De'Longhi S.p.A.

Half-year financial report at 30 June 2009

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Company officers *

Board of Directors

GIUSEPPE DE'LONGHI	Chairman
FABIO DE'LONGHI	Vice Chairman and Chief Executive Officer
ALBERTO CLÒ **	Director
RENATO CORRADA **	Director
SILVIA DE'LONGHI	Director
DARIO MELÒ***	Director
GIORGIO SANDRI	Director
SILVIO SARTORI	Director
GIOVANNI TAMBURI**	Director

Board of Statutory Auditors

GIANLUCA PONZELLINI	Chairman
MASSIMO LANFRANCHI	Standing member
GIULIANO SACCARDI	Standing member
ROBERTO CORTELLAZZO-WIEL	Alternate member
ENRICO PIAN	Alternate member

External auditors

PRICEWATERHOUSECOOPERS S.P.A.

Internal Auditing and Corporate Governance Committee

RENATO CORRADA **
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.
*** In accordance with art. 2386, para.1 of the Italian Civil Code, the Board of Directors appointed Dario Melò as a director on 15 July 2009 to replace Carlo Garavaglia, who had resigned.

Introduction

This document relating to the consolidated results in the first half of 2009 constitutes the half-year financial report required by art 154-ter of Decree 58/98 (*Testo Unico della Finanza* or *TUF*) and comprises the consolidated condensed interim 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 28 August 2009. The consolidated condensed interim financial statements have been submitted to a limited audit by PricewaterhouseCoopers S.p.A..

The income statement data refers to the first half of 2009 and 2008. The balance sheet information refers to 30 June 2009, 31 December 2008 and 30 June 2008. This report includes details of any significant transactions, including with related parties.

INTERIM REPORT ON OPERATIONS

The Group continued to operate in the first half of 2009 in a generally depressed economic environment featuring sharp falls in industrial output and demand. Despite this uncertain situation, the Group defended its margins and improved its financial position thanks to cash flow from operating activities, thus resisting the negative trend in consumption.

Revenues amounted to €595.3 million (-13.3% versus 2008); EBITDA before non-recurring expenses was €48.2 million (€63.1 million at 30 June 2008), with a decline in margin from 9.2% to 8.1%. Assuming the same scope of consolidation and ignoring the costs of demerging the property activities at the end of 2008, EBITDA before non-recurring expenses would have been €50.9 million (with a margin of 8.6%).

The drop in revenues was less steep in the Household division (-10.1%), which once again proved more resilient to the negative trend in consumption. These results were achieved thanks to the quality product range and the leadership position in fully-automatic and capsule coffee machines and food processors and despite a significant drop in sales of fixed air-conditioning units due to weak demand.

The Professional division, which reported a 23.5% drop in revenues, was affected to a greater degree by the contraction in demand from the real estate sector and in industrial investments.

In terms of geographical markets, there was a general decline in sales reflecting the negative trend in consumption, although markets in North America and the Rest of the world grew partly thanks to the effects of positive exchange rates.

First-half EBITDA before non-recurring income/expenses came to €48.2 million (€63.1 million in the first half of 2008), with a margin of 8.1%, down from 9.2% in the first half of 2008.
In addition to the drop in sales, EBITDA was affected by unfavourable exchange rate trends with respect to the same period in 2008 (US dollar, British pound and Russian rouble), pulling the margin down by some 1.7 percentage points; at constant exchange rates, EBITDA before non-recurring expenses would have been €58.4 million (a margin of 9.8%).

Other services, expenses and provisions were impacted not only by the drop in revenues and, consequently, the lower absorption of fixed costs, but also by higher rental charges for industrial buildings which are no longer owned by the Group. Advertising expenditure continued to be high (€9.8 million in the first half of 2009).

EBITDA came to €44.4 million after €3.8 million in non-recurring expenses (€60.6 million in the first half of 2008).

EBIT amounted to €27.2 million in the first half of 2009 (€41.3 million in the first half of 2008), with a margin of 4.6% versus 6.0% in the same period of 2008. At constant exchange rates EBIT would have been €37.4 million, reporting a margin of 6.3%.

Net financial expenses were €3.8 million lower at 30 June 2009; the benefit of €7.8 million due to lower average debt and interest rates was partially offset by an increase in expenses for currency hedges, particularly those against liabilities of the Group’s Russian subsidiaries.

Profit after tax amounted to €3.9 million (€12.9 million at 30 June 2008 which included the tax benefits of operations to realign tax and accounting values).

The net financial position reported net borrowings of €229.8 million, an improvement of €165.9 million since 30 June 2008 (€395.7 million); this reduction reflected the Group's strategies for diminishing its financial exposure (including by selling certain non-strategic assets), and €48.3 million in positive cash flow from operating activities over the twelve months.

First-half income statement data

(€/million)	1st half 2009	% revenues	1st half 2008	% revenues	Change	% change
Revenues	595.3	100.0%	686.4	100.0%	(91.2)	(13.3%)
Change at constant exchange rates		*(13.3%)*				
Gross profit	252.9	42.5%	279.0	40.6%	(26.1)	(9.4%)
EBITDA before non-recurring income/expenses	48.2	8.1%	63.1	9.2%	(14.9)	(23.6%)
EBITDA	44.4	7.5%	60.6	8.8%	(16.2)	(26.7%)
EBIT	27.2	4.6%	41.3	6.0%	(14.1)	(34.1%)
Profit (loss) for the period pertaining to the Group	3.9	0.6%	12.9	1.9%	(9.0)	(70.1%)

Second-quarter income statement data

(€/million)	2nd quarter 2009	% revenues	2nd quarter 2008	% revenues	Change	% change
Revenues	304.7	100.0%	356.0	100.0%	(51.2)	(14.4%)
Gross profit	130.4	42.8%	143.5	40.3%	(13.2)	(9.2%)
EBITDA before non-recurring income/expenses	22.7	7.4%	31.3	8.8%	(8.7)	(27.7%)

Balance sheet and financial data

(€/million)	30.06.2009	30.06.2008	31.12.2008
Net working capital	330.2	382.6	356.3
Net capital employed	889.3	1,016.1	908.7
Net financial position	(229.8)	(395.7)	(246.5)
Net equity	(659.5)	(620.4)	(662.3)
Net financial position/Net equity	34.8%	63.8%	37.2%

The format of the financial statements contained in this report is comparable with the reclassified statements presented in the report on operations forming part of the annual report. 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 2009	% revenues	1st half 2008	% revenues
Revenues	**595.3**	**100.0%**	**686.4**	**100.0%**
Change 2009/2008	*(91.2)*	*(13.3%)*		
Materials consumed & other production costs (production services and payroll costs)	(342.4)	(57.5%)	(407.5)	(59.4%)
Gross profit	**252.9**	**42.5%**	**279.0**	**40.6%**
Other services, expenses and provisions	(144.8)	(24.3%)	(157.3)	(22.9%)
Payroll (non-production)	(59.8)	(10.0%)	(58.6)	(8.5%)
EBITDA before non-recurring income (expenses)	**48.2**	**8.1%**	**63.1**	**9.2%**
Change 2009/2008	*(14.9)*	*(23.6%)*		
Other non-recurring income (expenses)	(3.8)	(0.6%)	(2.5)	(0.4%)
EBITDA	**44.4**	**7.5%**	**60.6**	**8.8%**
Change 2009/2008	*(16.2)*	*(26.7%)*		
Amortization & depreciation	(17.2)	(2.9%)	(19.4)	(2.8%)
EBIT	**27.2**	**4.6%**	**41.3**	**6.0%**
Change 2009/2008	*(14.1)*	*(34.1%)*		
Financial income (expenses)	(19.0)	(3.2%)	(22.8)	(3.3%)
Profit (loss) before taxes	**8.2**	**1.4%**	**18.5**	**2.7%**
Taxes	(4.4)	(0.7%)	(5.3)	(0.8%)
Profit (loss) after taxes	**3.8**	**0.6%**	**13.2**	**1.9%**
Profit (loss) pertaining to minority interests	-	-	0.3	0.0%
Profit (loss) for the period pertaining to the Group	**3.9**	**0.6%**	**12.9**	**1.9%**

The materials consumed presented above differ by €53.3 million at 30 June 2009 (€71.4 million at 30 June 2008) from the consolidated income statement; this is because production-related payroll and service costs have been reclassified from payroll and services respectively for the purposes of better representing period performance.

Results by operating segment

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

(€/million)	1st half 2009 Household	Professional	Corporate	Consolidated total	1st half 2008 Household	Professional	Corporate	Consolidated total
Revenues	444.4	156.4	5.7	**595.3**	494.5	204.3	8.3	**686.4**
Change 2009/2008	*(50.1)*	*(48.0)*						
% change	*(10.1%)*	*(23.5%)*						
EBITDA before non-recurring expenses	42.0	11.5	(5.2)	**48.2**	46.2	19.8	(2.8)	**63.1**
Change 2009/2008	*(4.2)*	*(8.3)*						
% of revenues	*9.5%*	*7.4%*		***8.1%***	*9.3%*	*9.7%*		***9.2%***
EBITDA	40.7	9.4	(5.6)	**44.4**	44.6	19.3	(3.2)	**60.6**
Change 2009/2008	*(3.9)*	*(9.8)*						
% of revenues	*9.2%*	*6.0%*		***7.5%***	*9.0%*	*9.4%*		***8.8%***
EBIT	28.0	5.2	(5.9)	**27.2**	30.5	15.4	(4.5)	**41.3**
Change 2009/2008	*(2.5)*	*(10.2)*						
% of revenues	*6.3%*	*3.3%*		***4.6%***	*6.2%*	*7.5%*		***6.0%***

Total segment revenues are reconciled to the consolidated figures by eliminating certain intersegment transactions, amounting to €11.2 million at 30 June 2009 and €20.8 million at 30 June 2008.

Household

The division's revenues decreased by 10.1%. The division resisted the negative trend in consumption, with a first-half growth in sales of heating products and positive performance by cooking and food preparation products.
Revenues from fixed air-conditioning units were sharply down, as were OEM sales due to a general downturn in this sector.

EBITDA before non-recurring expenses was €42.0 million (€46.2 million in the first half of 2008) with a slight improvement in margins to 9.5% (up from 9.3% in 2008) despite a large negative impact from exchange rates.
In fact, the margin benefited from an improved product mix as well as measures adopted during the six months on the purchasing front and to control general costs.

Professional

The division's revenues decreased by 23.5%. This division has suffered more from the crisis due to stagnation in the real estate sector and in industrial investments; large and precision thermo-cooling systems as well as radiators reported a decline in sales.
Sales of fixed air-conditioning units were sharply down, reflecting the general market crisis which has entailed a steep drop in orders.

In order to cope with this market trend, the Group has continued its actions to recover profitability by restructuring operating and manufacturing activities.

The subsidiary which produces radiators has invested in new technology and products in recent years; in particular, it has enlarged its range of column and electric radiators. Its factories are in the process of being reorganized, also through the application of lean manufacturing principles.
During the first half of 2009 the company placed part of its workforce in the ordinary state-funded temporary redundancy scheme and started proceedings to lay off around 50 employees from the factory in Moimacco (Udine).
The benefits of these measures should be felt in coming months.

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

EBITDA before non-recurring expenses of €11.5 million (€19.8 million in the first half of 2008) and a margin of 7.4% (down from 9.7%) benefited from an improvement of 3.2 percentage points in gross profit margin, even if this was not enough to make up for the reduced capacity to absorb fixed costs caused by lower sales.

Corporate

The Corporate division had €5.7 million in revenues in the first six months of 2009.
EBITDA before non-recurring expenses was a negative €5.2 million, reflecting costs incurred for the division's normal activities.

Markets

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

(€/million)	1st half 2009	1st half 2008	Change	% change
Italy	124.2	142.0	(17.8)	(12.5%)
United Kingdom	46.2	60.2	(14.0)	(23.2%)
Rest of Europe	269.4	329.4	(60.0)	(18.2%)
United States, Canada and Mexico	41.2	40.1	1.0	2.5%
Rest of the world	114.3	114.7	(0.4)	(0.4%)
Total	**595.3**	**686.4**	**(91.2)**	**(13.3%)**

In terms of individual markets, there was an overall drop in sales which reflected the negative trend in consumption.

European markets were negatively impacted by the economic context and particularly by the drop in demand for fixed air-conditioning units and the Professional division's products (large thermo-cooling and heating systems).

Revenues in the United Kingdom were down largely because of the economic crisis and devaluation of the currency.

The United States and "Rest of the world" reported good results, with steady sales and positive exchange rate effects.

Review of the income statement

Gross profit decreased by €26.1 million, from €279.0 million in 2008 to €252.9 million in 2009 but with a higher margin (up from 40.6% to 42.5%), having benefited from a better product mix and actions on the purchasing and production front, despite the negative impact of movements by the US dollar and British pound.

"Other services, expenses and provisions" accounted for 24.3% of revenues in the first half of 2009, up from 22.9% in the same period of 2008, mainly due to lower cost absorption resulting from the above-mentioned decline in sales. Advertising expenditure in support of the Group's major brands came to €9.8 million (€11.5 million in the same period of 2008).
Non-production payroll costs were 2.1% higher than in the same period of 2008.

EBITDA before non-recurring expenses was €48.2 million, with the margin going from 9.2% in 2008 to 8.1% in 2009.
Assuming the same scope of consolidation and ignoring the costs of demerging the property activities at the end of 2008, EBITDA before non-recurring expenses would have been €50.9 million (with a margin of 8.6%).
In addition to the above-mentioned drop in sales, EBITDA was affected by the unfavourable exchange rate trends with respect to the same period in 2008 (US dollar, British pound and Russian rouble), pulling the margin down by some 1.7 percentage points. At constant exchange rates, EBITDA before non-recurring expenses would have been €58.4 million (a margin of 9.8%).

"Other non-recurring income (expenses)" primarily refer to the costs of restructuring and reorganizing production and commercial activities.

EBIT amounted to €27.2 million in the first half of 2009 (€41.3 million in the first half of 2008), with a margin of 4.6% versus 6.0% in the same period of 2008. At constant exchange rates EBIT would have been €37.4 million, reporting a margin of 6.3%.

Net financial expenses were €3.8 million lower; the benefit of €7.8 million due to lower average debt and interest rates was partially offset by exchange differences mainly in connection with hedges taken out against the Russian subsidiary's liabilities.

Taxes came to €4.4 million (versus €5.3 million in 2008 which had benefited from operations to realign tax and accounting values).

The result for the period pertaining to the Group was a profit of €3.9 million.

Review of the balance sheet and financial position

The reclassified consolidated balance sheet is presented below:

(€/million)	30.06.2009	30.06.2008	31.12.2008	Change 30.06.09 – 30.06.08	Change 30.06.09 – 31.12.08
Non-current assets	**644.6**	**712.8**	**640.1**	**(68.3)**	**4.5**
- Inventories	344.6	409.2	320.5	(64.6)	24.2
- Trade receivables	270.0	314.4	367.2	(44.4)	(97.2)
- Trade payables	(241.3)	(321.8)	(286.2)	80.6	44.9
- Other payables (net of receivables)	(43.2)	(19.2)	(45.1)	(24.0)	1.9
Net working capital	**330.2**	**382.6**	**356.3**	**(52.4)**	**(26.1)**
Total non-current liabilities and provisions	(85.5)	(79.3)	(87.7)	(6.1)	2.2
Net capital employed	**889.3**	**1,016.1**	**908.7**	**(126.8)**	**(19.4)**
Net financial position	**(229.8)**	**(395.7)**	**(246.5)**	**165.9**	**16.7**
Total net equity	**(659.5)**	**(620.4)**	**(662.3)**	**(39.1)**	**2.8**
Total net borrowings and equity	**(889.3)**	**(1,016.1)**	**(908.7)**	**126.8**	**19.4**

Property, plant and equipment include €14.1 million in gross investments in the first half of 2009 (compared with €15.3 million in the same period of 2008).

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 24.8% of revenues at 30 June 2008 to 22.9% at 30 June 2009, reflecting measures to control the level of inventories and trade receivables and receipt of the receivable for the insurance claim relating to the fire in Treviso in April 2007; assuming the same scope of consolidation and ignoring the benefits of factoring receivables without recourse, this turnover ratio improved from 30.9% at 30 June 2008 to 29.0% at 30 June 2009.
Inventories decreased by €64.6 million relative to 30 June 2008 (-15.8%) thanks to the Group's actions to reduce stocks, involving careful planning of purchases and the sale of slow-moving products.
Trade receivables were €44.4 million lower than at 30 June 2008 (-14.1%).

Net borrowings of €229.8 million reported an improvement of €165.9 million on 30 June 2008, benefiting from both operating cash flow (€48.3 million from 1 July 2008 to 30 June 2009) and the Group's strategy of reducing financial exposure by disposing of a number of non-strategic assets.

Details of the net financial position are as follows:

(€/million)	30.06.2009	30.06.2008	31.12.2008	Change 30.06.09 – 30.06.08	Change 30.06.09 – 31.12.08
Cash and cash equivalents	105.9	86.2	109.2	19.7	(3.3)
Other financial receivables	12.9	11.6	20.7	1.2	(7.9)
Current financial debt	(201.1)	(352.2)	(215.1)	151.1	14.0
Net current financial debt	**(82.4)**	**(254.4)**	**(85.2)**	**172.1**	**2.8**
Non-current financial debt	**(147.4)**	**(141.2)**	**(161.3)**	**(6.2)**	**13.9**
Total net financial position	**(229.8)**	**(395.7)**	**(246.5)**	**165.9**	**16.7**

Current financial debt improved, dropping from €254.4 million at 30 June 2008 to €82.4 million at 30 June 2009 due to the steps taken for reducing financial exposure and to improved cash flow from operating activities.
As regards non-current financial debt, new loan agreements were stipulated during the first half of 2009.

Cash flow in the first six months of the year, which traditionally features a general absorption of the cash balances reported at 31 December of the previous year, was a positive €16.7 million compared with a negative €39.8 million in the first six months of 2008. This trend reflected the improvement in working capital.

The cash flow statement can be summarized as follows:

(€/million)	1st half 2009	1st half 2008	31.12.2008 (12 months)
Cash flow generated (absorbed) by current operations and changes in working capital	45.3	(4.8)	38.4
Cash flow generated (absorbed) by investment activities	(16.7)	(20.2)	(42.5)
Cash flow generated (absorbed) by operating activities	**28.6**	**(25.0)**	**(4.1)**
Non-recurring cash flow	0.8	(1.4)	103.2
Payment of dividends	(9.0)	(9.0)	(9.0)
Cash flow generated (absorbed) by changes in fair value and cash flow hedge reserves	1.9	(6.5)	9.9
Change in currency translation reserve	(5.4)	1.9	9.4
Change in minority interests in net equity	(0.3)	0.3	-
Cash flow generated (absorbed) by changes in equity accounts	**(12.8)**	**(13.4)**	**10.3**
Cash flow for the period	**16.7**	**(39.8)**	**109.4**
Opening net financial position	(246.5)	(355.9)	(355.9)
Closing net financial position	**(229.8)**	**(395.7)**	**(246.5)**

Human resources

The following table summarizes the average number of employees in each of the Group's divisions during the first half of 2009 compared with the first half of 2008:

	1st half 2009	%	1st half 2008	%	31.12.2008	%
Household	5,461	75%	5,836	76%	5,639	76%
Professional	1,749	24%	1,716	23%	1,735	23%
Corporate	80	1%	84	1%	86	1%
Total	**7,290**	**100%**	**7,636**	**100%**	**7,460**	**100%**

Principal risks and uncertainties facing the Group

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

Macroeconomic risk

The Group's results of operations, balance sheet and financial position are also affected by macroeconomic trends such as: the trend in consumption, the cost of raw materials, the trend in interest rates and exchange rates.

The economic statistics (Source: Confindustria and the Bank of Italy) indicate a slowing in the global recession following the sharp fall in GDP seen in the first quarter of 2009. The recovery is uneven; countries in Asia are improving, while in the rest of the advanced economies progress is slower in the Euro-zone but faster in the United States.
These signs are encouraging but the timing and strength of recovery is still uncertain, especially because the risk remains that the recession's repercussions on the jobs market may still have a serious impact on final demand.
Euro-zone business and consumer confidence improved in June; industrial output showed an initial upturn in May; Italy's industrial output stopped falling in the spring; the small recovery seen in April was followed by a general standstill in May and June. GDP is estimated to fall by 5.2% in 2009, inclusive of the first few months of the year. The recovery could begin in 2010 consequent upon the start of global recovery and also thanks to recent measures adopted by the Government.

Interest rates paid by Italian firms on new loans came down to 2.8% in May, while spreads continued to be high due to a persistently low appetite for risk. Instead, long-term interest rates display less pessimism over economic prospects than at the start of the year.

Tensions in banking and financial markets have not disappeared but eased, thanks to the partial recovery in confidence and liquidity supplied by central banks; an adequate supply of credit will be essential when demand for new production investments picks up.

The picture emerging from this situation is not yet clear, meaning that there is continued uncertainty; if this situation should protract considerably, the Group's strategies and outlook could be affected with a consequent impact on its financial and economic performance.

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

Interest rate and exchange rate risks

Transaction exchange rate risk
The Group is exposed to the risk of fluctuations in currencies (other than its functional one) in which ordinary trade and financial transactions are denominated. For the purposes of protecting its income statement and balance sheet from such fluctuations, the Group adopts a suitable hedging policy that eschews speculative ends: hedging is carried out centrally by a special team on the basis of information obtained from a detailed reporting system, using instruments and policies that comply with international accounting standards. The purpose of hedging is to protect - at individual company level - the future revenues/costs contained in budgets and/or long-term plans and trade and financial receivables/payables.

The principal currencies to which the Group is exposed are the US dollar (mainly the EUR/USD and GBP/USD rates), being the currency in which a significant part of the cost of raw materials, parts and finished products is denominated, the British pound (the EUR/GBP rate) for sales on the UK market and the Japanese yen (the EUR/JPY rate) for sales on the Japanese market, even if the Group's steady internationalization has witnessed the emergence of growing risks in other currencies, such as the Australian dollar (the EUR/AUD rate), the Russian rouble (the USD/RUB rate), the Canadian dollar (the EUR/CAD rate) and the Swiss franc (the EUR/CHF rate).

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

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

Interest rate risk
The Group is exposed to interest rate risk on floating rate loans and borrowings. This risk is managed centrally by the same team that manages currency risks.
All of the Group's financial debt at 30 June 2009 was at floating rates following the decision to obtain the maximum benefit from the downward trend in interest rates.

Any increase in interest rates could have a negative impact on the Group's economic and financial performance; short-term rates are still low and declining.

Financial market risks
As far as financial risk is concerned, it is the Group's policy to maintain a sufficiently large portfolio of counterparties of high international repute for the purposes of satisfying its financing and hedging needs.
Liquidity risk is the risk of not having the funds needed to fulfil payment obligations arising from operating and investment activities and from the maturity of financial instruments.
The Group uses specific policies and procedures for the purposes of monitoring and managing this risk, including the centralized management of financial payables and cash, the raising of medium and long-term finance on capital markets and the obtaining of short-term credit lines such as to ensure wide room for manoeuvre when managing working capital and cash flows.

The Group has medium-term credit lines with banks in relation to the lending arrangements described in this report, and short-term credit lines (typically renewed on an annual basis), for financing working capital and other operating needs.
However, in view of the current financial crisis, it is not possible to rule out events on financial markets that might obstruct the normal conduct of financial transactions.

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.

Significant events

The Group continued with its reorganization process in the first half of 2009: the Household division opened new commercial branches in Brazil and Poland while others are due to be opened in other markets in the second half of the year, and restructuring of production activities at the main Italian factory were completed.

Minority stakes in radiator manufacturing companies were also bought in China and Russia to facilitate possible moves to rationalize and reorganize.

The minority interest in an Italian company was sold as part of the disposal programme of the Group's non-strategic assets.

In the Professional division, a majority interest was acquired (with effect from 1 July 2009) in the Group's distributor of large thermo-cooling systems in Poland.

Subsequent events

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

Outlook for the current year

The global economic recession continues; consequently, the lack of visibility going forward still calls for extreme caution; the Group is satisfied with the results achieved in a very tough economic environment and believes that it will be able to rely not only on its leadership in different market segments but also on its solid balance sheet.

Treviso, 28 August 2009

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

*****

INCOME STATEMENT (€/000)	Notes	30.06.2009	of which non-recurring	30.06.2008	of which non-recurring
Revenues from sales and services	1	582,454		672,769	
Other revenues	1	12,801		13,670	
Total consolidated net revenues		***595,255***		***686,439***	
Raw and ancillary materials, consumables and goods	2	(308,418)		(417,729)	
Change in inventories of finished products and work in progress	3	21,931	(259)	78,845	
Change in inventories of raw and ancillary materials, consumables and goods	3	(2,865)		2,852	
Materials consumed		***(289,352)***	***(259)***	***(336,032)***	
Payroll costs	4	(92,705)	(181)	(95,797)	
Services and other operating expenses	5	(157,639)	(2,203)	(183,747)	(631)
Provisions	6	(11,115)	(1,130)	(10,233)	(1,827)
Amortization and depreciation	8	(17,239)		(19,375)	
EBIT		**27,205**	**(3,773)**	**41,255**	**(2,458)**
Financial income (expenses)	9	(18,964)		(22,802)	
PROFIT (LOSS) BEFORE TAXES		**8,241**		**18,453**	
Income taxes for the period	10	(4,411)		(5,293)	
PROFIT (LOSS) AFTER TAXES		**3,830**		**13,160**	
Profit (loss) pertaining to minority interests		(28)		270	
PROFIT (LOSS) PERTAINING TO THE GROUP		**3,858**		**12,890**	
EARNINGS PER SHARE					
- basic		**0.03**		**0.09**	
- diluted		**0.03**		**0.09**	

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

STATEMENT OF COMPREHENSIVE INCOME (€/000)	Notes	30.06.2009	30.06.2008
Profit (loss) after taxes		3,830	13,160
Other components of comprehensive income			
Change in fair value of cash flow hedges	26	1,888	(6,529)
Tax effect of change in fair value of cash flow hedges	26	(528)	1,796
Differences from translating foreign companies' financial statements into euro		2,305	(6,377)
Total comprehensive income (loss)		**7,494**	**2,050**
Total comprehensive income attributable to:			
Owners of the parent		7,561	1,858
Minority interests		(67)	192

BALANCE SHEET

ASSETS (€/000)	Notes	30.06.2009	31.12.2008	30.06.2008
NON-CURRENT ASSETS				
INTANGIBLE ASSETS		415,900	414,462	425,556
- Goodwill	11	230,218	228,716	237,006
- Other intangible assets	12	185,682	185,746	188,550
PROPERTY, PLANT AND EQUIPMENT		177,689	178,488	241,488
- Land, property, plant and machinery	13	134,259	135,768	200,661
- Other tangible assets	14	43,430	42,720	40,827
EQUITY INVESTMENTS AND OTHER FINANCIAL ASSETS		5,088	7,532	7,044
- Equity investments (in associated companies)	15	-	2,628	2,457
- Equity investments (in other companies)	15	688	714	712
- Receivables	16	1,796	1,623	1,313
- Other non-current financial assets	17	2,604	2,567	2,562
DEFERRED TAX ASSETS	18	48,529	42,153	41,301
TOTAL NON-CURRENT ASSETS		647,206	642,635	715,389
CURRENT ASSETS				
INVENTORIES	19	344,640	320,464	409,242
TRADE RECEIVABLES	20	270,011	367,180	314,421
CURRENT TAX ASSETS	21	20,034	17,174	16,319
OTHER RECEIVABLES	22	19,003	20,842	40,408
CURRENT FINANCIAL RECEIVABLES AND ASSETS	23	10,446	18,203	9,099
CASH AND CASH EQUIVALENTS	24	105,692	109,162	86,124
TOTAL CURRENT ASSETS		769,826	853,025	875,613
TOTAL ASSETS		**1,417,032**	**1,495,660**	**1,591,002**

NET EQUITY AND LIABILITIES (€/000)		30.06.2009	31.12.2008	30.06.2008
NET EQUITY				
GROUP PORTION OF NET EQUITY		658,520	659,929	618,108
- Share capital	25	448,500	448,500	448,500
- Reserves	26	206,162	171,269	156,718
- Profit (loss) pertaining to the group		3,858	40,160	12,890
MINORITY INTERESTS	26	999	2,346	2,294
TOTAL NET EQUITY		659,519	662,275	620,402
NON-CURRENT LIABILITIES				
FINANCIAL PAYABLES		147,425	161,289	141,249
- Bank loans and borrowings (long-term portion)	27	130,132	143,514	117,673
- Other financial payables (long-term portion)	28	17,293	17,775	23,576
DEFERRED TAX LIABILITIES	18	23,460	21,501	17,962
NON-CURRENT PROVISIONS FOR CONTINGENCIES AND OTHER CHARGES		61,994	66,170	61,365
- Employee benefits	29	28,719	30,502	33,451
- Other provisions	30	33,275	35,668	27,914
TOTAL NON-CURRENT LIABILITIES		232,879	248,960	220,576
CURRENT LIABILITIES				
TRADE PAYABLES	31	241,253	286,177	321,825
FINANCIAL PAYABLES		201,147	215,103	352,236
- Bank loans and borrowings (short-term portion)	27	187,875	197,350	325,131
- Other financial payables (short-term portion)	28	13,272	17,753	27,105
CURRENT TAX LIABILITIES	32	29,747	30,502	20,365
OTHER PAYABLES	33	52,487	52,643	55,598
TOTAL CURRENT LIABILITIES		524,634	584,425	750,024
TOTAL NET EQUITY AND LIABILITIES		**1,417,032**	**1,495,660**	**1,591,002**

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

CASH FLOWS **(in terms of Cash and cash equivalents)** (€/000)	*Notes*	**30.06.2009**	**30.06.2008 (*)**
Profit (loss) pertaining to the group		3,858	12,890
Income taxes for the period		4,411	5,293
Amortization and depreciation	*8*	17,239	19,375
Net change in provisions		(3,698)	(295)
Cash flow generated (absorbed) by current operations (A)		**21,810**	**37,263**
Change in assets and liabilities for the period:			
Trade receivables	*20*	104,109	48,192
Inventories	*19*	(19,055)	(81,919)
Trade payables		(49,628)	337
Other current assets and liabilities		(9,913)	(5,334)
Payment of income taxes		(1,979)	(3,374)
Cash flow generated (absorbed) by movements in working capital (B)		**23,534**	**(42,098)**
Cash flow generated (absorbed) by current operations and movements in working capital (A+B)		**45,344**	**(4,835)**
Investment activities:			
Investments in intangible assets	*12*	(5,617)	(5,449)
Other cash flows for intangible assets		52	42
Investments in property, plant and equipment	*13, 14*	(14,075)	(15,336)
Other cash flows for property, plant and equipment		419	388
Net investments in equity investments and other financial assets		2,515	154
Cash flow generated (absorbed) by ordinary investment activities		**(16,706)**	**(20,201)**
Proceeds from sale of property held for sale		-	6,519
Cash effect for purchase of equity investments		1,010	(7,940)
Cash flow generated (absorbed) by investment activities (C)		**(15,696)**	**(21,622)**
Dividends paid	*26*	(8,970)	(8,970)
Change in currency translation reserve	*26*	758	(3,726)
Increase (decrease) in minority interests in capital and reserves		(288)	270
New loans		25,903	52
Repayment of loans and other net changes in sources of finance		(50,521)	17,587
Cash flow generated (absorbed) by changes in equity accounts and by financing activities (D)		**(33,118)**	**5,213**
Cash flow for the period (A+B+C+D)		**(3,470)**	**(21,244)**
Opening cash and cash equivalents	*24*	**109,162**	**107,368**
Increase (decrease) in cash and cash equivalents (A+B+C+D)		(3,470)	(21,244)
Closing cash and cash equivalents	*24*	**105,692**	**86,124**

(*) For the purposes of standardizing the classification criteria, some reclassifications have been made in the cash flow statement at 30 June 2008, involving a reallocation of cash flows from the translation of financial statements in foreign currency.

CASH FLOWS **(in terms of Net financial position)** (€/000)	*Notes*	**30.06.2009**	**30.06.2008 (*)**
Profit (loss) pertaining to the group		3,858	12,890
Income taxes for the period		4,411	5,293
Amortization and depreciation	*8*	17,239	19,375
Net change in provisions		(3,698)	(295)
Cash flow generated (absorbed) by current operations (A)		**21,810**	**37,263**
Change in assets and liabilities for the period:			
Trade receivables	*20*	104,109	48,192
Inventories	*19*	(19,055)	(81,919)
Trade payables		(49,628)	337
Other current assets and liabilities		(9,913)	(5,334)
Payment of income taxes		(1,979)	(3,374)
Cash flow generated (absorbed) by movements in working capital (B)		**23,534**	**(42,098)**
Cash flow generated (absorbed) by current operations and movements in working capital (A+B)		**45,344**	**(4,835)**
Investment activities:			
Investments in intangible assets	*12*	(5,617)	(5,449)
Other cash flows for intangible assets		52	42
Investments in property, plant and equipment	*13, 14*	(14,075)	(15,336)
Sale proceeds and other cash flows from property, plant and equipment		419	388
Net investments in equity investments and other financial assets		2,515	154
Cash flow generated (absorbed) by ordinary investment activities (C)		**(16,706)**	**(20,201)**
Proceeds from sale of non-current assets held for sale		-	6,519
Cash effect for purchase of equity investments		824	(7,940)
Cash flow generated (absorbed) by investment activities (C)		**(15,882)**	**(21,622)**
Fair value and cash flow hedge reserves		1,888	(6,529)
Dividends paid	*26*	(8,970)	(8,970)
Change in currency translation reserve	*26*	(5,432)	1,858
Increase (decrease) in minority interests in capital and reserves		(288)	270
Cash flow generated (absorbed) by changes in equity accounts (D)		**(12,802)**	**(13,371)**
Cash flow for the period (A+B+C+D)		**16,660**	**(39,828)**
Opening net financial position	*28*	**(246,456)**	**(355,866)**
Cash flow for the period (A+B+C+D)		16,660	(39,828)
Closing net financial position	*28*	**(229,796)**	**(395,694)**

(*) For the purposes of standardizing the classification criteria, some reclassifications have been made in the cash flow statement at 30 June 2008, involving a reallocation of cash flows from the translation of financial statements in foreign currency.

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(€/000)	SHARE CAPITAL	SHARE PREMIUM RESERVE	LEGAL RESERVE	OTHER RESERVES	FAIR VALUE AND CASH FLOW HEDGE RESERVE	CURRENCY TRANSLATION RESERVE	PROFIT (LOSS) CARRIED FORWARD	PROFIT (LOSS) PERTAINING TO GROUP	GROUP PORTION OF NET EQUITY	MINORITY INTERESTS	TOTAL NET EQUITY
Balance at 31 December 2007	**448,500**	**325**	**6,285**	**48,376**	**(6,708)**	**(22,105)**	**119,983**	**30,564**	**625,220**	**5,458**	**630,678**
Allocation of 2007 result as per AGM resolution of 22 April 2008											
- distribution 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)**
Comprehensive income (loss)	**-**	**-**	**-**	**-**	**(4,733)**	**(6,299)**	**-**	**12,890**	**1,858**	**192**	**2,050**
Balance at 30 June 2008	**448,500**	**325**	**6,430**	**42,173**	**(11,441)**	**(28,404)**	**147,635**	**12,890**	**618,108**	**2,294**	**620,402**

(€/000)	SHARE CAPITAL	SHARE PREMIUM RESERVE	LEGAL RESERVE	OTHER RESERVES	FAIR VALUE AND CASH FLOW HEDGE RESERVE	CURRENCY TRANSLATION RESERVE	PROFIT (LOSS) CARRIED FORWARD	PROFIT (LOSS) PERTAINING TO GROUP	GROUP PORTION OF NET EQUITY	MINORITY INTERESTS	TOTAL NET EQUITY
Balance at 31 December 2008	**448,500**	**325**	**6,430**	**42,173**	**484**	**(25,778)**	**147,635**	**40,160**	**659,929**	**2,346**	**662,275**
Allocation of 2008 result											
- distribution of dividends							(8,970)		(8,970)	(260)	(9,230)
- allocation to reserves			1,347	16,619			22,194	(40,160)	-		-
Change in scope of consolidation									-	(1,020)	(1,020)
Movements from transactions with shareholders	**-**	**-**	**1,347**	**16,619**	**-**		**13,224**	**(40,160)**	**(8,970)**	**(1,280)**	**(10,250)**
Comprehensive income (loss)	**-**	**-**	**-**	**-**	**1,360**	**2,343**	**-**	**3,858**	**7,561**	**(67)**	**7,494**
Balance at 30 June 2009	**448,500**	**325**	**7,777**	**58,792**	**1,844**	**(23,435)**	**160,859**	**3,858**	**658,520**	**999**	**659,519**

EXPLANATORY NOTES

GROUP BUSINESS

The De'Longhi Group is headed up by De'Longhi S.p.A., a company with its registered office in Treviso whose shares are listed on the Italian stock exchange run by Borsa Italiana.
The companies included in the scope of consolidation are listed in Appendix 1 to the Explanatory Notes.

The Group is organized in three divisions: Household, Professional and Corporate.

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), radiators (DL Radiators) and fixed air-conditioning units for the professional channel (Climaveneta Home System). These types of product are distributed mainly through the professional channel.

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

ACCOUNTING STANDARDS

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 consolidated condensed interim financial statements at 30 June 2009 comprise the income statement, the statement of comprehensive income, the balance sheet, the cash flows, the statement of changes in shareholders' equity and these explanatory notes.

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

The consolidated condensed interim financial statements have used the same reporting formats and consolidation procedures and accounting policies as those described in the annual report, to which the reader should refer, with the exception of the changes introduced by *IAS 1- Presentation of financial statements (revised in 2007).*
This standard has not only introduced some new names for the contents of the financial statements but also the requirement to present in a single statement (known as the statement of comprehensive income) or in two separate statements (a separate income statement and statement of comprehensive income) the components of profit or loss for the period and the costs and income recognized directly in net equity for transactions other than those with shareholders.
As far as the statement of comprehensive income is concerned, the Group has elected to present it in two separate statements, with a consequent amendment of the statement of changes in shareholders' equity.
IFRS 8 – Operating segments is also applicable as from 2009. This requires the Group to disclose information about its operating segments, identified in the same way used by company management for the purposes of making operating decisions. This standard replaces *IAS 14 – Segment reporting* and its requirement to identify primary and secondary reporting segments. The application of *IFRS 8* has not involved changing the reporting segments relative to those presented in the annual report at 31 December 2008 and in the half-year report at 30 June 2008.
There are no other new IFRSs or amendments to the same which apply from 2009 and are material to the Group.

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:

Currency		30.06.2009		30.06.2008		% change		31.12.2008
		Period-end exchange rate (*)	Average exchange rate (*)	Period-end exchange rate (*)	Average exchange rate (*)	Period-end exchange rate	Average exchange rate	Period-end exchange rate (*)
US dollar	USD	1.41340	1.33218	1.57640	1.53089	(10.3%)	(13.0%)	1.39170
British pound	GBP	0.85210	0.89391	0.79225	0.77527	7.6%	15.3%	0.95250
Hong Kong dollar	HKD	10.95400	10.32712	12.29430	11.93642	(10.9%)	(13.5%)	10.78580
Chinese renminbi (yuan)	CNY	9.65450	9.10276	10.80510	10.80115	(10.6%)	(15.7%)	9.49560
Australian dollar	AUD	1.73590	1.87914	1.63710	1.65452	6.0%	13.6%	2.02740
Canadian dollar	CAD	1.62750	1.60506	1.59420	1.54030	2.1%	4.2%	1.69980
Japanese yen	JPY	135.51000	127.19517	166.44000	160.56267	(18.6%)	(20.8%)	126.14000
Malaysian ringgit	MYR	4.96810	4.77717	5.15090	4.92765	(3.5%)	(3.1%)	4.80480
New Zealand dollar	NZD	2.16560	2.35439	2.06320	1.95509	5.0%	20.4%	2.41910
Polish zloty	PLN	4.45200	4.47483	3.35130	3.49028	32.8%	28.2%	4.15350
South African rand	ZAR	10.88530	12.25178	12.34260	11.74340	(11.8%)	4.3%	13.06670
Singapore dollar	SGD	2.04410	1.98703	2.14460	2.12315	(4.7%)	(6.4%)	2.00400
Russian rouble	RUB	43.88100	44.10297	36.94770	36.61958	18.8%	20.4%	41.28300
Turkish lira	TRY	2.16140	2.15095	1.93230	1.88963	11.9%	13.8%	2.14880
Czech koruna	CZK	25.88200	27.15183	23.89300	25.18575	8.3%	7.8%	26.87500
Swiss franc	CHF	1.52650	1.50558	1.60560	1.60590	(4.9%)	(6.2%)	1.48500
Brazilian real	BRL	2.74690	2.92165	2.51120	2.59473	9.4%	12.6%	3.24360
Croatian kuna	HRK	7.27300	7.38304	7.23650	7.26978	0.5%	1.6%	7.35550

(*) source: Bank of Italy

CHANGE IN THE SCOPE OF CONSOLIDATION

The scope of consolidation has changed in the first half of 2009 following the acquisition of all the remaining shares in certain subsidiaries already consolidated line-by-line in previous years, with the purpose of facilitating potential moves to rationalize and reorganize.

The purchase of 33% of Promised Success Limited in June 2009 has resulted in the acquisition of total control of this company and of On Shiu (Zhongshan) Electrical Appliances Co. Ltd., its Chinese subsidiary which produces electric radiators.
This purchase formed part of a transaction also involving the sale to the minority shareholder of certain buildings owned by On Shiu no longer strategic for the Group.
The purchase has involved reducing minority interests in net equity by €1,182 thousand and recognizing €1,218 thousand in goodwill, determined as follows:

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

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

The remaining interest was also acquired in Zass Alabuga LLC, a company located in the Republic of Tatarstan (Russia), which produces oil-filled radiators for the Russian market.
This purchase has involved increasing minority interests in net equity by €162 thousand and recognizing €296 thousand in goodwill, determined as follows:

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

DISCLOSURE BY OPERATING SEGMENTS

The application, from 2009, of *IFRS 8 – Operating segments*, as described in the paragraph on "Accounting standards", has involved no change in the reporting segments presented in the annual report at 31 December 2008 and in the half-year report at 30 June 2008.
More details can be found in note *37. Operating segments*.
The interim report on operations contains comments on the economic results by operating segment and by geographical area.

COMMENTS ON THE INCOME STATEMENT

1. REVENUES

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

Revenues by operating segment:

	30.06.2009	30.06.2008	Change
Household	444,445	494,528	(50,083)
Professional	156,362	204,344	(47,982)
Corporate	5,669	8,349	(2,680)
Intersegment eliminations	(11,221)	(20,782)	9,561
Total	**595,255**	**686,439**	**(91,184)**

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

Revenues by geographical area:

	30.06.2009	30.06.2008	Change	% change
Italy	124,176	141,990	(17,814)	(12.5%)
United Kingdom	46,218	60,207	(13,989)	(23.2%)
Rest of Europe	269,446	329,407	(59,961)	(18.2%)
United States, Canada and Mexico	41,152	40,148	1,004	2.5%
Rest of the world	114,263	114,687	(424)	(0.4%)
Total	**595,255**	**686,439**	**(91,184)**	**(13.3%)**

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

"Other revenues" are broken down as follows:

	30.06.2009	30.06.2008	Change
Out-of-period gains	3,650	2,714	936
Freight reimbursement	2,888	3,743	(855)
Commercial rights	567	1,811	(1,244)
Damages reimbursed	152	119	33
Other income	5,544	5,283	261
Total	**12,801**	**13,670**	**(869)**

2. RAW AND ANCILLARY MATERIALS, CONSUMABLES AND GOODS

The breakdown is as follows:

	30.06.2009	30.06.2008	Change
Raw materials	71,458	104,955	(33,497)
Parts	83,912	116,289	(32,377)
Finished products	148,740	190,501	(41,761)
Other purchases	4,308	5,984	(1,676)
Total	**308,418**	**417,729**	**(109,311)**

3. CHANGE IN INVENTORIES

The breakdown is as follows:

	30.06.2009	30.06.2008	Change
Change in inventories of finished products and work in progress	21,931	78,845	(56,914)
Change in inventories of raw and ancillary materials, consumables and goods	(2,865)	2,852	(5,717)

Note *19. Inventories* analyzes the changes in more detail. The difference between the overall change in inventories reported in the income statement and between the balances contained in the balance sheet is mainly due to differences arising on the translation of financial statements of foreign companies.
The change in inventories includes €259 thousand in non-recurring costs at 30 June 2009.

4. PAYROLL COSTS

The breakdown is as follows:

	30.06.2009	30.06.2008	Change
Employee wages and salaries	91,646	91,865	(219)
Temporary workers	1,059	3,932	(2,873)
Total	**92,705**	**95,797**	**(3,092)**

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.

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

The cost of these instruments, reported in the income statement under payroll costs, and the associated liability are recognized over the vesting period. For as long as the liability exists, the fair value is recalculated at each balance sheet date and at the actual payment date, with all changes in fair value going through the income statement.
The fair value of options is measured using mathematical financial models, which take account of the terms and conditions of granting the options.

The cost of adopting this Phantom Stock Option Plan has had an immaterial impact on the consolidated financial statements at 30 June 2009.

Payroll costs include €181 thousand in non-recurring costs at 30 June 2009.

5. SERVICES AND OTHER OPERATING EXPENSES

These are detailed as follows:

	30.06.2009	30.06.2008	Change
Advertising	9,834	11,531	(1,697)
Promotional expenses	23,311	25,131	(1,820)
Transport (for purchases and sales)	25,818	39,250	(13,432)
Commissions	10,482	13,263	(2,781)
Rentals and leasing	13,786	11,220	2,566
Subcontracted work	5,957	11,045	(5,088)
Technical support	6,967	8,968	(2,001)
Travel	6,971	7,720	(749)
Insurance	4,071	2,778	1,293
Storage and warehousing	6,884	8,175	(1,291)
Consulting services	7,389	8,048	(659)
Power	4,405	4,945	(540)
Postage, telegraph and telephones	2,141	2,258	(117)
Maintenance	2,105	2,043	62
Directors' emoluments	1,089	992	97
Statutory auditors' emoluments	225	221	4
Other sundry services	11,423	11,188	235
Total services	**142,858**	**168,776**	**(25,918)**
Sundry taxes	7,972	8,919	(947)
Out-of-period losses	4,174	3,201	973
Other	2,620	2,844	(224)
Bad debts	15	7	8
Total other operating expenses	**14,781**	**14,971**	**(190)**
Total services and other operating expenses	**157,639**	**183,747**	**(26,108)**

"Rentals and leasing" at 30 June 2009 consist of premises rental (€11,465 thousand), operating lease payments (€457 thousand), royalties (€383 thousand) and equipment hire (€1,481 thousand).

At 30 June 2009 services and other operating expenses include €2,203 thousand in non-recurring services mainly relating to reorganization costs for some of the Group's activities.

6. CONTINGENCY AND OTHER PROVISIONS

These include €7,856 thousand in increases in provisions for contingencies and charges as discussed in note *30. Non-current provisions for contingencies and other charges*.
They also include €3,167 thousand in increases to the allowance for doubtful accounts and €92 thousand for the impairment of intangible assets (development projects).

Total provisions at 30 June 2009 include €1,130 thousand in non-recurring amounts, mostly relating to restructuring costs for the production activities of certain subsidiaries.

7. OTHER NON-RECURRING INCOME (EXPENSES)

"Other non-recurring income (expenses)" of €3,773 thousand at 30 June 2009 are directly classified in the income statement line items to which they refer (€259 thousand in changes in inventories, €2,203 thousand in services and other operating expenses, €181 thousand in payroll costs and €1,130 thousand in contingency and other provisions).

The breakdown is as follows:

	30.06.2009	30.06.2008	Change
Non-recurring expenses relating to the fire	-	(568)	568
Reorganization costs - commercial activities	(1,381)	-	(1,381)
Restructuring costs - production	(915)	(1,387)	472
Other non-recurring income (expenses)	(1,477)	(503)	(974)
Total non-recurring income (expenses)	**(3,773)**	**(2,458)**	**(1,315)**

8. AMORTIZATION AND DEPRECIATION

These charges comprise:

	30.06.2009	30.06.2008	Change
Amortization of intangible assets	5,856	5,637	219
Depreciation of property, plant and equipment	11,383	13,738	(2,355)
Total amortization and depreciation	**17,239**	**19,375**	**(2,136)**

More details about 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:

	30.06.2009	30.06.2008	Change
Income from equity investments	284	12	272
Financial income (expenses) from equity investments	**284**	**12**	**272**
Exchange differences and gains (losses) on currency hedges	**(4,459)**	**(64)**	**(4,395)**
Net interest expense and other bank charges	(7,096)	(14,878)	7,782
Financial discounts	(5,083)	(5,015)	(68)
Other financial income (expenses)	(2,610)	(2,857)	247
Other financial income (expenses)	**(14,789)**	**(22,750)**	**7,961**
Total financial income (expenses)	**(18,964)**	**(22,802)**	**3,838**

"Income from equity investments" includes €272 thousand in capital gains realized on selling the interest in the associated company Emer S.p.A..

Exchange differences primarily refer to currency hedges against the liabilities of Russian subsidiaries.

"Net interest expense and other bank charges" include not only bank interest on the Group's financial debt but also the financial cost of factoring receivables without recourse, as well as adjustments arising under IAS to calculate the amortized cost of bank loans and borrowings.

10. INCOME TAXES FOR THE PERIOD

These are made up as follows:

	30.06.2009	30.06.2008	Change
Current income taxes:			
- Income taxes	2,386	12,923	(10,537)
- IRAP	1,421	3,122	(1,701)
- Flat-rate tax	0	1,401	(1,401)
Deferred income taxes	604	(12,153)	12,757
Total	**4,411**	**5,293**	**(882)**

"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 2009 was 53.5% (28.7% in the first half of 2008, which benefited from a number of operations to realign tax and accounting values).
The actual tax charge and theoretical tax charge are reconciled as follows:

	30.06.2009	%	30.06.2008	%
Profit before taxes	8,241	100%	18,453	100%
Theoretical taxes	2,266	27.5%	5,074	27.5%
Effects of realigning tax and accounting values	-	-	(2,129)	(11.5%)
Other (*)	724	8.8%	(774)	(4.2%)
Total income taxes	**2,990**	**36.3%**	**2,171**	**11.8%**
IRAP	1,421	17.2%	3,122	16.9%
Actual taxes	**4,411**	**53.5%**	**5,293**	**28.7%**

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

COMMENTS ON THE BALANCE SHEET: ASSETS

NON-CURRENT ASSETS

11. GOODWILL

	30.06.2009		31.12.2008		
	Gross	Net	Gross	Net	Change
Goodwill	258,545	230,218	257,043	228,716	1,502

The change in goodwill mainly refers to the purchase in the first half of the year of minority interests in Zass Alabuga LLC (increase of €296 thousand) and Promised Success Ltd (increase of €1,218 thousand), giving the Group total control of these companies.
More details can be found in the paragraph on the "Change in the scope of consolidation".

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 operating 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 its financial reports.
Six cash generating units (CGUs) have been identified within these operating segments.
Most of the Group's goodwill (accounting for 84% of the total) refers to the Professional segment.
The impairment test carried out at the end of 2008 did not reveal any significant evidence that goodwill might have suffered an impairment loss. The main assumptions adopted for the test performed at 31 December 2008 relate to the discount and growth rates, which are also based on the Group's plans and budgets. The discount rate used of 6.8% 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 are stated before tax (in keeping with the discount rate).

No events of significance have occurred in the first half of 2009 such as might suggest that the carrying amount of goodwill could be impaired and so no new impairment tests have been carried out.
The only exception is the CGU relating to the Group company which produces and sells radiators, for which an impairment loss was already recognized at 31 December 2008 and whose impairment test was updated at the end of June 2009. This test used an updated business plan to take account of the current market situation, with a lengthening of the period for presumed return to normal profitability, without however changing operational policies and the assumptions underlying this plan.
The other assumptions used in the test were basically in line with those adopted at 31 December 2008, since there was no reason to change them.

12. OTHER INTANGIBLE ASSETS

The breakdown is as follows:

	30.06.2009		31.12.2008		
	Gross	**Net**	**Gross**	**Net**	**Change**
New product development costs	44,855	14,032	42,380	14,494	(462)
Patents	29,392	3,313	28,892	3,484	(171)
Trademarks and similar rights	220,766	157,011	220,718	159,040	(2,029)
Work in progress and advances	11,715	10,572	9,095	7,953	2,619
Other	15,722	754	15,574	775	(21)
Total	**322,450**	**185,682**	**316,659**	**185,746**	**(64)**

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

	New product development costs	**Patents**	**Trademarks and similar rights**	**Work in progress and advances**	**Other**	**Total**
Net opening balance	**14,494**	**3,484**	**159,040**	**7,953**	**775**	**185,746**
Additions	1,506	537	49	3,401	124	5,617
Amortization	(2,938)	(672)	(2,078)	-	(168)	(5,856)
Translation difference	253	(13)	-	-	17	257
Other movements (*)	717	(23)	-	(782)	6	(82)
Net closing balance	**14,032**	**3,313**	**157,011**	**10,572**	**754**	**185,682**

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

The principal additions refer to the capitalization of new product development projects, based on detailed reporting and analysis of the costs incurred and the estimated future utility of such projects.
The Group has capitalized a total of €4,907 thousand in costs as intangible assets in the first half of 2009; the increase of €1,506 thousand in "New product development costs" refers to projects already completed at the balance sheet date, while the increase of €3,401 thousand in "Work in progress and advances" refers to projects still in progress.

The Group has incurred some €16 million in research and development costs during the first half of 2009.

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

"Trademarks and similar rights" also include 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 2008 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 significant evidence that these assets might have suffered an impairment loss. No events of significance have occurred in the first half of 2009 such as might suggest that the carrying amounts of trademarks could have suffered any impairment loss.

13. LAND, PROPERTY, PLANT AND MACHINERY

These are detailed as follows:

	30.06.2009		31.12.2008		
	Gross	**Net**	**Gross**	**Net**	**Change**
Land and buildings	84,319	68,221	86,159	70,511	(2,290)
Plant and machinery	191,901	66,038	188,189	65,257	781
Total	**276,220**	**134,259**	**274,348**	**135,768**	**(1,509)**

The following table reports movements during 2009:

	Land and buildings	Plant and machinery	Total
Net opening balance	**70,511**	**65,257**	**135,768**
Additions	2,511	3,517	6,028
Disposals	(3,740)	(54)	(3,794)
Depreciation	(1,332)	(2,914)	(4,246)
Translation difference and other movements	271	232	503
Net closing balance	**68,221**	**66,038**	**134,259**

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

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

	30.06.2009	31.12.2008	Change
Buildings	3,497	3,699	(202)
Plant and other assets	17,876	16,739	1,137
Total	**21,373**	**20,438**	**935**

The increase in the value of assets acquired under finance lease mainly refers to a new contract taken out in 2009 for new plant and machinery already used in the factory in Treviso.
Information on the financial liability arising under the related lease agreements can be found in note *28. Other financial payables*.

14. OTHER TANGIBLE ASSETS

Details of other tangible assets are as follows:

	30.06.2009		31.12.2008		
	Gross	Net	Gross	Net	Change
Industrial and commercial equipment	172,637	25,760	167,420	26,154	(394)
Other	47,188	13,117	45,532	13,488	(371)
Work in progress and advances	4,553	4,553	3,078	3,078	1,475
Total	**224,378**	**43,430**	**216,030**	**42,720**	**710**

The following table reports movements during 2009:

	Industrial and commercial equipment	Other	Work in progress and advances	Total
Net opening balance	**26,154**	**13,488**	**3,078**	**42,720**
Additions	5,071	1,286	1,690	8,047
Disposals	(42)	(69)	(27)	(138)
Depreciation	(5,254)	(1,883)	-	(7,137)
Translation difference and other movements	(169)	295	(188)	(62)
Net closing balance	**25,760**	**13,117**	**4,553**	**43,430**

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

15. EQUITY INVESTMENTS

	30.06.2009	31.12.2008	Change
Associated companies	-	2,628	(2,628)
Other companies	688	714	(26)
Total	**688**	**3,342**	**(2,654)**

During the first half of 2009 the Group sold its interest in the associated company Emer S.p.A., reported in the balance sheet at 31 December 2008 as €2,628 thousand and realizing a capital gain of €272 thousand, as already described in note *9. Financial income (expenses)*.

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

16. NON-CURRENT RECEIVABLES

The balance at 30 June 2009 includes €1,748 thousand in security deposits (€1,609 at 31 December 2008) and €48 thousand in other non-current receivables (€14 thousand at 31 December 2008).

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:

	30.06.2009	31.12.2008	Change
Deferred tax assets	48,529	42,153	6,376
Deferred tax liabilities	(23,460)	(21,501)	(1,959)
Net asset balance	**25,069**	**20,652**	**4,417**

"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:

	30.06.2009	31.12.2008	Change
- Temporary differences	6,838	11,683	(4,845)
- Tax losses	18,231	8,969	9,262
Net asset balance	**25,069**	**20,652**	**4,417**

The change in the net asset balance also reflects a reduction of €528 thousand in amounts booked to net equity in the "Fair value and cash flow hedge reserve".

It is also reported that no deferred taxes have been recognized on €9.9 million in carried forward tax losses reported by certain Group companies, since these are unlikely to be recovered in the future.

CURRENT ASSETS

19. INVENTORIES

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

	30.06.2009	31.12.2008	Change
Raw, ancillary and consumable materials	70,094	70,446	(352)
Work in progress and semi-finished products	24,274	22,143	2,131
Finished products and goods	277,362	256,420	20,942
Advances	95	106	(11)
Inventory writedown allowance	(27,185)	(28,651)	1,466
Total	**344,640**	**320,464**	**24,176**

The value of inventories is stated after deducting an allowance for obsolete or slow-moving goods totalling €27,185 thousand (€28,651 thousand at 31 December 2008), in relation to products and raw materials no longer deemed to be of strategic interest.

20. TRADE RECEIVABLES

These are made up as follows:

	30.06.2009	31.12.2008	Change
Trade receivables			
- due within 12 months	290,350	386,186	(95,836)
- due beyond 12 months	3	3	-
Allowance for doubtful accounts	(20,342)	(19,009)	(1,333)
Total trade receivables	**270,011**	**367,180**	**(97,169)**

Trade receivables are stated net of an allowance for doubtful accounts of €20,342 thousand, representing a reasonable estimate of the expected risk at the reporting date. The allowance refers to a number of disputed receivables or those whose collection is otherwise in doubt and takes account of the fact that a significant proportion of the receivables are covered by insurance policies with major insurers.

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

	31.12.2008	Increases	Utilization	Translation difference and other movements	30.06.2009
Allowance for doubtful accounts	19,009	3,167	(1,932)	98	20,342

The Group has received €7,651 thousand in customer guarantees against trade balances.

Trade receivables are broken down by geographical area as follows:

Geographical area	30.06.2009	%	31.12.2008	%
Italy	84,051	31.1%	70,915	19.3%
United Kingdom	9,660	3.6%	24,751	6.7%
Rest of Europe	120,189	44.5%	179,197	48.8%
United States, Canada, Mexico	11,747	4.4%	13,889	3.8%
Rest of the world	44,364	16.4%	78,428	21.4%
Total	**270,011**	**100.0%**	**367,180**	**100.0%**

21. CURRENT TAX ASSETS

These are detailed as follows:

	30.06.2009	31.12.2008	Change
VAT	8,737	5,839	2,898
Tax payments on account	3,100	4,775	(1,675)
Direct taxes	4,145	3,116	1,029
Tax refunds requested	3,585	3,012	573
Other tax receivables	467	432	35
Total current tax assets	**20,034**	**17,174**	**2,860**

The amount of current tax assets due beyond 12 months is €420 thousand (€429 thousand at 31 December 2008).

22. OTHER RECEIVABLES

"Other receivables" are broken down as follows:

	30.06.2009	31.12.2008	Change
Prepaid insurance costs	3,007	4,905	(1,898)
Advances to suppliers	6,092	4,306	1,786
Employees	840	410	430
Other	9,064	11,221	(2,157)
Total other receivables	**19,003**	**20,842**	**(1,839)**

Other receivables include €84 thousand in amounts due beyond 12 months.

23. CURRENT FINANCIAL RECEIVABLES AND ASSETS

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

	30.06.2009	31.12.2008	Change
Fair value of derivatives	6,072	11,660	(5,588)
Other financial receivables	4,154	6,499	(2,345)
Other securities	220	44	176
Total current financial receivables and assets	**10,446**	**18,203**	**(7,757)**

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

"Other securities" include €44 thousand in Banca Popolare di Vicenza bonds purchased by the subsidiary De'Longhi Appliances S.r.l. to invest surplus cash, and €176 thousand in bonds purchased by the subsidiary De'Longhi Brasil Comercio e Importacao Ltda. to temporarily invest surplus cash balances; the latter bonds were repaid in July 2009.

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

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 €136 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 €118 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.

The cash balances at 30 June 2009 include €5,938 thousand in current accounts of a Chinese subsidiary that are restricted having been given as collateral.

COMMENTS ON THE BALANCE SHEET: NET EQUITY AND LIABILITIES

NET EQUITY

"Net equity" is made up as follows:

	30.06.2009	31.12.2008	Change
Group portion	658,520	659,929	(1,409)
Minority interests	999	2,346	(1,347)
Total net equity	**659,519**	**662,275**	**(2,756)**

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

Movements in the equity accounts are reported in one of the earlier schedules forming part of the financial statements; comments on the main components and their changes are provided below.

25. SHARE CAPITAL

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

26. RESERVES

The breakdown is as follows:

	30.06.2009	31.12.2008	Change
Share premium reserve	325	325	0
Legal reserve	7,777	6,430	1,347
Other reserves			
- Extraordinary reserve	58,792	42,173	16,619
- Fair value and cash flow hedge reserve	1,844	484	1,360
- Translation differences	(23,435)	(25,778)	2,343
- Profit (loss) carried forward	160,859	147,635	13,224
Total reserves	**206,162**	**171,269**	**34,893**

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 €6,430 thousand at 31 December 2008. The intervening increase of €1,347 thousand is due to the allocation of the profit for 2008, as approved by the above AGM of De'Longhi S.p.A..

The "Extraordinary reserve" has increased due to the combined effect of the parent company's allocation of profit for 2008 and the dividends declared by the above AGM.

The "Fair value and cash flow hedge" reserve is stated net of €721 thousand in tax. This reserve has been recognized under IAS 39, adopted with effect from 1 January 2005, and includes the effective portion of net gains and losses on financial instruments designated as cash flow hedges against the exposure of future revenues and costs to exchange rate fluctuations.
This reserve also includes the net result of measuring "available for sale" financial assets at fair value.
The increase of €1,360 thousand in the "Fair value and cash flow hedge reserve" during 2009 reflects €1,888 thousand in changes in the fair value of cash flow hedges, less €528 thousand in related tax effects.

"Profit (loss) carried forward" includes the retained earnings of the consolidated companies and the effects of consolidation adjustments and adjustments to comply with Group accounting policies.

Minority interests in net equity amount to €999 thousand. The interests held by minority interests and their corresponding share of net equity and results for the period ended 30 June 2009 are summarized below:

Company	**% interest**	**Net equity**	**Profit (loss) for the period**
E-Services S.r.l.	49%	1,277	158
De'Longhi Bosphorus Ev Aleteri Ticaret Anonim Sirketi	30%	(278)	(186)
Total		**999**	**(28)**

The decrease of €1,347 thousand in minority interests in net equity in 2009 is primarily due to the purchase of the minority interests in Zass Alabuga and Promised Success Ltd for €1,020 thousand, as already described in the note on "Change in the scope of consolidation".

NON-CURRENT LIABILITIES

27. BANK LOANS AND BORROWINGS

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

	Within one year	One to five years	Beyond five years	Balance 30.06.2009	Within one year	One to five years	Beyond five years	Balance 31.12.2008	Change
Overdrafts	29,363			29,363	31,334			31,334	(1,971)
Short-term loans in euro or foreign currency	88,765			88,765	109,468			109,468	(20,703)
Advances	4,896			4,896	3,650			3,650	1,246
Long-term loans (current portion)	64,851			64,851	52,898			52,898	11,953
Total short-term bank loans and borrowings	**187,875**			**187,875**	**197,350**			**197,350**	**(9,475)**
Long-term loans	-	128,277	1,855	130,132	-	139,879	3,635	143,514	(13,382)
Total bank loans and borrowings	**187,875**	**128,277**	**1,855**	**318,007**	**197,350**	**139,879**	**3,635**	**340,864**	**(22,857)**

Long-term loans comprise the following:

Loans (including short-term portion)	**Balance 30.06.09**	**Balance 31.12.2008**
Loans from Banca Popolare di Verona e Novara	67,933	76,642
Loan from BNP Paribas	43,543	58,444
Loan from Banca Popolare di Sondrio	29,428	30,059
Loan from KBC Bank	24,898	-
Loan from Banca Popolare Friuladria	14,331	14,415
Loan from Banca di Cividale	9,085	9,981
Loan from IMI (Law 46)	981	1,357
Loan from Unicredit	795	1,121
Loan from Banca Popolare Commercio e Industria	268	802
Other minor loans	3,721	3,591
Total long-term loans	**194,983**	**196,412**

During the first half of 2009 De'Longhi S.p.A. obtained a new loan for €25 million from KBC Bank N.V. (Italian Branch), maturing in 2012 and carrying floating rate interest indexed to Euribor. This loans calls for compliance with financial covenants (the ratios between consolidated net debt and net equity and consolidated net debt and EBITDA), starting from 31 December 2009 on the basis of the prior year financial statements.

The loan arranged by BNP Paribas calls for the observance of financial covenants (the ratios between consolidated net debt and net equity and consolidated net debt and EBITDA), compliance with which is verified on a six-monthly basis. Such covenants have been observed in accordance with contract at 30 June 2009.

The loan from Banca Popolare Friuladria calls for the observance of financial covenants (the ratios between consolidated net debt and net equity and consolidated net debt and EBITDA), starting from 31 December 2009 with reference to the prior year financial statements.

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

28. OTHER FINANCIAL PAYABLES

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

	30.06.2009	31.12.2008	Change
Payables to lease companies (short-term portion)	1,989	4,405	(2,416)
Ministry of Industry loans (short-term portion)	540	535	5
Payables for the purchase of equity investments	478	162	316
Negative fair value of derivatives	3,165	2,897	268
Other short-term financial payables	7,100	9,754	(2,654)
Total short-term payables	**13,272**	**17,753**	**(4,481)**
Payables to lease companies (one to five years)	8,256	7,125	1,131
Ministry of Industry loans (one to five years)	2,153	2,186	(33)
Other financial payables (one to five years)	3,977	3,729	248
Total long-term payables (one to five years)	**14,386**	**13,040**	**1,346**
Payables to lease companies (beyond five years)	2,907	4,233	(1,326)
Ministry of Industry loans (beyond five years)	-	502	(502)
Total long-term payables (beyond five years)	**2,907**	**4,735**	**(1,828)**
Total other financial payables	**30,565**	**35,528**	**(4,963)**

This balance mostly refers to €13,152 thousand in payables recognized for finance leases (€15,763 thousand at 31 December 2008) and €2,693 thousand in low-interest loans from the Ministry of Industry (€3,223 thousand at 31 December 2008).

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

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

Net financial position

Details of the net financial position are as follows:

	30.06.2009	31.12.2008	Change
A. Cash	277	247	30
B. Cash equivalents	105,415	108,915	(3,500)
C. Securities	220	44	176
D. Total liquidity (A+B+C)	**105,912**	**109,206**	**(3,294)**
E 1. Current financial receivables	**10,226**	**18,158**	**(7,932)**
Of which:			
Fair value of derivatives	*6,072*	*11,660*	*(5,588)*
E 2. Non-current financial receivables and other securities (*)	**2,638**	**2,572**	**66**
F. Current bank loans and borrowings	(123,024)	(144,452)	21,428
G. Current portion of non-current debt	(64,851)	(52,898)	(11,953)
H. Other current financial payables	(13,272)	(17,753)	4,481
Of which:			
Fair value of derivatives	*(3,165)*	*(2,897)*	*(268)*
I. Current financial debt (F+G+H)	**(201,147)**	**(215,103)**	**13,956**
J. Net current financial debt (I +E 1 + E 2+D)	**(82,371)**	**(85,167)**	**2,796**
K. Non-current bank loans and borrowings	(130,132)	(143,514)	13,382
L. Bonds	-	-	-
M. Other non-current payables	(17,293)	(17,775)	482
Of which:			
Top Clima option	*(3,977)*	*(3,729)*	*(248)*
N. Non-current financial debt (K+L+M)	**(147,425)**	**(161,289)**	**13,864**
Total	**(229,796)**	**(246,456)**	**16,660**

(*) This amount differs from the non-current receivables reported in the balance sheet (€1,796 thousand at 30 June 2009 and €1,623 thousand at 31 December 2008) because the balance sheet amount includes €1,762 thousand in non-financial receivables at 30 June 2009 (€1,619 thousand at 31 December 2008).

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

The fair value of outstanding financial instruments (currency derivatives) at 30 June 2009 is detailed as follows:

	Fair value (€/000)	
	Current financial assets	**Other financial payables (short-term portion)**
Hedges of 2009 budget	5,183	(1,560)
Hedges against foreign currency receivables and payables	889	(1,605)
Total fair value	**6,072**	**(3,165)**

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

The Group has significant cash credit facilities available with its banks.

29. EMPLOYEE BENEFITS

These are made up as follows:

	30.06.2009	31.12.2008	Change
Provision for severance indemnities	17,849	18,363	(514)
Defined benefit plans	7,686	9,268	(1,582)
Long-term benefits	3,184	2,871	313
Total employee benefits	**28,719**	**30,502**	**(1,783)**

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	30.06.2009	31.12.2008	Change
Defined benefit obligations	17,849	18,363	(514)

Net cost charged to income	30.06.2009	31.12.2008	Change
Current service cost	41	68	(27)
Interest cost on obligations	435	986	(551)
Total	**476**	**1,054**	**(578)**

Change in present value of obligations	30.06.2009	31.12.2008	Change
Present value at 1 January	**18,363**	**20,019**	**(1,656)**
Current service cost	41	68	(27)
Utilization of provision	(990)	(2,668)	1,678
Interest cost on obligations	435	986	(551)
Deconsolidation	-	(52)	52
Other changes	-	10	(10)
Present value at reporting date	**17,849**	**18,363**	**(514)**

Defined benefit plans:

Movements in the period are as follows:

Net cost charged to income	30.06.2009	31.12.2008	Change
Current service cost	140	234	(94)
Return on plan assets	(682)	(1,545)	863
Interest cost on obligations	829	2,016	(1,187)
Total	**287**	**705**	**(418)**

Change in present value of obligations	30.06.2009	31.12.2008	Change
Present value at 1 January	9,268	13,800	(4,532)
Net cost charged to income	287	705	(418)
Benefits paid	(2,509)	(2,960)	451
Translation difference	640	(2,277)	2,917
Present value at reporting date	**7,686**	**9,268**	**(1,582)**

The present value at 30 June 2009 includes €5,464 thousand in respect of Kenwood Ltd. and €2,222 thousand for De'Longhi Japan Corp.

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

	30.06.2009	31.12.2008
Blue collar	4,708	3,768
White collar	2,867	2,847
Executives	123	123
Total	**7,698**	**6,738**

30. NON-CURRENT PROVISIONS FOR CONTINGENCIES AND OTHER CHARGES

The breakdown is as follows:

	30.06.2009	31.12.2008	Change
Agents' leaving indemnity provision and other retirement provisions	6,266	7,271	(1,005)
Product warranty provision	14,039	14,991	(952)
Provisions for contingencies and other charges	12,970	13,406	(436)
Total non-current provisions for contingencies and other charges	**33,275**	**35,668**	**(2,393)**

Movements are as follows:

	31.12.2008	Utilization	Increases	Other	30.06.2009
Agents' leaving indemnity provision	7,271	(1,014)	232	(223)	6,266
Product warranty provision	14,991	(6,392)	5,196	244	14,039
Provisions for contingencies and other charges (*)	13,406	(3,822)	3,430	(44)	12,970
Total	**35,668**	**(11,228)**	**8,858**	**(23)**	**33,275**

(*) The increase in these provisions includes €549 thousand in costs booked under services and other operating expenses in the income statement and €453 thousand recognized in payroll costs.

The agents' leaving indemnity provision covers the payments that might be due to departing agents in accordance with article 1751 of the Italian Civil Code, as applied by collective compensation agreements in force.

The "Product warranty provision" has been established, for certain consolidated companies, on the basis of estimated under-warranty repair and replacement costs for sales taking place by 30 June 2009. It takes account of the provisions of Decree 24/2002 and of European Community law.

The "Provision for contingencies and other charges" includes:

- the provision for uninsured liabilities arising from product complaints (limited to policy deductibles) of €2,483 thousand (€2,372 thousand at 31 December 2008);
- the provision of €3,289 thousand for restructuring and reorganization in Italy and abroad (€3,592 thousand at 31 December 2008);
- provisions of €7,198 thousand by the parent company and certain subsidiaries against various contingencies and liabilities relating to legal disputes.

CURRENT LIABILITIES

31. TRADE PAYABLES

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

Trade payables are broken down by geographical area as follows:

Geographical area	30.06.2009	%	31.12.2008	%
Italy	106,413	44.1%	138,618	48.4%
United Kingdom	7,606	3.2%	9,056	3.2%
Rest of Europe	47,706	19.8%	64,532	22.5%
United States, Canada, Mexico	3,834	1.6%	5,702	2.0%
Rest of the world	75,694	31.4%	68,269	23.9%
Total	**241,253**	**100.0%**	**286,177**	**100.0%**

Trade payables include €30 thousand in balances due beyond 12 months.

32. CURRENT TAX LIABILITIES

These are broken down as follows:

	30.06.2009	31.12.2008	Change
Direct taxes	17,388	10,770	6,618
Indirect taxes	3,019	4,971	(1,952)
Withholdings payable	2,945	5,014	(2,069)
Other taxes	6,395	9,747	(3,352)
Total current tax liabilities	**29,747**	**30,502**	**(755)**

Current tax liabilities due beyond 12 months amount to €17 thousand at 30 June 2009.

33. OTHER PAYABLES

These are broken down as follows:

	30.06.2009	31.12.2008	Change
Employees	26,238	23,632	2,606
Social security institutions	5,526	6,699	(1,173)
Advances	3,216	2,343	873
Other	17,507	19,969	(2,462)
Total other payables	**52,487**	**52,643**	**(156)**

34. COMMITMENTS

These are broken down as follows:

	30.06.2009	31.12.2008	Change
Guarantees given to third parties	753	537	216
Other commitments	6,409	6,918	(509)
Total commitments	**7,162**	**7,455**	**(293)**

"Other commitments" mainly refer to €2.3 million in contractual obligations by the subsidiary De'Longhi America Inc and €2.1 million in guarantees given to Chinese subsidiaries for the import of raw materials.

35. 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:

<u>De'Longhi S.p.A.</u>: 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.
A general tax inspection for tax year 2005 by the tax police's Treviso division.
The preliminary notice of findings was issued on 16 September 2008, in respect of which the company has not made the option provided by art. 5-bis of Decree 218 dated 19 June 1997, as amended by art. 83 para.18 of Decree 112 dated 25 June 2008.

In the case of both inspections, 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.

<u>Ariete S.p.A.</u>: 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, which ruled in the company's favour on 8 July 2008.

<u>DL Radiators S.p.A.</u>: A general tax inspection for tax year 2005 by the Treviso tax office.
A preliminary notice of findings was issued on 18 December 2008; the company has not made the option provided by art. 5-bis of Decree 218 dated 19 June 1997, as amended by art. 83 para. 18 of Decree 112 dated 25 June 2008.
The company has stated that it will demonstrate before the competent bodies that these findings are unfounded, although the tax authorities have not yet issued any notice of assessment.

<u>Climaveneta S.p.A.</u>: A general tax inspection for tax year 2005 by the Treviso tax office.
A preliminary notice of findings was issued on 31 December 2008; the company has not made the option provided by art. 5-bis of Decree 218 dated 19 June 1997, as amended by art. 83 para.18 of Decree 112 dated 25 June 2008.
The company has stated that it will demonstrate before the competent bodies that these findings are unfounded, although the tax authorities have not yet issued any notice of assessment.

<u>Fisher & Paykel Appliances S.p.A. (ex Elba S.p.A.)</u>: A general tax inspection for tax year 2005 by the Montebelluna (Treviso) tax office.
A preliminary notice of findings was issued on 23 December 2008.
The company inspected is no longer part of the De'Longhi Group, having been sold to third parties in 2006. However, in the year audited Elba S.p.A was a member of the De'Longhi tax Group for income tax and VAT purposes headed up by De'Longhi S.p.A..
As a result, De'Longhi S.p.A. could be called upon to respond within the direct and indirect extent and limits envisaged by prevailing law governing the functions and responsibilities of tax Group heads.
The tax authorities have not yet issued any notice of assessment.

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

In addition, the following tax inspections are in progress at the date of preparing this report, with no notices of findings having yet been issued:

De' Longhi Appliances S.r.l.: Inspection by the tax police's Treviso division for the tax periods from 1 January 2007 to 29 May 2009, the date the inspection started;

De' Longhi Capital Services S.r.l.: Inspection by the regional tax office for the Veneto of tax years 2003 to 2006. The inspection started on 7 July 2009;

De' Longhi-Kenwood Gmbh: inspection by the competent tax authorities of tax years 2004 to 2007.

36. TRANSACTIONS AND BALANCES WITH RELATED PARTIES

Appendix 2 contains the information concerning transactions and balances with related parties required by CONSOB Circulars 97001574 dated 20 February 1997, 98015375 dated 27 February 1998 and DEM/2064231 dated 30 September 2002. All transactions have fallen within the Group's normal operations and have been settled under arm's-length terms and conditions.

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

37. OPERATING SEGMENTS

Information relating to operating segments is presented below:

Income statement data

			30.06.2009		
	Household	Professional	Corporate	Eliminations	Consolidated total
Total revenues	444,445	156,362	5,669	(11,221)	595,255
EBITDA	**40,703**	**9,435**	**(5,573)**	**(122)**	**44,443**
Amortization & depreciation	(12,676)	(4,257)	(306)	-	(17,239)
EBIT	**28,028**	**5,178**	**(5,879)**	**(122)**	**27,205**
Financial income (expenses)					(18,964)
Profit before taxes					**8,241**
Taxes					(4,411)
Profit (loss) after taxes					**3,830**
Profit (loss) pertaining to minority interests					(28)
Profit (loss) for the period					**3,858**

Balance sheet data *(30 June 2009)*

	Household	Professional	Corporate	Eliminations	Consolidated total
Total assets	869,912	558,003	171,449	(182,332)	1,417,032
Total liabilities	(319,711)	(422,788)	(197,145)	182,131	(757,513)

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 & 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 *(30 June 2008)*

	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)

38. SUBSEQUENT EVENTS

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

Treviso, 28 August 2009

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

(Appendix 1 to the Explanatory Notes)

LIST OF COMPANIES CONSOLIDATED ON A LINE-BY-LINE BASIS

Company name	Registered office	Currency	Share capital (1)	Interest held at 30.06.2009	
				Directly	Indirectly
DE'LONGHI APPLIANCES S.R.L.	Treviso	EUR	200,000,000.00	100%	
DE'LONGHI AMERICA INC.	Saddle Brook	USD	9,100,000.00		100%
DE'LONGHI FRANCE S.A.R.L.	Clichy	EUR	2,737,500.00		100%
DE'LONGHI CANADA INC.	Mississauga	CAD	1.00		100%
DE'LONGHI DEUTSCHLAND GMBH	Seligenstadt	EUR	2,100,000.00		100%
DE'LONGHI ELECTRODOMESTICOS ESPANA S.L.	Barcelona	EUR	5,510,000.00		100%
DE'LONGHI CAPITAL SERVICES S.R.L. (2)	Treviso	EUR	53,000,000.00	11.32%	88.68%
E- SERVICES S.R.L.	Treviso	EUR	50,000.00	51%	
DE'LONGHI NEDERLAND B.V.	Breda	EUR	226,890.00		100%
DL TRADING LIMITED	Hong Kong	HKD	73,010,000.00		100%
TRICOM INDUSTRIAL CO. LTD.	Hong Kong	HKD	4,500,000.00		100%
PROMISED SUCCESS LTD.	Hong Kong	HKD	28,000,000.00		100%
ON SHIU (ZHONGSHAN) ELECTRICAL APPLIANCE COMPANY LTD.	Zhongshan City	CNY	55,112,118.00		100%
DONG GUAN DE'LONGHI-KENWOOD APPLIANCES CO.LTD.	Qing Xi Town	CNY	4,251,440.00		100%
CLIMAVENETA S.P.A.	Treviso	EUR	10,000,000.00		100%
CLIMAVENETA DEUTSCHLAND GMBH	Nordstedt	EUR	306,775.00		100%
CLIMAVENETA FRANCE SAS	Epone	EUR	150,000.00		100%
DE'LONGHI HOUSEHOLD S.A.	Luxembourg	EUR	181,730,990.00	100%	
DE'LONGHI JAPAN CORPORATION	Tokyo	JPY	50,000,000.00		100%
DL RADIATORS S.P.A.	Treviso	EUR	5,000,000.00		100%
DE'LONGHI CLIMA POLSKA SP.ZO.O	Warsaw	PLN	597,000.00		100%
Company controlled through nominee company (3)	Nuremberg	EUR	26,000.00		100%
DL RADIATORS FRANCE S.A.R.L.	Paris	EUR	150,000.00		100%
DE'LONGHI AUSTRALIA PTY LTD.	Prestons	AUD	28,800,001.00		100%
DE'LONGHI NEW ZEALAND LTD.	Auckland	NZD	18,857,143.00		100%
CLIMAVENETA HOME SYSTEM S.R.L.	Treviso	EUR	5,000,000.00		100%
ALABUGA INTERNATIONAL S.A.	Luxembourg	EUR	200,000.00	0.05%	99.95%
ZASS ALABUGA LLC	Elabuga	RUB	95,242,767.00		100%
DE'LONGHI LLC	Elabuga	RUB	6,000,000.00		100%
DL TRADING (SHENZEN) COMPANY CO LTD.	Shenzen	CNY	USD 1,543,000		100%
KENWOOD APPLIANCES LTD	Havant	GBP	30,586,001.00		100%
KENWOOD APPLIANCES LUXEMBOURG S.A.	Luxembourg	EUR	1,000,000.00		100%
KENWOOD LIMITED	Havant	GBP	25,050,000.00		100%
KENWOOD INTERNATIONAL LTD .	Havant	GBP	20,000,000.00		100%
KENWOOD APPL. (SINGAPORE) PTE LTD .	Singapore	SGD	500,000.00		100%
KENWOOD APPL. (MALAYSIA) SDN.BHD.	Petaling Jaya	MYR	3.00		100%
DE'LONGHI-KENWOOD GMBH	Wr Neudorf	EUR	36,336.00		100%
KENWOOD HOME APPL. PTY LTD.	Maraisburg	ZAR	40,000.00		100%
KENWOOD HELLAS SOLE PARTNER LTD. LIABILITY COMPANY	Athens	EUR	48,000.00		100%
ARIETE S.P.A.	Campi Bisenzio	EUR	8,272,000.00		100%
ARIETE HISPANIA S.L.	Madrid	EUR	3,066.00		100%
ARIETE HELLAS EPE	Athens	EUR	18,000.00		100%
ARIES LUSITANIA ELECTRODOMESTICOS LDA	Maia	EUR	5,000.00		100%
ARIETE DEUTSCHLAND GMBH	Dusseldorf	EUR	25,000.00		100%
ARIETE FRANCE ELECTROMENAGER SARL	Paris	EUR	30,000.00		100%
CLIM.RE. S.A.	Luxembourg	EUR	1,239,468.00	4%	96%
DL PROFESSIONAL S.A.	Luxembourg	EUR	30,205,000.00	99.95%	0.05%
R.C. GROUP S.P.A.	Valle Salimbene	EUR	10,680,000.00		100.00%
R.C. LUX S.A.	Luxembourg	EUR	6,959,773.00		100.00%

ELLE SRL	Treviso	EUR	10,000.00	100%
DE'LONGHI BOSPHORUS EV ALETLERI TICARET ANONIM SIRKETI	Istanbul	TRY	1,700,000.00	70%
DE'LONGHI PRAGA S.RO	Prague	CZK	200,000.00	100%
TOP CLIMA S.L. (5)	Barcelona	EUR	1,606,000.00	100%
SOMORA ASESORES SL (5)	Barcelona	EUR	303,005.00	100%
SATER MANTENIMIENTO SL (5)	Madrid	EUR	250,000.00	99.99%
KENWOOD SWISS	Baar	CHF	1,000,000.00	100%
DL HRVATSKA	Zagreb	HRD	370,000.00	100%
DE'LONGHI BRASIL - COMÉRCIO E IMPORTAÇÃO Ltda	São Paulo	BRL	4,842,340.00	100%
GS LUX	Luxembourg	EUR	377,000.00	100%
FOSHAN RC AIR CONDITIONING R.E. CO. LTD.	Foshan City	CNY	9,159,370.00	100%
DE'LONGHI LTD.	Wellingborough	GBP	4,000,000.00	100%

LIST OF COMPANIES CONSOLIDATED UNDER THE PROPORTIONAL METHOD

Company name	Registered office	Currency	Share capital (1)	Interest held at 30.06.2009	
				Directly	Indirectly
CHAT UNION CLIMAVENETA COMPANY LTD.	Hong Kong	HKD	10,000		50%
CLIMAVENETA CHAT UNION REFRIGERATION EQUIPMENT (SHANGHAI) CO.LTD.	Shanghai	CNY	USD 2,500,000		50%
CLIMAVENETA CHAT UNION TRADING (SHANGHAI) CO.LTD.	Shanghai	CNY	USD 600,000		50%
DL-TCL HOLDINGS (HK) LTD.	Hong Kong	HKD	USD 5,000,000		50%
TCL-DE'LONGHI HOME APPLIANCES (ZHONGSHAN) CO.LTD.	Zhongshan	CNY	USD 5,000,000		50%
RC ASIA PACIFIC LTD	Zhongshan	HKD	20,000		50%
RC AIR CONDITIONING (BEIJING) LIMITED	Beijing	HKD	1,000,000		50%

LIST OF COMPANIES CONSOLIDATED UNDER THE EQUITY METHOD

Company name	Registered office	Currency	Share capital (4)	Interest held at 30.06.2009	
				Directly	Indirectly
Associated companies:					
Effegici S.r.l.	Gorgo al Monticano (TV)	EUR	244,400		25%

OTHER SUBSIDIARIES (IN LIQUIDATION OR DORMANT)

Company name	Registered office	Currency	Share capital
Subsidiary companies: (6)			
Kenwood Appliances Inc.	Havant	USD	25,000

(1) Figures at 30 June 2009, unless otherwise specified.
(2) The articles of association, approved by the extraordinary shareholders' meeting held on 29 December 2004, give special rights to De'Longhi S.p.A. (holding 89% of the voting rights) for ordinary resolutions (approval of financial statements, declaration of dividends, nomination of directors and statutory auditors, purchase and sale of companies, grant of loans to third parties); voting rights are proportional as far as other resolutions are concerned, except for the preferential right to receive dividends held by the shareholder Kenwood Appliances Plc.
(3) A distributor of heating products in Germany, the interest in which is held through a nominee company. As permitted by law, we have omitted the company's name to protect its interests and those of the Group.
(4) Figures at 31 December 2008.
(5) The 100% interest includes the put and call options for the purchase of the 35% minority stake, which can be exercised starting from 2011.
(6) Dormant companies or companies in liquidation, whose balance sheets are unavailable.

Transactions and balances with related parties

(Appendix 2 to the Explanatory Notes)

CONSOLIDATED INCOME STATEMENT (pursuant to CONSOB Resolution 15519 of 27 July 2006) (€/000)	**30.06.2009**	**of which with related parties**	**30.06.2008**	**of which with related parties**
Revenues from sales and services	582,454	148	672,769	135
Other revenues	12,801	63	13,670	1
Total consolidated net revenues	***595,255***		***686,439***	
Raw and ancillary materials, consumables and goods	(308,418)	(165)	(417,729)	(104)
Change in inventories of finished products and work in progress	21,931		78,845	
Change in inventories of raw and ancillary materials, consumables and goods	(2,865)		2,852	
Materials consumed	***(289,352)***		***(336,032)***	
Payroll costs	(92,705)		(95,797)	
Services and other operating expenses	(157,639)	(3,813)	(183,747)	(390)
Provisions	(11,115)		(10,233)	
Amortization and depreciation	(17,239)		(19,375)	
EBIT	**27,205**		**41,255**	
Financial income (expenses)	(18,964)	2	(22,802)	2
PROFIT (LOSS) BEFORE TAXES	**8,241**		**18,453**	
Income taxes for the period	(4,411)		(5,293)	
PROFIT (LOSS) AFTER TAXES	**3,830**		**13,160**	
Profit (loss) pertaining to minority interests	(28)		270	
PROFIT (LOSS) PERTAINING TO THE GROUP	**3,858**		**12,890**	

CONSOLIDATED BALANCE SHEET - ASSETS (pursuant to CONSOB Resolution 15519 of 27 July 2006) (€/000)	**30.06.2009**	**of which with related parties**	**31.12.2008**	**of which with related parties**
NON-CURRENT ASSETS				
INTANGIBLE ASSETS	415,900		414,462	
- Goodwill	230,218		228,716	
- Other intangible assets	185,682		185,746	
PROPERTY, PLANT AND EQUIPMENT	177,689		178,488	
- Land, property, plant and machinery	134,259		135,768	
- Other tangible assets	43,430		42,720	
EQUITY INVESTMENTS AND OTHER FINANCIAL ASSETS	5,088		7,532	
- Equity investments (in associated companies)	-		2,628	
- Equity investments (in other companies)	688		714	
- Receivables	1,796		1,623	
- Other non-current financial assets	2,604		2,567	
DEFERRED TAX ASSETS	48,529		42,153	
TOTAL NON-CURRENT ASSETS	647,206		642,635	
CURRENT ASSETS				
INVENTORIES	344,640		320,464	
TRADE RECEIVABLES	270,011	204	367,180	820
CURRENT TAX ASSETS	20,034		17,174	
OTHER RECEIVABLES	19,003	436	20,842	420
CURRENT FINANCIAL RECEIVABLES AND ASSETS	10,446	76	18,203	74
CASH AND CASH EQUIVALENTS	105,692		109,162	
TOTAL CURRENT ASSETS	769,826		853,025	
TOTAL ASSETS	**1,417,032**		**1,495,660**	

CONSOLIDATED BALANCE SHEET - NET EQUITY AND LIABILITIES (pursuant to CONSOB Resolution 15519 of 27 July 2006) (€/000)	**30.06.2009**	**of which with related parties**	**31.12.2008**	**of which with related parties**
NET EQUITY				
GROUP PORTION OF NET EQUITY	658,520		659,929	
- Share capital	448,500		448,500	
- Reserves	206,162		171,269	
- Profit (loss) pertaining to the group	3,858		40,160	
MINORITY INTERESTS	999		2,346	
TOTAL NET EQUITY	659,519		662,275	
NON-CURRENT LIABILITIES				
FINANCIAL PAYABLES	147,425		161,289	
- Bank loans and borrowings (long-term portion)	130,132		143,514	
- Other financial payables (long-term portion)	17,293		17,775	
DEFERRED TAX LIABILITIES	23,460		21,501	
NON-CURRENT PROVISIONS FOR CONTINGENCIES AND OTHER CHARGES	61,994		66,170	
- Employee benefits	28,719		30,502	
- Other provisions	33,275		35,668	
TOTAL NON-CURRENT LIABILITIES	232,879		248,960	
CURRENT LIABILITIES				
TRADE PAYABLES	241,253	319	286,177	448
FINANCIAL PAYABLES	201,147		215,103	
- Bank loans and borrowings (short-term portion)	187,875		197,350	
- Other financial payables (short-term portion)	13,272		17,753	
CURRENT TAX LIABILITIES	29,747		30,502	
OTHER PAYABLES	52,487		52,643	
TOTAL CURRENT LIABILITIES	524,634		584,425	
TOTAL NET EQUITY AND LIABILITIES	**1,417,032**		**1,495,660**	

Transactions and balances with related parties

Summary by company

In compliance with the guidelines and methods for identifying significant transactions, especially those with related parties covered by 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 2009:

(€/million)	**Revenues**	**Raw material and other costs**	**Trade, other and financial receivables**	**Trade payables**
Related companies: (1)				
Omas S.r.l.			0.1	
Max Information S.r.l.		(0.8)		(0.1)
Mokarabia S.p.A.	0.2	(0.2)	0.1	(0.2)
Gamma S.r.l.		(3.0)	0.4	
De'Longhi Holding S.A.			0.1	
Total related companies	**0.2**	**(4.0)**	**0.7**	**(0.3)**
TOTAL RELATED PARTIES	**0.2**	**(4.0)**	**0.7**	**(0.3)**

(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 2009 for the cost of services incurred.

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

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

The undersigned Fabio De'Longhi, Chief Executive Officer, and Stefano Biella, Financial Reporting Officer of De'Longhi S.p.A., attest, also taking account of the provisions of paragraphs 3 and 4, art. 154-*bis*, of Decree 58 dated 24 February 1998:
that the accounting and administrative processes for preparing the consolidated condensed interim financial statements during the first half of 2009
- have been adequate in relation to the enterprise's characteristics and
- have been effectively applied.

They also certify that the consolidated condensed interim financial statements at 30 June 2009:
- 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;
- 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 consolidated condensed interim 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, 28 August 2009

Fabio De'Longhi
Vice Chairman and Chief Executive Officer

Stefano Biella
Financial Reporting Officer

PRICEWATERHOUSECOOPERS

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AUDITORS' REPORT ON THE REVIEW OF CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2009

To the Shareholders of
De'Longhi SpA

1 We have reviewed the consolidated condensed interim financial statements of De'Longhi SpA and subsidiaries (De'Longhi Group) as of 30 June 2009, comprising the balance sheet, the income statement, the statement of comprehensive income, the statements of changes in shareholders' equity, the cash flows and related selected explanatory notes. The Directors of De'Longhi SpA are responsible for the preparation of the consolidated condensed interim 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 consolidated condensed interim 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 consolidated condensed interim financial statements.
Regarding the amounts of the consolidated financial statements of the prior year and the consolidated condensed interim financial statements of the prior year presented for comparative purposes, reclassified to take into account the amendments introduced by IAS 1 (2007) to the financial statements presentation, reference should be made to our reports dated 3 April 2009 and dated 29 August 2008, respectively.

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3 Based on our review, nothing has come to our attention that causes us to believe that the consolidated condensed interim financial statements of De'Longhi Group as at 30 June 2009 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, 28 August 2009

PricewaterhouseCoopers SpA

Signed by Nicola Piovan
(Partner)

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