.2007	Change
Provision for severance indemnities	18,943	20,019	(1,076)
Defined benefit plans	11,623	13,800	(2,177)
Long-term benefits	2,885	1,902	983
Total employee benefits	**33,451**	**35,721**	**(2,270)**

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 in order 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 period are summarized below:

Severance indemnity obligations	**30.06.2008**	**31.12.2007**	**Change**
Defined benefit obligations	18,943	20,019	(1,076)

Net cost charged to income	**30.06.2008**	**31.12.2007**	**Change**
Current service cost	286	434	(148)
Application of new law	0	(3,126)	3,126
Interest cost on obligations	458	940	(482)
Total	**744**	**(1,752)**	**2,496**

Change in present value of obligations	30.06.2008	31.12.2007	Change
Present value at 1 January	**20,019**	**26,326**	**(6,307)**
Current service cost	286	434	(148)
Utilization of provision	(1,820)	(4,555)	2,735
Interest cost on obligations	458	940	(482)
Application of new law	0	(3,126)	3,126
Present value at reporting date	**18,943**	**20,019**	**(1,076)**

Defined benefit plans:

Movements in the period are as follows:

Net cost charged to income	30.06.2008	31.12.2007	Change
Current service cost	158	169	(11)
Return on plan assets	0	(1,578)	1,578
Interest cost on obligations	240	2,080	(1,840)
Total	**398**	**671**	**(273)**

Change in present value of obligations	30.06.2008	31.12.2007	Change
Present value at 1 January	**13,800**	**15,683**	**(1,883)**
Net cost charged to income	398	671	(273)
Benefits paid	(1,787)	(1,929)	142
Other movements	0	534	(534)
Translation difference	(788)	(1,159)	371
Present value at reporting date	**11,623**	**13,800**	**(2,177)**

The amount includes € 9,796 thousand in respect of Kenwood Ltd. and € 1,827 thousand for De'Longhi Japan Corp.

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

	30.06.2008	31.12.2007
Blue collar	4,878	4,273
White collar	2,800	2,714
Executives	123	126
Total	**7,801**	**7,113**

31. Non-current provisions for contingencies and other charges

These are broken down as follows:

	30.06.2008	31.12.2007	Change
Agents' leaving indemnity provision and other retirement provisions	**6,839**	**6,801**	**38**
Product warranty provision	10,386	11,692	(1,306)
Provisions for contingencies and other charges	10,689	12,837	(2,148)
Other provisions	**21,075**	**24,529**	**(3,456)**
Total	**27,914**	**31,330**	**(3,416)**

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 "Agents' leaving indemnity provision" and "Other retirement provisions" have reported the following movements during 2008:

	31.12.2007	Utilization	Increases	Other	30.06.2008
Agents' leaving indemnity provision	6,539	(242)	294	(10)	6,581
Other retirement provisions	262	(4)	-	-	258
Total	**6,801**	**(246)**	**294**	**(10)**	**6,839**

Other provisions have reported the following movements:

	31.12.2007	Utilization	Increases	Other	30.06.2008
Product warranty provision	11,692	(3,318)	1,830	182	10,386
Provisions for contingencies and other charges (*)	12,837	(4,534)	2,538	(152)	10,689
Total	**24,529**	**(7,852)**	**4,368**	**30**	**21,075**

(*) the increase in the provision includes € 20 thousand in costs booked under services and other operating expenses in the income statement.

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 30 June 2008. 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 € 1,393 thousand (€ 1,522 thousand at 31 December 2007);
- the parent company’s provision of € 3,364 thousand against costs associated with the fire and of € 229 thousand for a dispute;
- a provision of € 5,703 thousand against various contingencies facing subsidiaries.

The utilization in the first half of the year mostly refers to the parent company’s settlement of a dispute, involving the payment of an amount no more than that estimated in previous balance sheets.

Current liabilities

32. 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	30.06.2008	%	31.12.2007	%
Italy	155,051	48.2%	166,104	49.8%
United Kingdom	10,407	3.2%	14,169	4.2%
Rest of Europe	60,720	18.9%	74,257	22.3%
United States, Canada, Mexico	6,976	2.2%	9,079	2.7%
Rest of the world	88,671	27.6%	70,060	21.0%
Total	**321,825**	**100%**	**333,669**	**100%**

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

33. Current tax liabilities

These are broken down as follows:

	30.06.2008	31.12.2007	Change
Direct taxes	13,132	9,988	3,144
Indirect taxes	2,540	4,196	(1,656)
Withholdings payable	2,514	4,898	(2,384)
Other taxes	2,179	5,204	(3,025)
Total current tax liabilities	**20,365**	**24,286**	**(3,921)**

Tax liabilities due beyond 12 months amount to € 34 thousand.

34. Other payables

These are detailed as follows:

	30.06.2008	31.12.2007	Change
Social security institutions	6,270	8,028	(1,758)
Sundry payables	49,328	47,613	1,715
Total other payables	**55,598**	**55,641**	**(43)**

"Social security institutions" include € 4,217 thousand in payables to social security agencies, € 295 thousand in payables to Italy's industrial accident insurer and € 1,758 thousand to other welfare agencies.

"Sundry payables" are detailed as follows:

	30.06.2008	31.12.2007	Change
Employees	26,868	23,002	3,866
Advances	2,734	2,694	40
Other	19,726	21,917	(2,191)
Total sundry payables	**49,328**	**47,613**	**1,715**

35. Commitments

These are broken down as follows:

	30.06.2008	31.12.2007	Change
Guarantees given:			
- to third parties	2,201	2,260	(59)
Other commitments	4,716	6,433	(1,717)
Total	**6,917**	**8,693**	**(1,776)**

"Other commitments" mainly consist of € 3.1 million in contractual obligations by the subsidiary De'Longhi America Inc..

There is also a mortgage on a building owned by RC Group S.p.A., with a book value of € 65 thousand, and a mortgage on a building owned by Top Clima S.L., with a book value of € 303 thousand.

36. 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 suitable 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 borrowings.

Credit risk

Credit risk consists of the Group's exposure to potential losses arising from failure by a counterparty to fulfil its obligations.
Commercial 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.

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

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.

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 of staff 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 can go 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., the Group's finance 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 the operating companies so that De'Longhi Capital Services S.r.l. does not directly carry derivatives for risks that are not its own.

A list of outstanding currency derivatives at 30 June 2008 is provided below:

	Fair value (€/000)		
	Current financial assets	Other financial payables (short-term portion)	Other financial payables (long-term portion)
Hedges of 2008 budget	1,076	(5,410)	-
Hedges of 2009 budget	-	(7,980)	(1,125)
Hedges against foreign currency receivables and payables	682	(620)	-
Total fair value	**1,758**	**(14,010)**	**(1,125)**

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 being hedged (already recorded in the financial statements).

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 30 June 2008 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.

There were no interest rate hedges at 30 June 2008.

Risks and uncertainties in the rest of the year

The first half of 2008 was particularly negative for financial markets: firstly, the financial system saw an increase in losses in the wake of the collapse of the US sub-prime loans market. Secondly, the rise in the price of food and oil has driven inflation to its highest level since 1999; if oil and food prices stop rising, inflation should gradually improve from the fourth quarter. However, this trend is also associated with a slowdown by the emerging economies, which is not expected before 2009.

The appreciation of the Euro and the steep rise in raw material prices have given rise to competitive pressures in certain markets and uncertainty over future results.

Global economic growth has slowed and the principal indicators point towards a possible further deterioration in the second half of the year; the Euro-zone is resisting for now, thanks to German industry and the French service sector, while the situation in Italy and Spain is less rosy.

The Italian domestic appliances industry is going through a very difficult period due to competition from emerging markets and the continued rise in raw material prices.

The biggest concerns for the second half of the year relate to economic growth forecasts; the principal indicators are pointing towards a period of sharp downturn in output, caused by high interest rates, the strong Euro, lower foreign demand and high oil prices.

37. 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 inspection for tax year 2004 by the Veneto regional tax office. A preliminary notice of findings was issued on 25 January 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.

On 4 July 2008 the tax police's Trevisio division started a tax audit of 2005. No preliminary notice of findings has yet been issued.

Ariete S.p.A.: a general tax inspection 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, with a ruling in the company's favour issued on 8 July 2008.

Kenwood Appliances Ltd. and Kenwood Ltd.: an audit of the tax returns for 2004 and 2005.
Information was requested about the transfer of the Kenwood trademark to another Group company not resident in the United Kingdom. The company confirmed that the transfer took place at a market price supported by a valuation prepared by an independent expert. Given the absence of specific feedback, it is currently not possible to estimate whether there is a contingent liability in this regard. Information was also requested about certain intercompany transactions that the Group considers to have been conducted on the basis of policies supported by strong, defensible assumptions.

38. 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 and 98015375 dated 27 February 1998 and DEM/2064231 dated 30 September 2002. All transactions fall within the Group's normal operations and are 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.

39. Segment reporting

Segment information is presented below (using the primary reporting format):

Income statement data

	30.06.2008				
	Household	**Professional**	**Corporate**	**Eliminations**	**Consolidated total**
Total revenues	494,528	204,344	8,349	(20,782)	686,439
EBITDA	**44,646**	**19,283**	**(3,223)**	**(76)**	**60,630**
Amortization and depreciation	(14,138)	(3,922)	(1,315)	-	(19,375)
EBIT	**30,508**	**15,361**	**(4,538)**	**(76)**	**41,255**
Financial income (expenses)					(22,802)
Profit before taxes					**18,453**
Taxes					(5,293)
Profit (loss) after taxes					**13,160**
Profit (loss) pertaining to minority interests					270
Profit (loss) for the period					**12,890**

Balance sheet data

	Household	**Professional**	**Corporate**	**Eliminations**	**Consolidated total**
Total assets	977,606	581,586	262,773	(230,963)	1,591,002
Total liabilities	(413,870)	(454,090)	(333,515)	230,875	(970,600)

Income statement data

	30.06.2007				
	Household	**Professional**	**Corporate**	**Eliminations**	**Consolidated total**
Total revenues	449,235	203,484	-	(16,185)	636,534
EBITDA	**26,907**	**24,849**	**-**	**23**	**51,779**
Amortization and depreciation	(15,456)	(3,631)	-	-	(19,087)
EBIT	**11,451**	**21,218**	**-**	**23**	**32,692**
Financial income (expenses)					(23,135)
Profit before taxes					**9,557**
Taxes					(5,901)
Profit (loss) after taxes					**3,656**
Profit (loss) pertaining to minority interests					133
Profit (loss) for the period					**3,523**

Balance sheet data

	30.06.2007				
	Household	**Professional**	**Corporate**	**Eliminations**	**Consolidated total**
Total assets	1,229,495	561,525	-	(218,795)	1,572,225
Total liabilities	(666,081)	(511,143)	-	218,802	(958,422)

Information in accordance with the secondary format can be found in notes 1. Revenues, 20. Trade receivables and 32. Trade payables.

40. Subsequent events

An operation was approved on 24 July to spin off the "property" business of De'Longhi S.p.A. to a specific company, Gamma S.r.l., a wholly-owned subsidiary which has approved an increase in capital to service this transfer.
This operation has no impact on consolidated net equity, net debt or EBITDA.
More details can be found in the section on "Subsequent events" in the interim report on operations.

Treviso, 29 August 2008

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

List of consolidated companies

List of companies consolidated on a line-by-line basis

Company name	Registered office	Currency	Share capital (1)	Interest held at 30.06.2008	
				Directly	Indirectly
DE'LONGHI AMERICA INC.	Saddle Brook	USD	9,100,000		100%
DE'LONGHI FRANCE S.A.R.L.	Clichy	EUR	2,737,500		100%
DE'LONGHI CANADA INC.	Mississauga	CAD	1		100%
DE'LONGHI DEUTSCHLAND GMBH	Seligenstadt	EUR	2,100,000		100%
DE'LONGHI ELECTRODOMESTICOS ESPANA S.L.	Barcelona	EUR	5,510,000		100%
DE'LONGHI CAPITAL SERVICES S.R.L. (2)	Treviso	EUR	53,000,000	11.32%	88.68%
DE'LONGHI APPLIANCES S.R.L.	Treviso	EUR	200,000,000	100%	
E- SERVICES S.R.L.	Treviso	EUR	50,000	51%	
DE'LONGHI LTD.	Wellingborough	GBP	4,000,000		100%
DE'LONGHI NEDERLAND B.V.	Breda	EUR	226,890		100%
DL TRADING LIMITED	Hong Kong	HKD	73,010,000		100%
TRICOM INDUSTRIAL CO. LTD.	Hong Kong	HKD	4,500,000		100%
PROMISED SUCCESS LTD.	Hong Kong	HKD	28,000,000		67%
ON SHIU (ZHONGSHAN) ELECTRICAL APPLIANCE COMPANY LTD.	Zhongshan City	CNY	55,112,118		67%
DONG GUAN DE'LONGHI-KENWOOD APPLIANCES CO.LTD.	Qing Xi Town	CNY	4,251,440		100%
CLIMAVENETA S.P.A.	Treviso	EUR	10,000,000		100%
CLIMAVENETA DEUTSCHLAND GMBH	Nordstedt	EUR	306,775		100%
CLIMAVENETA FRANCE SAS	Montesson	EUR	150,000		100%
DE'LONGHI HOUSEHOLD S.A.	Luxembourg	EUR	181,730,990	100%	
DE'LONGHI JAPAN CORPORATION	Tokyo	JPY	50,000,000		100%
DL RADIATORS S.P.A.	Treviso	EUR	5,000,000		100%
DE'LONGHI CLIMA POLSKA SP.ZO.O	Warsaw	PLN	597,000		100%
Company controlled through trust company (3)	Nuremberg	EUR	26,000		100%
DL RADIATORS FRANCE S.A.R.L.	Paris	EUR	150,000		100%
DE'LONGHI AUSTRALIA PTY LTD.	Sydney	AUD	28,800,001		100%
DE'LONGHI NEW ZEALAND LTD.	Auckland	NZD	18,857,143		100%
CLIMAVENETA HOME SYSTEM S.R.L.	Treviso	EUR	5,000,000		100%
ALABUGA INTERNATIONAL S.A.	Luxembourg	EUR	200,000	0.05%	99.95%
ZASS ALABUGA LLC	Elabuga	RUB	95,242,767		92.8%
DE'LONGHI LLC	Elabuga	RUB	6,000,000		100%
DL TRADING (SHENZEN) COMPANY CO LTD.	Shenzen	USD	363,000		100%
KENWOOD APPLIANCES LTD.	Havant	GBP	30,586,001		100%
KENWOOD APPLIANCES LUXEMBOURG S.A.	Luxembourg	EUR	1,000,000		100%
KENWOOD LIMITED	Havant	GBP	25,050,000		100%
KENWOOD INTERNATIONAL LTD .	Havant	GBP	20,000,000		100%

Appendix 1

Company name	Registered office	Currency	Share capital (1)	Interest held at 30.06.2008	
				Directly	Indirectly
KENWOOD APPL. (SINGAPORE) PTE LTD .	Singapore	SGD	500,000		100%
KENWOOD APPL. (MALAYSIA) SDN.BHD.	Petaling Jaya	MYR	3		100%
KENWOOD MANUFACTURING GMBH	Wr Neudorf	EUR	36,336		100%
KENWOOD HOME APPL. PTY LTD.	Maraisburg	ZAR	40,000		100%
KENWOOD HELLAS SOLE PARTNER LTD. LIABILITY COMPANY	Athens	EUR	48,000		100%
ARIETE S.P.A.	Campi Bisenzio	EUR	8,272,000		100%
ARIETE HISPANIA S.L.	Madrid	EUR	3,066		100%
ARIETE HELLAS EPE	Athens	EUR	18,000		100%
ARIES LUSITANIA ELECTRODOMESTICOS LDA	Maia	EUR	5,000		100%
ARIETE DEUTSCHLAND GMBH	Dusseldorf	EUR	25,000		100%
ARIETE FRANCE ELECTROMENAGER SARL	Paris	EUR	30,000		100%
CLIM.RE. S.A.	Luxembourg	EUR	1,239,468	4%	96%
DL PROFESSIONAL S.A.	Luxembourg	EUR	30,205,000	99.95%	0.05%
R.C. GROUP S.P.A.	Valle Salimbene	EUR	10,680,000		100%
R.C. LUX S.A.	Luxembourg	EUR	6,959,773		100%
R.C. AIR CONDITIONING AND REFRIGERATION (WUHAN) CO. LTD.	Wuhan	CNY	3,509,922		100%
FOSHAN RC AIR CONDITIONING R.E. CO. LTD.	Foshan City	CNY	4,307,090		100%
ELLE SRL	Treviso	EUR	10,000		100%
DE'LONGHI BOSPHORUS EV ALETLERI TICARET ANONIM SIRKETI	Istanbul	TRY	1,700,000		70%
DE'LONGHI PRAGA S.RO	Prague	CZK	200,000		100%
TOP CLIMA S.A.	Barcelona	EUR	1,606,000		65%
SOMORA ASESORES SL	Barcelona	EUR	303,005		100%
SATER MANTENIMIENTO SL	Madrid	EUR	250,000		99.99%
KENWOOD SWISS	Baar	CHF	1,000,000		100%
GAMMA S.R.L.	Treviso	EUR	10,000	100%	
GS LUX	Luxembourg	EUR	377,000		100%

Appendix 1

List of companies consolidated under the proportional method

Company name	Registered office	Currency	Share capital (1)	Interest held at 30.06.2008	
				Directly	Indirectly
CHAT UNION CLIMAVENETA COMPANY LTD.	Hong Kong	HKD	10,000		50%
CLIMAVENETA CHAT UNION REFRIGERATION EQUIPMENT (SHANGHAI) CO.LTD.	Shanghai	USD	2,500,000		50%
CLIMAVENETA CHAT UNION TRADING (SHANGHAI) CO.LTD.	Shanghai	USD	600,000		50%
DL-TCL HOLDINGS (HK) LTD.	Hong Kong	USD	5,000,000		50%
TCL-DE'LONGHI HOME APPLIANCES (ZHONGSHAN) CO.LTD.	Zhongshan	USD	5,000,000		50%

List of companies consolidated under the equity method

Company name	Registered office	Currency	Share capital (4)	Interest held at 30.06.2008	
				Directly	Indirectly
Associated companies:					
Effegici S.r.l.	Gorgo al Monticano (TV)	EUR	244,400		25%
Emer S.p.A.	Monza	EUR	520,000		40%

Other subsidiaries (in liquidation or dormant)

Company name	Registered office	Currency	Share capital
Subsidiary companies: (5)			
Kenwood Appliances (Australia) Pty Limited	Sydney	AUD	15,000
Kenwood Appliances Inc.	Havant	USD	25,000

(1) Figures at 30 June 2008, 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 trust 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 2007.
(5) Dormant companies or companies in liquidation, whose balance sheets are unavailable.

Transactions and balances with related parties

Consolidated income statement (pursuant to CONSOB resolution 15519 of 27 july 2006)

(€/000)	30.06.2008	of which with related parties	30.06.2007	of which with related parties
Revenues from sales and services	672,769	135	623,081	7,712
Other revenues	13,670	1	13,453	203
Total consolidated net revenues	**686,439**		**636,534**	
Raw and ancillary materials, consumables and goods	(417,729)	(104)	(403,327)	(1,121)
Change in inventories of finished products and work in progress	78,845		55,647	
Change in inventories of raw and ancillary materials, consumables and goods	2,852		23,969	
Materials consumed	**(336,032)**		**(323,711)**	
Payroll costs	(95,797)		(84,867)	
Services and other operating expenses	(183,747)	(390)	(164,464)	(495)
Contingency and other provisions	(10,233)		(6,006)	
Other non-recurring income (expenses)	-		(5,707)	
Amortization and depreciation	(19,375)		(19,087)	
EBIT	**41,255**		**32,692**	
Financial income (expenses) from equity investments	12		2	
Other financial income (expenses)	(22,814)	2	(23,137)	
Financial income (expenses)	**(22,802)**		**(23,135)**	
PROFIT (LOSS) BEFORE TAXES	**18,453**		**9,557**	
Income taxes for the period	(5,293)		(5,901)	
PROFIT (LOSS) AFTER TAXES	**13,160**		**3,656**	
Profit (loss) pertaining to minority interests	270		133	
PROFIT (LOSS) PERTAINING TO THE GROUP	**12,890**		**3,523**	

Consolidated balance sheet - assets (pursuant to CONSOB Resolution 15519 of 27 July 2006)

(€/000)	30.06.2008	of which with related parties	31.12.2007	of which with related parties
NON-CURRENT ASSETS				
INTANGIBLE ASSETS	425,556		421,437	
- Goodwill	237,006		232,410	
- Other intangible assets	188,550		189,027	
PROPERTY, PLANT AND EQUIPMENT	241,488		241,835	
- Land, property, plant and machinery	200,661		202,573	
- Other tangible assets	40,827		39,262	
EQUITY INVESTMENTS AND OTHER FINANCIAL ASSETS	7,044		7,373	
- Equity investments (in associated companies)	2,457		2,628	
- Equity investments (in other companies)	712		731	
- Receivables	1,313		1,469	
- Other non-current financial assets	2,562		2,545	
DEFERRED TAX ASSETS	41,301		34,804	
TOTAL NON-CURRENT ASSETS	**715,389**		**705,449**	
CURRENT ASSETS				
INVENTORIES	409,242		335,194	
TRADE RECEIVABLES	314,421	1,146	377,982	770
CURRENT TAX ASSETS	16,319		22,067	
OTHER RECEIVABLES	40,408		41,710	378
CURRENT FINANCIAL RECEIVABLES AND ASSETS	9,099	72	8,186	71
CASH AND CASH EQUIVALENTS	86,124		107,368	
TOTAL CURRENT ASSETS	**875,613**		**892,507**	
NON-CURRENT ASSETS HELD FOR SALE	-		6,519	-
NON-CURRENT ASSETS HELD FOR SALE	**-**		**6,519**	**-**
TOTAL ASSETS	**1,591,002**		**1,604,475**	**-**

Consolidated balance sheet - net equity and liabilities (pursuant to CONSOB Resolution 15519 of 27 July 2006)

(€/000)	30.06.2008	of which with related parties	31.12.2007	of which with related parties
NET EQUITY				
GROUP PORTION OF NET EQUITY	618,108		625,220	
- Share capital	448,500		448,500	
- Reserves	156,718		146,156	
- Profit (Loss) pertaining to the Group	12,890		30,564	
MINORITY INTERESTS	2,294		5,458	
TOTAL NET EQUITY	**620,402**		**630,678**	
NON-CURRENT LIABILITIES				
FINANCIAL PAYABLES	141,249		171,870	
- Bank loans and borrowings (long-term portion)	117,673		141,026	
- Other financial payables (long-term portion)	23,576		30,844	
DEFERRED TAX LIABILITIES	17,962		19,181	
NON-CURRENT PROVISIONS FOR CONTINGENCIES AND OTHER CHARGES	61,365		67,051	
- Employee benefits	33,451		35,721	
- Other provisions	27,914		31,330	
TOTAL NON-CURRENT LIABILITIES	**220,576**		**258,102**	
CURRENT LIABILITIES				
TRADE PAYABLES	321,825	181	333,669	684
FINANCIAL PAYABLES	352,236		302,099	
- Bank loans and borrowings (short-term portion)	325,131		273,219	
- Other financial payables (short-term portion)	27,105		28,880	
CURRENT TAX LIABILITIES	20,365		24,286	
OTHER PAYABLES	55,598		55,641	
TOTAL CURRENT LIABILITIES	**750,024**		**715,695**	
TOTAL NET EQUITY AND LIABILITIES	**1,591,002**		**1,604,475**	

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 De'Longhi S.p.a.'s rules on corporate governance, we shall now present the following information concerning transactions with related parties during the first half of 2008:

(€/million)	Revenues	Raw material and other costs	Trade, other and financial receivables	Trade payables
Ultimate parent companies:				
De'Longhi Soparfi S.A.			0.4	-
Total ultimate parent companies			**0.4**	**-**
Related companies: (1)				
Omas S.r.l.			0.7	-
Max Information S.r.l.		(0.4)		(0.1)
Mokarabia S.p.A.	0.1	(0.1)		(0.1)
De'Longhi Holding S.A.			0.1	
Total related companies	**0.1**	**(0.5)**	**0.8**	**(0.2)**
TOTAL RELATED PARTIES	**0.1**	**(0.5)**	**1.2**	**(0.2)**

(1) 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 €0.2 million to Giuseppe De'Longhi (Chairman of the Board of Directors) during the first half of 2008 for the cost of services incurred.

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

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

Certification of the half-year condensed 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, Manager responsible for the preparation De'Longhi S.p.A.'s financial reports, attest, also taking account of the provisions of paragraphs 3 and 4, art. 154-bis, of Decree 58 dated 24 February 1998:

that the accounting and administrative processes for preparing the half-year condensed financial statements during the first half of 2008

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

They also certify that the half-year condensed financial statements at 30 June 2008:

- have been prepared in accordance with applicable international accounting standards recognized by the European Union under Regulation (EC) 1606/2002 of the European Parliament and Council dated 19 July 2002;
- correspond to the underlying accounting records and books of account;
- have been prepared in accordance with the International Financial Reporting Standards adopted by the European Union and with the measures implementing art. 9 of Decree 38/2005, and to the best of their knowledge, 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;

Lastly, they certify that the interim report on operations contains references to important events that took place in the first six months of the year and their impact on the half-year condensed financial statements, together with a description of the principal risks and uncertainties in the remaining six months of the year, as well as information on significant related-party transactions.

Treviso, 29 August 2008

Fabio De' Longhi
Vice Chairman and Chief Executive Officer

Stefano Biella
Manager responsible for the preparation
of the Company's financial reports

External auditors' report on the limited review of the half-year condensed consolidated financial statements.

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers SpA

AUDITORS' REPORT ON THE REVIEW OF CONSOLIDATED HALF YEAR CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2008

To the Shareholders of
De'Longhi SpA

1 We have reviewed the half year condensed consolidated financial statements of De'Longhi SpA and subsidiaries (De'Longhi Group) as of 30 June 2008 and the six months then ended, comprising the consolidated balance sheet, the consolidated income statement, the statement of changes in consolidated net equity, the consolidated cash flows statement and the related explanatory notes. The Directors of De'Longhi SpA are responsible for the preparation of the half year condensed consolidated financial statements in accordance with the international accounting standard IAS 34, applicable to interim financial reporting, as adopted by the European Union. Our responsibility is to issue this report based on our review.

2 Our work was conducted in accordance with the criteria for a review recommended by the National Commission for Companies and the Stock Exchange (CONSOB) with Resolution no. 10867 of 31 July 1997. The review consisted principally of inquiries of company personnel about the information reported in the half year condensed consolidated financial statements and about the consistency of the accounting principles utilised therein as well as the application of analytical review procedures on the data contained in the above mentioned consolidated financial statements. The review excluded certain auditing procedures such as compliance testing and verification and validation tests of the assets and liabilities and was therefore substantially less in scope than an audit performed in accordance with generally accepted auditing standards. Accordingly, unlike an audit on the annual consolidated financial statements, we do not express a professional audit opinion on the half year condensed consolidated financial statements.

Regarding the comparative amounts of the consolidated financial statements of the prior year and the half year condensed consolidated financial statements of the prior year presented in the half year condensed consolidated financial statements, reference should be made to our reports dated 4 April 2008 and dated 9 October 2007, respectively.

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3 Based on our review, nothing has come to our attention that causes us to believe that the half year condensed consolidated financial statements of De'Longhi Group have not been prepared, in all material respects, in accordance with the international accounting standard IAS 34, applicable to interim financial reporting, as adopted by the European Union.

Padua, 29 August 2008

PricewaterhouseCoopers SpA

Signed by Nicola Piovan
(Partner)

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

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