De'Longhi S.p.A.

Half-year financial report at 30 june 2010

Contents

COMPANY OFFICERS *

Board of Directors

GIUSEPPE DE'LONGHI	Chairman
FABIO DE'LONGHI	Vice Chairman and Chief Executive Officer
ALBERTO CLÒ **	Director
RENATO CORRADA **	Director
SILVIA DE'LONGHI	Director
CARLO GARAVAGLIA	Director
DARIO MELO'	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 auditor
ENRICO PIAN	Alternate auditor

External auditors

RECONTA ERNST & YOUNG S.P.A.. ***

Internal Auditing and Corporate Governance Committee

RENATO CORRADA **
SILVIO SARTORI
GIOVANNI TAMBURI **

Compensation Committee

ALBERTO CLÒ **
CARLO GARAVAGLIA
GIOVANNI TAMBURI **

* The company officers were elected at the shareholders' meeting of 21 April 2010 for the period 2010-2012.
** Independent directors.
*** The engagement to audit the financial statements for 2010-2018 was approved by the shareholders' meeting of 21 April 2010.

KEY PERFORMANCE INDICATORS

Second-quarter income statement

(€/million)	2nd quarter 2010	% of revenues	2nd quarter 2009	% of revenues	Change	% change
Revenues	350.4	100.0%	304.7	100.0%	45.7	15.0%
Gross profit	155.8	44.5%	130.4	42.8%	25.5	19.5%
EBITDA before non-recurring income/expenses	34.4	9.8%	22.7	7.4%	11.8	52.0%

First-half income statement

(€/million)	1st half 2010	% of revenues	1st half 2009	% of revenues	Change	% change
Revenues	651.0	100.0%	595.3	100.0%	55.7	9.4%
Constant currency change		*6.7%*				
Gross profit	290.6	44.6%	252.9	42.5%	37.7	14.9%
EBITDA before non-recurring income/expenses	66.5	10.2%	48.2	8.1%	18.3	38.0%
EBITDA	63.6	9.8%	44.4	7.5%	19.2	43.2%
EBIT	45.4	7.0%	27.2	4.6%	18.2	66.8%
Profit (loss) pertaining to the group	17.8	2.7%	3.9	0.6%	13.9	360.2%

Statement of financial position

(€/million)	30.06.2010	30.06.2009	31.12.2009
Net working capital	246.6	330.2	264.4
Net capital employed	797.1	889.3	805.6
Net financial position	(70.0)	(229.8)	(117.1)
Net equity	(727.1)	(659.5)	(688.5)
Net financial position/Net equity	9.6%	34.8%	17.0%

Human resources

	1st half 2010	1st half 2009	31.12.2009
Average number of employees	7,410	7,290	7,334

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

The Non-GAAP Measures used are as follows:
- Gross profit and EBITDA: the group uses these measures as financial targets in internal presentations (business plans) and in external presentations (to analysts and investors), since they are a useful way of measuring operating performance by the group and its individual divisions in addition to EBIT.
Gross profit is calculated as total revenues minus the cost of materials consumed and of production-related services.
EBITDA is an intermediate measure that derives from EBIT after having added back depreciation and amortization of property, plant and equipment and intangible assets. EBITDA is also presented net of non-recurring items, which are reported on the face of the income statement.
- Net working capital: this measure is the sum of inventories, trade receivables, current tax assets and other receivables, minus trade payables, current tax liabilities and other payables.
- Net capital employed: this measure is the sum of net working capital, intangible assets, property, plant and equipment, equity investments, other non-current receivables, and deferred tax assets, minus deferred tax liabilities, employee severance indemnity and provisions for contingencies and other charges.
- Net financial position: this measure represents gross financial debt as reduced by cash and cash equivalents and other financial receivables. The "Explanatory notes" provide details of the individual line items in the statement of financial position used to determine this measure.

INTERIM REPORT ON OPERATIONS

REVIEW OF PERFORMANCE

The group closed the first half of 2010 with a major improvement in all its principal performance indicators. These results were achieved thanks to continuous investment in product mix and communications and to measures to control and reduce costs, and allowed the group to gain market share with its principal product lines becoming market leaders.

Second-quarter revenues came to €350.4 million, up 15% on the same period of 2009; first-half revenues were 9.4% higher than in 2009 at €651 million.

The net financial position reported €70 million in net debt at 30 June 2010, having improved by €47.1 million since 31 December 2009 (€117.1 million) and by €160 million since 30 June 2009, thanks to working capital optimization and the associated benefit for operating cash flows.

With revenue growth of 11.8% the Household division was primarily responsible for overall six-month growth, while the Professional division was affected by persistently weak markets with revenues in line with 2009.

The Household division reported €497 million in revenues for the first half of 2010, an increase of €52.6 million on the first half of 2009 thanks to growth in sales of the division's principal product lines, except for air-conditioning which had a poor start to the season because of unfavourable weather. Sales were particularly strong for the cooking and food preparation line of products, especially coffee machines, food processors and other small domestic appliances.

The Professional division reported €155.5 million in revenues, in line with 2009 in a persistently weak market context.

In terms of markets, all the major geographical areas experienced growth except for North America and Italy (where the decline was chiefly due to the Professional division).

In terms of the group's profitability, gross profit improved from €252.9 million to €290.6 million, with the margin climbing from 42.5% to 44.6% thanks to the positive effect of volumes and product mix and to generally positive management of currency risk.

These positive effects more than offset the impact on EBITDA of higher logistical costs and higher promotional costs than in 2009.

EBITDA before non-recurring income/expenses came to €66.5 million in the first six months of 2010 (€48.2 million in 2009), with the margin improving from 8.1% in 2009 to 10.2% in the first half of 2010.

EBIT amounted to €45.4 million in the first six months of 2010, with the margin rising from 4.6% to 7.0% also thanks to fewer non-recurring expenses.

Despite €4.9 million in exchange losses, net financial expenses fell from €19 million to €17 million at 30 June 2010 reflecting the reduction in debt and the still very low level of interest rates.

Profit pertaining to the group amounted to €17.8 million, an increase of €13.9 million on the same period of 2009 (€3.9 million at 30 June 2009).

Macroeconomic scenario

The economic forecasts (Source: Bank of Italy) indicate a relatively modest growth in GDP for the advanced economies as a whole compared with previous upturns.
The global economy carried on recovering throughout the first six months of 2010. The pace of growth is strong in emerging economies, good in the United States and Japan, but still modest in Europe.
Global economic growth still partly depends on expansionary anti-crisis policies and is being held back by adverse conditions on the jobs market and by recurrent financial concerns. The outlook is better for economies with more robust domestic demand for consumer and investment goods.
The macroeconomic scenario is nonetheless still confused, particularly in the absence of a stable recovery in consumption (especially in the United States where unemployment remains high).

Interest rates

All the major central banks kept their interest rates at the same level as at the end of 2009, thus maintaining a low cost of borrowing with the aim of fostering gradual economic growth.
The European Central Bank left the Euro-zone's principal rate at its historic low of 1%, as fully expected by the market; rates on overnight deposits and loans were also unchanged (at 0.25% and 1.75% respectively): the level of overnight deposits by banks reached a maximum in June, reflecting their difficulty in refinancing themselves at critical moments. The Federal Reserve also kept interest rates at the same level as at the end of 2009 (0.25%), with the intention of keeping this rate close to zero for a "prolonged" period of time.
In line with market forecasts and concerns over global economic recovery, Japan kept rates unchanged at 0.10%, as did the United Kingdom (at the record low of 0.50% since March 2009).
The trend in short-term rates and expectations for continued accommodating monetary policy in the Euro-zone are reflected in the long part of the rate curve, where twenty and thirty-year maturities have rapidly fallen below 3% (from a level of more than 4%).

Currency markets

The first half of 2010 was characterized by a steady weakening of the Euro against other major currencies due to the spread of uncertainty in the face of potential financial crisis in certain Mediterranean countries (primarily Greece, Spain and Portugal). The Euro reached a low of 1.1917 against the US dollar on 7 June, and of 0.809 against the British pound. This general weakness of the Euro hurt purchases by European companies in Asia - which are usually denominated in US dollars - but benefited European exports.
Only from June 2010, with the easing of uncertainties over Euro-zone prospects and the re-emergence of fears over the long-term sustainability of US public debt, did the Euro reverse its downward trend against the US currency, returning to a level of around 1.30.
Lastly, the Chinese yuan started to appreciate against the US dollar from June, after a period of general stability lasting some eight quarters (since the third quarter of 2008). The Chinese currency fell below the level of 6.80 against the dollar, from a level of more than 6.82. However, the market does not expect the revaluation process to accelerate, meaning that the demands by the US authorities for substantial revaluation of the yuan could be largely disappointed.

Rationalization of the group's structure

During the first half of 2010 the group completed the restructuring and reorganization activities started in both its operating divisions in 2009.
These activities have primarily involved centralizing administrative and back office functions for some of the group's companies.

Household division
Ariete completed its reorganization in Italy, Spain and Portugal during the first quarter of 2010 by aggregating businesses and centralizing certain functions at head offices.

The international commercial network continued to be reinforced with the De'Longhi brand now under direct distribution in Greece.

Professional division
In response to the difficult market, the group has continued to target costs and process improvements as a means of recovering profitability by restructuring both manufacturing and operating activities. The division's Italian manufacturing facilities continued to draw on the ordinary state-funded temporary redundancy scheme during the first half of 2010.

The activities of Climaveneta Home System were fully integrated into the parent company during the period, while the subsidiary which produces and sells large thermo-cooling systems reorganized production with the closure of a facility in Rome and concentration of activities at its principal site.

Group results

The reclassified consolidated income statement is summarized as follows:

(€/million)	1st half 2010	% of revenues	1st half 2009	% of revenues
Revenues	**651.0**	**100.0%**	**595.3**	**100.0%**
Change 2010/2009	*55.7*	*9.4%*		
Materials consumed & other production costs (production services and payroll costs)	(360.4)	(55.4%)	(342.4)	(57.5%)
Gross profit	**290.6**	**44.6%**	**252.9**	**42.5%**
Other services & expenses	(147.2)	(22.6%)	(134.9)	(22.7%)
Value added	**143.4**	**22.0%**	**118.0**	**19.8%**
Payroll (non-production)	(62.2)	(9.5%)	(59.8)	(10.0%)
Provisions	(14.8)	(2.3%)	(10.0)	(1.7%)
EBITDA before non-recurring income/expenses	**66.5**	**10.2%**	**48.2**	**8.1%**
Change 2010/2009	*18.3*	*38.0%*		
Other non-recurring income (expenses)	(2.9)	(0.4%)	(3.8)	(0.6%)
EBITDA	**63.6**	**9.8%**	**44.4**	**7.5%**
Amortization and depreciation	(18.3)	(2.8%)	(17.2)	(2.9%)
EBIT	**45.4**	**7.0%**	**27.2**	**4.6%**
Change 2010/2009	*18.2*	*66.8%*		
Financial income (expenses)	(17.0)	(2.6%)	(19.0)	(3.2%)
Profit (loss) before taxes	**28.4**	**4.4%**	**8.2**	**1.4%**
Taxes	(10.6)	(1.6%)	(4.4)	(0.7%)
Profit (loss) after taxes	**17.8**	**2.7%**	**3.8**	**0.6%**
Profit (loss) pertaining to minority interests	0.1	0.0%	-	-
Profit (loss) pertaining to the group	**17.8**	**2.7%**	**3.9**	**0.6%**

The gross profit reported in the reclassified income statement differs by €65.1 million at 30 June 2010 (€53.3 million at 30 June 2009) from the consolidated income statement; this is because, in order to represent period performance better, non-recurring income and expenses have been separately presented above and production-related payroll and service costs have been reclassified from payroll and services respectively.

De’Longhi closed the first half of 2010 with a major improvement in its profitability indicators.

Gross profit increased by €37.7 million from €252.9 million in the first half of 2009 to €290.6 million in the first half of 2010, with its margin improving from 42.5% to 44.6%, having benefited not only from higher volumes but also from a better product mix and generally positive exchange rate movements (with the benefits on sales exceeding the negative impact on purchases thanks to currency hedging for purchases).

"Other services & expenses" accounted for roughly the same proportion of revenues as in 2009 (22.7% in 2009 versus 22.6% in 2010), despite the increase in transport costs (up from €17.7 million to €20.3 million) and in advertising and promotions in support of the group's major brands (€39.4 million in the first half of 2010 versus €33 million in the first half of 2009).

Non-production payroll costs were 3.9% higher than in the same period of 2009, reflecting the growth in staff following consolidation of new commercial offices and the impact of salary increases.

EBITDA before non-recurring expenses was €66.5 million, with the margin climbing from 8.1% in the first half of 2009 to 10.2% in 2010.

EBITDA amounted to €63.6 million (€44.4 million in the first half of 2009) after €2.9 million in non-recurring expenses mostly for restructuring and reorganizing certain production activities.

After booking €18.3 million in amortization and depreciation, EBIT came to €45.4 million in the first half of 2010 (€27.2 million in 2009), with the margin improving from 4.6% to 7.0%.

Net financial expenses amounted to €17 million, €2 million down on the first half of 2009 despite the recognition of €4.9 million in exchange losses, having benefited from lower net interest expense due to a reduction in average debt and from the continued record low interest rates.

Profit before taxes came to €28.4 million (€8.2 million in 2009).

Profit pertaining to the group amounted to €17.8 million, an increase of €13.9 million on the first half of 2009.

Results by operating segment

As required by IFRS 8, the group's activities have been split into operating segments, which in its case are three: Household, Professional and Corporate. This split is consistent with the format used by the group's management to assess performance and make strategic decisions.

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

	1st half 2010				1st half 2009			
(€/million)	**Household**	**Professional**	**Corporate**	**Consolid-ated total**	**Household**	**Professional**	**Corporate**	**Consolid-ated total**
Revenues	497.0	155.5	5.7	**651.0**	444.4	156.4	5.7	**595.3**
Change 2010/2009	*52.6*	*(0.9)*						
% change	*11.8%*	*(0.6%)*						
Constant currency revenues (*)	481.6	154.9		**635.0**	444.3	156.3		**595.0**
Constant currency change 2010/2009	*37.3*	*(1.4)*						
% change	*8.4%*	*(0.9%)*						
EBITDA before non-recurring expenses	55.1	13.6	(2.3)	**66.5**	42.0	11.5	(5.2)	**48.2**
Change 2010/2009	*13.1*	*2.1*						
% of revenues	*11.1%*	*8.8%*		***10.2%***	*9.5%*	*7.4%*		***8.1%***
EBITDA	53.7	12.1	(2.3)	**63.6**	40.7	9.4	(5.6)	**44.4**
Change 2010/2009	*13.0*	*2.7*						
% of revenues	*10.8%*	*7.8%*		***9.8%***	*9.2%*	*6.0%*		***7.5%***
EBIT	40.5	7.4	(2.6)	**45.4**	28.0	5.2	(5.9)	**27.2**
Change 2010/2009	*12.4*	*2.3*						
% of revenues	*8.1%*	*4.8%*		***7.0%***	*6.3%*	*3.3%*		***4.6%***

(*) As adjusted for the effect of hedges.

Total segment revenues are reconciled to the consolidated figures by eliminating certain intersegment transactions, amounting to €7.2 million at 30 June 2010 and €11.2 million at 30 June 2009.

Household

The division reported €497.0 million in revenues, up €52.6 million (+11.8%) on the same period in 2009.
All the group's principal brands reported an improvement in results; sales by both the De’Longhi and Kenwood brands were particularly strong.
As for product lines, food cooking and preparation had an excellent sales performance thanks to continued strong growth in sales of coffee machines and food processors, while cleaning, ironing and heating products all enjoyed good results.
Sales of air-conditioning products were down (particularly for mobile units) due to a negative start of the season with cold weather lasting until the end of June.
Air-conditioning sales started to improve from early July, with sales of mobile units recovering on June.
EBITDA before non-recurring expenses was €55.1 million, up from €42 million in the first half of 2009, with the margin improving from 9.5% to 11.1% thanks to higher volumes, better product mix and a net positive contribution from exchange rate differences.

Professional

The division's revenue were basically in line with 2009 (€155.5 million versus €156.4 million in 2009); this result reflects a slight increase in revenues for industrial heating and a slight fall in revenues for large thermo-cooling systems.
These results were influenced by continued market uncertainty arising from the construction sector crisis and from the sharp reduction in investments by the industrial and commercial sectors.
Increased volumes and the maintenance of purchasing costs at 2009 levels, combined with the actions taken in recent months to restructure and reduce costs, helped neutralize price pressure and improve the division's profits. EBITDA before non-recurring expenses came to €13.6 million (€11.5 million in 2009), with the margin improving from 7.4% to 8.8%.

Markets

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

(€/million)	First half 2010	First half 2009	Change	% change
Italy	112.4	124.2	(11.8)	(9.5%)
United Kingdom	57.7	46.2	11.4	24.8%
Rest of Europe	301.0	269.4	31.5	11.7%
United States, Canada and Mexico	30.7	41.2	(10.5)	(25.4%)
Rest of the world	149.3	114.3	35.0	30.7%
Total	**651.0**	**595.3**	**55.7**	**9.4%**

Sales abroad accounted for 83% of total revenues (79% in the first half of 2009).

Sales in Italy reflected good performance for the Household division, which experienced only a marginal contraction primarily due to lower air-conditioning sales, but contraction for the Professional division.

Both divisions reported good sales growth in the United Kingdom; coffee machines, food processors and other small domestic appliances all made a positive contribution to sales growth in the Household division.
The Professional division reported a recovery in sales for both large thermo-cooling systems and industrial heating.

Household division sales in the "Rest of Europe" reflected good performances in both Western Europe and in the former Soviet Union; the Professional division reported a small contraction in sales in this geographical area.

Sales in North America were down in the first half of 2010 particularly due to air-conditioning.

The "Rest of the world" enjoyed positive sales, primarily thanks to good performance by coffee machines and other small domestic appliances.

Review of the statement of financial position

The reclassified consolidated statement of financial position is presented below:

(€/million)	**30.06.2010**	**30.06.2009**	**31.12.2009**	**% change 30.06.10 – 30.06.09**	**% change 30.06.10 – 31.12.09**
- Intangible assets	416.6	415.9	414.7	0.7	2.0
- Property, plant and equipment	182.4	177.7	177.6	4.7	4.8
- Financial assets	2.3	2.4	2.5	(0.2)	(0.3)
- Deferred tax assets	36.6	48.5	38.1	(11.9)	(1.4)
Non-current assets	**637.9**	**644.6**	**632.9**	**(6.7)**	**5.0**
- Inventories	357.7	344.6	257.1	13.1	100.7
- Trade receivables	260.1	270.0	351.9	(9.9)	(91.8)
- Trade payables	(324.2)	(241.3)	(291.1)	(83.0)	(33.1)
- Other payables (net of receivables)	(47.0)	(43.2)	(53.5)	(3.8)	6.4
Net working capital	**246.6**	**330.2**	**264.4**	**(83.6)**	**(17.9)**
Total non-current liabilities and provisions	(87.4)	(85.5)	(91.7)	(1.9)	4.3
Net capital employed	**797.1**	**889.3**	**805.6**	**(92.2)**	**(8.5)**
Net financial position*	**(70.0)**	**(229.8)**	**(117.1)**	**159.8**	**47.1**
Total net equity	**(727.1)**	**(659.5)**	**(688.5)**	**(67.6)**	**(38.6)**
Total net debt and equity	**(797.1)**	**(889.3)**	**(805.6)**	**92.2**	**8.5**

(*) Net financial position includes €10.2 million in net financial assets (€0.1 million in net financial liabilities at 31 December 2009) relating to the fair value of derivatives and to the recognition of a call option relating to an equity investment.

Investments in property, plant and equipment and intangible assets amounted to €20 million (€19.7 million in 2009).

Net working capital decreased by €83.6 million since 30 June 2009 thanks to the benefits of actions taken in 2009/2010; this was accompanied by a decrease in working capital turnover from 22.9% of revenues in 2009 to 16.9% in 2010. In addition, there was a large increase in purchases of finished products and parts in the first half of 2010 compared with 2009 in order to restock inventories due to increased sales, with a consequent growth in trade payables.

The related cash flows from working capital management helped reduce net financial debt to €70.0 million at 30 June 2010, an improvement of €159.8 million since 30 June 2009 (€144.5 million net of receivables factored without recourse).

Details of the net financial position are as follows:

(€/million)	30.06.2010	30.06.2009	31.12.2009	% change 30.06.10 – 30.06.09	% change 30.06.10 – 31.12.09
Cash and cash equivalents	155.6	105.7	124.0	49.9	31.7
Other financial receivables	27.0	12.9	13.9	14.1	13.1
Current portion of non-current debt	(54.7)	(64.9)	(67.1)	10.1	12.4
Current financial debt	(72.7)	(136.3)	(74.9)	63.6	2.2
Net current financial debt (assets)	**55.2**	**(82.5)**	**(4.1)**	**137.7**	**59.4**
Non-current financial debt	**(125.3)**	**(147.3)**	**(113.0)**	**22.0**	**(12.3)**
Total net financial position	**(70.0)**	**(229.8)**	**(117.1)**	**159.8**	**47.1**

There are net current financial assets of €55.4 million at 30 June 2010 compared with net current debt of €82.4 million at 30 June 2009.
As for non-current debt, the group has taken out €35 million in new long-term loans in 2010.

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

(€/million)	1st half 2010	1st half 2009	31.12.2009 (12 months)
Cash flow generated (absorbed) by current operations	57.4	21.8	100.7
Cash flow generated (absorbed) by other changes in working capital	2.8	23.5	73.3
Cash flow generated (absorbed) by current operations and changes in net working capital	**60.3**	**45.3**	**174.0**
Cash flow generated (absorbed) by investment activities	(18.3)	(15.9)	(33.5)
Cash flow generated (absorbed) by operating activities	**41.9**	**29.5**	**140.6**
Cash flow generated (absorbed) by changes in equity accounts	5.1	(12.8)	(11.2)
Cash flow for the period	**47.1**	**16.7**	**129.4**
Opening net financial position	(117.1)	(246.5)	(246.5)
Closing net financial position	**(70.0)**	**(229.8)**	**(117.1)**

Cash flow generated by current operations and changes in working capital amounted to €60.3 million in the first half of 2010, an increase of €14.9 million on the first half of 2009.

Cash flow generated by operating activities amounted to €41.9 million (€28.6 million in 2009).

Changes in equity accounts generated €5.1 million in cash flow (after absorbing €12.8 million in 2009) mainly as a result of an increase in the fair value and cash flow hedge reserve (€9.5 million at 30 June 2010 versus €1.9 million at 30 June 2009) and of the positive balance on the currency translation reserve of €7.7 million (compared with a negative balance of €5.4 million at 30 June 2009).

Human resources

The De'Longhi Group had 7,862 employees at 30 June 2010.

The following table summarizes the average number of employees during the first half of 2010 compared with the first half of 2009:

	1st half 2010	%	1st half 2009	%	31.12.2009	%
Household	5,620	76%	5,461	75%	5,518	75%
Professional	1,708	23%	1,749	24%	1,736	24%
Corporate	82	1%	80	1%	80	1%
Total	**7,410**	**100%**	**7,290**	**100%**	**7,334**	**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 and statement of financial position are also affected by macroeconomic trends such as: the trend in consumption, the cost of raw materials, the trend in interest rates and exchange rates.
The economic forecasts (Source: Bank of Italy) indicate a relatively modest growth in GDP for the advanced economies as a whole compared with previous upturns. The global economy carried on recovering throughout the first six months of 2010. The pace of growth is strong in emerging economies, good in the United States and Japan, but still modest in Europe.
Certain elements of weakness could affect recovery in the advanced economies; global economic growth still partly depends on expansionary anti-crisis policies and is being held back by adverse conditions on the jobs market and by recurrent financial concerns.
The outlook therefore remains uncertain; if this situation should protract considerably, the group's strategies and outlook could be affected with a consequent impact on its financial and economic performance.

Market risks

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

Interest rate and exchange rate risks

Transaction exchange rate risk

The group is exposed to the risk of fluctuations in currencies (other than its functional one) in which ordinary trade and financial transactions are denominated. For the purposes of protecting its income statement and statement of financial position 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 - within defined limits 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, and the British pound (the EUR/GBP rate) for sales on the UK market.

Translation exchange rate risk

The group has controlling equity interests in companies which prepare their financial statements in currencies other than the euro; the group is therefore exposed to a translation risk associated with the impact on consolidated net equity caused by fluctuations in exchange rates by 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 and statement of financial position.

Interest rate risk

The group is exposed to interest rate risk on floating rate loans and borrowings. This risk is managed centrally.
All of the group's financial debt at 30 June 2010 was at floating rates.
Any increase in interest rates could have a negative impact on the group's economic and financial performance; currently it is the market's widely held opinion that rates will not rise before the end of 2010.

Financial market risks

As far as financial risk is concerned, it is the group's policy to maintain a sufficiently large portfolio of counterparties of high international repute for the purposes of satisfying its financing and hedging needs.
Liquidity risk is the risk of not having the funds needed to fulfil payment obligations arising from operating and investment activities and from the maturity of financial instruments.
The group uses specific policies and procedures for the purposes of monitoring and managing this risk, including the centralized management of financial payables and cash, the raising of medium and long-term finance on capital markets and the obtaining of short-term credit lines such as to ensure wide room for manoeuvre when managing working capital and cash flows.
The group has medium-term bank credit lines, as reported in the current financial statements, and short-term credit lines (which are renewed annually or in some cases last 18 months), which are used to finance working capital and other operating needs.

Credit risk

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

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

Corporate governance and ownership structure

The De'Longhi Group has adopted and complies with the Code of Conduct for Listed Companies, published in March 2006 (the "Code").
In compliance with applicable laws and regulations, as well as the Italian stockmarket's Regulations, the group prepares an annual Corporate Governance Report, which not only provides a general description of the system of corporate governance adopted, but also the information on ownership structure, required by art. 123-bis par. 2 of CONSOB Regulation 11971/99, and on adoption of the Code and observance of the related undertakings.
This report, prepared in the "Borsa Italiana edition II" format (February 2010), is available at www.delonghi.com, in the section "Corporate > Investor Relations > Governance > Corporate documentation".

The key points will be now be summarized for the purposes of the present interim report on operations.

Direction and Co-ordination
De'Longhi S.p.A. is not under the direction and co-ordination of its parent De' Longhi Soparfi S.A., or of any other party, as defined by articles 2497 et seq. of the Italian Civil Code, and directs and co-ordinates its own subsidiaries.
In compliance with the Code's principles, transactions of particular importance strategically, or for the statement of financial position and results of the De'Longhi Group must be examined and approved solely by the Board of Directors of the issuer De'Longhi S.p.A., which contains three directors qualifying as non-executive and independent, based on the guidelines established by the Code's article 3.

It should nonetheless be noted – as communicated to the issuer – that the business purpose of the parent De'Longhi Soparfi S.A., contained in its articles of association, forbids it from interfering in the management of any of the companies in which it has an interest.

Board of Directors
The Board of Directors currently in office was appointed by the shareholders' meeting of 21 April 2010, which set the total number of directors at ten. This Board will end its term in office at the shareholders' meeting called to approve the annual report and financial statements at 31 December 2012.

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

The Board of Directors periodically reviews whether its members qualify as executive/non-executive and independent/non-independent in compliance with the principles established by articles 2 and 3 of the Code.
The Board has two executive directors - the Chairman and the Chief Executive Officer - and eight non-executive directors, who have no authority or managerial functions in the company or the group, and three of whom qualify as independent.
In its meeting on 12 March 2010, the Board confirmed that the directors Alberto Clò, Renato Corrada and Giovanni Tamburi all satisfied the stated requirements of independence; what is more, since the Board has more than seven members, it was verified that at least two of them satisfied the independence requirements contained in art. 147-quater and art. 148 par.3 of Decree 58/98.

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

Committees set up by the Board of Directors
In its meeting on 21 April 2010 , and then after its reappointment on 21 April 2010, the Board of Directors voted to confirm the establishment of two sub-committees, namely:
- the Internal Auditing and Corporate Governance Committee and
- the Compensation Committee.

Board of Statutory Auditors
Following the resolutions adopted by the shareholders' meeting of 21 April 2010, the Board of Statutory Auditors comprises Gianluca Ponzellini, its chairman, and Giuliano Saccardi and Massimo Lanfranchi, both standing members. Their term in office expires with the approval of the annual report and financial statements at 31 December 2012.

Art. 14 of the articles of association is designed to ensure that the Chairman of the Board of Statutory Auditors is appointed by the minority, by taking him/her from the list obtaining the second highest number of votes.

External auditors
The company appointed to audit the financial statements of De’Longhi S.p.A. and its subsidiaries is Reconta Ernst & Young S.p.A., in accordance with the resolution to confer this engagement adopted by the ordinary shareholders' meeting held on 21 April 2010.
The engagement will expire with the approval of the annual report and financial statements for the year ended 31 December 2018.

Subsequent events

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

Outlook for the current year

The encouraging performance in the first half of 2010 seems to point towards positive growth for the year as a whole. However, the uncertain conditions on financial markets and possible appreciation by the dollar and raw materials advise caution regarding profits.

Treviso, 27 August 2010

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

CONSOLIDATED INCOME STATEMENT

(€/000)	Notes	30.06.2010	of which non-recurring	30.06.2009	of which non-recurring
Revenues from sales and services	1 -7	639,167	(373)	582,454	
Other revenues	1	11,458		12,801	
Total consolidated revenues		***650,625***	***(373)***	***595,255***	
Raw and ancillary materials, consumables and goods	2	(375,336)		(308,418)	
Change in inventories of finished products and work in progress	3	67,765		21,931	(259)
Change in inventories of raw and ancillary materials, consumables and goods	3	12,252		(2,865)	
Materials consumed		***(295,319)***		***(289,352)***	***(259)***
Payroll costs	4	(98,862)		(92,705)	(181)
Services and other operating expenses	5 - 7	(176,195)	(663)	(157,639)	(2,203)
Provisions	6 - 7	(16,599)	(1,847)	(11,115)	(1,130)
Amortization and depreciation	8	(18,281)		(17,239)	
EBIT		**45,369**	**(2,883)**	**27,205**	**(3,773)**
Financial income (expenses)	9	(16,955)		(18,964)	
PROFIT (LOSS) BEFORE TAXES		**28,414**		**8,241**	
Income taxes	10	(10,600)		(4,411)	
PROFIT (LOSS) AFTER TAXES		**17,814**		**3,830**	
Profit (loss) pertaining to minority interests		57		(28)	
PROFIT (LOSS) PERTAINING TO OWNERS OF THE PARENT		**17,757**		**3,858**	
EARNINGS PER SHARE					
- basic		**€ 0.12**		**€ 0.03**	
- diluted		**€ 0.12**		**€ 0.03**	

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(€/000)	Notes	30.06.2010	30.06.2009
Profit (loss) after taxes		17,814	3,830
Other components of comprehensive income			
Change in fair value of cash flow hedges	26	9,510	1,888
Tax effect of change in fair value of cash flow hedges	26	(2,633)	(528)
Differences from translating foreign companies' financial statements into euro	26	26,031	2,304
Total comprehensive income (loss)		**50,722**	**7,494**
Total comprehensive income attributable to:			
Owners of the parent		50,665	7,561
Minority interests		57	(67)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

ASSETS (€/000)	Notes	30.06.2010	31.12.2009	30.06.2009
NON-CURRENT ASSETS				
INTANGIBLE ASSETS		416,626	414,666	415,900
- Goodwill	11	231,318	231,318	230,218
- Other intangible assets	12	185,308	183,348	185,682
PROPERTY, PLANT AND EQUIPMENT		182,406	177,609	177,689
- Land, property, plant and machinery	13	135,122	132,384	134,259
- Other tangible assets	14	47,284	45,225	43,430
EQUITY INVESTMENTS AND OTHER FINANCIAL ASSETS		2,416	2,666	5,088
- Equity investments (in associated companies)	15	-	-	-
- Equity investments (in other companies)	15	671	671	688
- Receivables	16	1,626	1,894	1,796
- Other non-current financial assets	17	119	101	2,604
DEFERRED TAX ASSETS	18	36,624	38,060	48,529
TOTAL NON-CURRENT ASSETS		638,072	633,001	647,206
CURRENT ASSETS				
INVENTORIES	19	357,748	257,084	344,640
TRADE RECEIVABLES	20	260,080	351,879	270,011
CURRENT TAX ASSETS	21	18,524	18,529	20,034
OTHER RECEIVABLES	22	15,141	15,344	19,003
CURRENT FINANCIAL RECEIVABLES AND ASSETS	23	27,025	13,886	10,446
CASH AND CASH EQUIVALENTS	24	155,628	123,954	105,692
TOTAL CURRENT ASSETS		834,146	780,676	769,826
TOTAL ASSETS		**1,472,218**	**1,413,677**	**1,417,032**

NET EQUITY AND LIABILITIES (€/000)		30.06.2010	31.12.2009	30.06.2009
NET EQUITY				
GROUP PORTION OF NET EQUITY		725,550	686,845	658,520
- Share capital	25	448,500	448,500	448,500
- Reserves	26	259,293	205,988	206,162
- Profit (loss) pertaining to the group		17,757	32,357	3,858
MINORITY INTERESTS	26	1,524	1,678	999
TOTAL NET EQUITY		727,074	688,523	659,519
NON-CURRENT LIABILITIES				
FINANCIAL PAYABLES		125,410	113,094	147,425
- Bank loans and borrowings (long-term portion)	27	109,726	96,276	130,132
- Other financial payables (long-term portion)	28	15,684	16,818	17,293
DEFERRED TAX LIABILITIES	18	21,023	25,304	23,460
NON-CURRENT PROVISIONS FOR CONTINGENCIES AND OTHER CHARGES		66,362	66,384	61,994
- Employee benefits	29	24,980	28,667	28,719
- Other provisions	30	41,382	37,717	33,275
TOTAL NON-CURRENT LIABILITIES		212,795	204,782	232,879
CURRENT LIABILITIES				
TRADE PAYABLES	31	324,210	291,073	241,253
FINANCIAL PAYABLES		127,425	141,973	201,147
- Bank loans and borrowings (short-term portion)	27	107,473	124,009	187,875
- Other financial payables (short-term portion)	28	19,952	17,964	13,272
CURRENT TAX LIABILITIES	32	23,106	34,797	29,747
OTHER PAYABLES	33	57,608	52,529	52,487
TOTAL CURRENT LIABILITIES		532,349	520,372	524,634
TOTAL NET EQUITY AND LIABILITIES		**1,472,218**	**1,413,677**	**1,417,032**

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

STATEMENT OF CASH FLOWS

(€/000)	*Notes*	30/06/2010	30/06/2009
Profit (loss) pertaining to the group		17,757	3,858
Income taxes for the period		10,600	4,411
Amortization, depreciation and impairment		18,281	17,239
Net change in provisions		10,777	(3,698)
Cash flow generated (absorbed) by current operations (A)		**57,415**	**21,810**
Change in assets and liabilities for the period:			
Trade receivables		116,724	104,109
Inventories		(80,318)	(19,055)
Trade payables		(4,554)	(49,628)
Other current assets and liabilities		(16,055)	(9,913)
Payment of income taxes		(12,960)	(1,979)
Cash flow generated (absorbed) by movements in working capital (B)		**2,837**	**23,534**
Cash flow generated (absorbed) by current operations and movements in working capital (A+B)		**60,252**	**45,344**
Investment activities:			
Investments in intangible assets		(8,373)	(5,617)
Other cash flows for intangible assets		634	52
Investments in property, plant and equipment		(11,672)	(14,075)
Other cash flows for property, plant and equipment		593	419
Net investments in equity investments and other financial assets		488	2,515
Cash flow generated (absorbed) by ordinary investment activities		**(18,330)**	**(16,706)**
Cash effect for purchase of equity investments		-	1,010
Non-recurring cash flow (D)		**-**	**1,010**
Dividends paid		(11,960)	(8,970)
Change in currency translation reserve		17,206	758
Increase (decrease) in minority interests in capital and reserves		(154)	(288)
New loans		46,169	25,903
Repayment of loans and other net changes in sources of finance		(61,509)	(50,521)
Cash flow generated (absorbed) by changes in equity accounts and by financing activities (E)		**(10,248)**	**(33,118)**
Cash flow for the period (A+B+C+D+E)		**31,674**	**(3,470)**
Opening cash and cash equivalents	*24*	**123,954**	**109,162**
Increase (decrease) in cash and cash equivalents (A+B+C+D+E)		31,674	(3,470)
Closing cash and cash equivalents	*24*	**155,628**	**105,692**

Appendix 2 presents the statement of cash flows at 30 June 2010 in terms of net financial position; this measure represents gross financial debt as reduced by cash and cash equivalents and other financial receivables. More details about net financial position can be found in the body of these notes.

CONSOLIDATED STATEMENT OF CHANGES IN NET EQUITY

(€/000)	SHARE CAPITAL	SHARE PREMIUM RESERVE	LEGAL RESERVE	OTHER RESERVES	FAIR VALUE AND CASH FLOW HEDGE RESERVES	CURRENCY TRANSLATION RESERVE	PROFIT (LOSS) CARRIED FORWARD	PROFIT (LOSS) PERTAINING TO GROUP	GROUP PORTION OF NET EQUITY	MINORITY INTERESTS	TOTAL NET EQUITY
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 as per AGM resolution of 21 April 2009											
- distribution of dividends							(8,970)		(8,970)		(8,970)
- allocation to reserves			1,347	16,619			22,194	(40,160)	-		-
Other dividend distributions										(260)	(260)
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)**
Profit (loss) after taxes								3,858	3,858	(28)	3,830
Other components of comprehensive income (loss)					1,360	2,343			3,703	(39)	3,664
Total 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**

(€/000)	SHARE CAPITAL	SHARE PREMIUM RESERVE	LEGAL RESERVE	OTHER RESERVES	FAIR VALUE AND CASH FLOW HEDGE RESERVES	CURRENCY TRANSLATION RESERVE	PROFIT (LOSS) CARRIED FORWARD	PROFIT (LOSS) PERTAINING TO GROUP	GROUP PORTION OF NET EQUITY	MINORITY INTERESTS	TOTAL NET EQUITY
Balance at 31 December 2009	**448,500**	**325**	**7,777**	**58,792**	**3,301**	**(25,066)**	**160,859**	**32,357**	**686,845**	**1,678**	**688,523**
Allocation of 2009 result as per AGM resolution of 21 April 2010											
- distribution of dividends							(11,960)		(11,960)		(11,960)
- allocation to reserves			687	1,101			30,569	(32,357)	-		-
Other dividend distributions									-	(211)	(211)
Movements from transactions with shareholders	**-**	**-**	**687**	**1,101**	**-**		**18,609**	**(32,357)**	**(11,960)**	**(211)**	**(12,171)**
Profit (loss) after taxes								17,757	17,757	57	17,814
Other components of comprehensive income (loss)					6,877	26,031			32,908		32,908
Total comprehensive income (loss)	**-**	**-**	**-**	**-**	**6,877**	**26,031**	**-**	**17,757**	**50,665**	**57**	**50,722**
Balance at 30 June 2010	**448,500**	**325**	**8,464**	**59,893**	**10,178**	**965**	**179,468**	**17,757**	**725,550**	**1,524**	**727,074**

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 market for large thermo-cooling systems and fixed air-conditioning units for the professional channel (Climaveneta and RC Group) and in the market for radiators (DL Radiators). 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 includes the condensed consolidated financial statements, which have been prepared in accordance with IFRS (International Financial Reporting Standards) and particularly with the recommendations of *IAS 34 – Interim Financial Reporting*, which requires interim financial statements to be prepared in a condensed form with fewer disclosures than in annual financial statements.

The half-year condensed consolidated financial statements at 30 June 2010 comprise the income statement, the statement of comprehensive income, the statement of financial position, the statement of cash flows, and the statement of changes in net equity; all these statements have been prepared in a full format that is comparable with the annual consolidated financial statements.
The explanatory notes are presented in a condensed form and so are limited to the information needed by users to understand the financial statements for the first half of 2010.

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

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 net equity.

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

Relevant new amendments and accounting standards applied by the group for the first time

In May 2010 the IASB published a number of *Improvements to IFRSs.* These revisions will now be outlined.

IAS 1 – Presentation of financial statements: the Improvement requires, amongst others, that the "balance sheet" be renamed using the new wording of "statement of financial position".

IAS 34 – Interim financial reporting: the Improvement has provided clarification concerning disclosures about changes during the period affecting the fair value of financial instruments, transfers between different levels of the fair value hierarchy used to measure financial instruments, changes in classification of financial instruments as a result of changes in their utilization and purpose, and changes in contingent assets and liabilities.

Non-relevant new amendments and interpretations not applied by the group

IFRS 1 - First-time adoption of IFRSs: the Improvement provides clarification about the disclosures to the reconciliation between previous GAAP and IFRS. The Improvement also clarifies how to use fair value as deemed cost and how to use deemed cost for operations subject to rate regulation.

IFRS 3 – Business combinations: the Improvement clarifies that components of non-controlling interests that do not entitle their holders to a proportionate share of an acquiree's net assets in the event of liquidation must be measured at their acquisition date fair value, unless another measurement basis is required by IFRSs.

IFRS 7 – Financial instruments: disclosures: the Improvement emphasizes the interaction between qualitative and quantitative disclosures and the nature and extent of risks associated with financial instruments. It also eliminates disclosure requirements relating to financial assets renegotiated to avoid becoming past due or impaired and to the fair value of collateral.

IFRIC 13 – Customer loyalty programmes: the Improvement clarifies that, when the fair value of award credits is measured based on the value of the awards for which they could be redeemed, the fair value of such award credits must take account of any expected forfeitures and the amount of discounts or incentives that would otherwise be offered to customers not participating in the award credit scheme.

On 28 January 2010, the IASB published the *Amendment to IFRS 1: Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters* in order to exempt first-time adopters from providing the additional disclosures required by the IFRS 7 amendment concerning fair value hierarchy issued on 5 March 2009.

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

The following exchange rates have been used:

		30.06.2010		30.06.2009		% change		31.12.2009
Currency		**Period-end exchange rate (*)**	**Average exchange rate (*)**	**Period-end exchange rate (*)**	**Average exchange rate (*)**	**Closing rate**	**Average rate**	**Period-end exchange rate (*)**
US dollar	USD	1.22710	1.32843	1.41340	1.33218	(13.2%)	(0.3%)	1.44060
British pound	GBP	0.81745	0.87002	0.85210	0.89391	(4.1%)	(2.7%)	0.88810
Hong Kong dollar	HKD	9.55490	10.32333	10.95400	10.32712	(12.8%)	0.0%	11.17090
Chinese renminbi (yuan)	CNY	8.32150	9.06777	9.65450	9.10276	(13.8%)	(0.4%)	9.83500
Australian dollar	AUD	1.44030	1.48592	1.73590	1.87914	(17.0%)	(20.9%)	1.60080
Canadian dollar	CAD	1.28900	1.37372	1.62750	1.60506	(20.8%)	(14.4%)	1.51280
Japanese yen	JPY	108.79000	121.49500	135.51000	127.19517	(19.7%)	(4.5%)	133.16000
Malaysian ringgit	MYR	3.97300	4.39431	4.96810	4.77717	(20.0%)	(8.0%)	4.93260
New Zealand dollar	NZD	1.77610	1.88421	2.16560	2.35439	(18.0%)	(20.0%)	1.98030
Polish zloty	PLN	4.14700	4.00262	4.45200	4.47483	(6.9%)	(10.6%)	4.10450
South African rand	ZAR	9.38080	10.00364	10.88530	12.25178	(13.8%)	(18.3%)	10.66600
Singapore dollar	SGD	1.71600	1.85558	2.04410	1.98703	(16.1%)	(6.6%)	2.01940
Russian rouble	RUB	38.28200	39.92270	43.88100	44.10297	(12.8%)	(9.5%)	43.15400
Turkish lira	TRY	1.94000	2.02200	2.16140	2.15095	(10.2%)	(6.0%)	2.15470
Czech koruna	CZK	25.69100	25.73408	25.88200	27.15183	(0.7%)	(5.2%)	26.47300
Swiss franc	CHF	1.32830	1.43674	1.52650	1.50558	(13.0%)	(4.6%)	1.48360
Brazilian real	BRL	2.20820	2.38684	2.7469	2.92165	(19.6%)	(18.3%)	2.51130
Croatian kuna	HRK	7.19800	7.26721	7.27300	7.38304	(1.0%)	(1.6%)	7.30000

(*) source: Bank of Italy

CHANGE IN THE SCOPE OF CONSOLIDATION

There have been no changes in the scope of consolidation during the first half of 2010.

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:

	30.06.2010	30.06.2009	Change
Household	496,656	444,445	52,211
Professional	155,472	156,362	(890)
Corporate	5,733	5,669	64
Intersegment eliminations	(7,236)	(11,221)	3,985
Total	**650,625**	**595,255**	**55,370**

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

Revenues by geographical area:

	30.06.2010	30.06.2009	Change	% change
Italy	112,381	124,176	(11,795)	(9.5%)
United Kingdom	57,658	46,218	11,440	24.8%
Rest of Europe	300,601	269,446	31,155	11.6%
United States, Canada and Mexico	30,691	41,152	(10,461)	(25.4%)
Rest of the world	149,294	114,263	35,031	30.7%
Total	**650,625**	**595,255**	**55,370**	**9.3%**

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

"Other revenues" are broken down as follows:

	30.06.2010	30.06.2009	Change
Out-of-period gains	3,159	3,650	(491)
Freight reimbursement	3,003	2,888	115
Commercial rights	955	567	388
Damages reimbursed	282	152	130
Other income	4,059	5,544	(1,485)
Total	**11,458**	**12,801**	**(1,343)**

2. RAW AND ANCILLARY MATERIALS, CONSUMABLES AND GOODS

The breakdown is as follows:

	30.06.2010	30.06.2009	Change
Raw materials	49,774	71,458	(21,684)
Parts	154,932	83,912	71,020
Finished products	166,693	148,740	17,953
Other purchases	3,937	4,308	(371)
Total	**375,336**	**308,418**	**66,918**

3. CHANGE IN INVENTORIES

The breakdown is as follows:

	30.06.2010	30.06.2009	Change
Change in inventories of finished products and work in progress	67,765	21,931	45,834
Change in inventories of raw and ancillary materials, consumables and goods	12,252	(2,865)	15,117

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 statement of financial position 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

These costs include €36,711 thousand in production-related payroll (€32,714 thousand at 30 June 2009).
The figures relating to the cost of employee benefits provided by certain group companies in Italy and abroad are reported in the note on provisions.
Payroll costs include €181 thousand in non-recurring costs at 30 June 2009.

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

	30.06.2010	31.12.2009
Blue collar	4,821	3,894
White collar	2,918	2,840
Executives	123	121
Total	**7,862**	**6,855**

5. SERVICES AND OTHER OPERATING EXPENSES

These are detailed as follows:

	30.06.2010	30.06.2009	Change
Advertising	9,258	9,834	(576)
Promotional expenses	30,144	23,311	6,833
Transport (for purchases and sales)	33,761	25,818	7,943
Commissions	9,737	10,482	(745)
Rentals and leasing	14,591	13,786	805
Subcontracted work	8,577	5,957	2,620
Technical support	9,775	6,967	2,808
Travel	7,207	6,971	236
Insurance	3,716	4,071	(355)
Storage and warehousing	6,236	6,884	(648)
Consulting services	6,565	7,389	(824)
Power	4,297	4,405	(108)
Postage, telegraph and telephones	2,200	2,141	59
Maintenance	1,989	2,105	(116)
Emoluments of directors and statutory auditors	1,635	1,314	321
Other sundry services	11,651	11,423	228
Total services	**161,339**	**142,858**	**18,481**
Sundry taxes	9,441	7,972	1,469
Out-of-period losses	1,990	4,174	(2,184)
Other	3,425	2,635	790
Total other operating expenses	**14,856**	**14,781**	**75**
Total services and other operating expenses	**176,195**	**157,639**	**18,556**

"Rentals and leasing" at 30 June 2010 consist of premises rental (€11,821 thousand), operating lease payments (€550 thousand), royalties (€668 thousand) and equipment hire (€1,552 thousand).

At 30 June 2010 "Services and other operating expenses" include €663 thousand in non-recurring costs mainly in connection with actions taken in the prior year to reorganize some of the group's activities.

6. CONTINGENCY AND OTHER PROVISIONS

These include €9,169 thousand in increases in provisions at 30 June 2010 which are discussed in *note 30. Non-current provisions for contingencies and other charges*.
They also include €7,430 thousand in increases to the allowance for doubtful accounts.

Total provisions include €1,847 thousand in non-recurring amounts, mostly relating to restructuring costs for the production activities of a subsidiary company.

7. OTHER NON-RECURRING EXPENSES

"Other non-recurring expenses" of €2,883 thousand at 30 June 2010 are classified directly in the income statement line items to which they refer (€373 thousand in revenues from sales and services, €663 thousand in services and other operating expenses and €1,847 thousand in contingency and other provisions).

The breakdown is as follows:

	30.06.2010	30.06.2009	Change
Reorganization costs - commercial activities	589	1,381	(792)
Restructuring costs - production	1,500	915	585
Other non-recurring expenses	794	1,477	(683)
Total non-recurring expenses	**2,883**	**3,773**	**(890)**

8. AMORTIZATION AND DEPRECIATION

These are detailed as follows:

	30.06.2010	30.06.2009	Change
Amortization of intangible assets	6,147	5,856	291
Depreciation of property, plant and equipment	12,134	11,383	751
Total amortization and depreciation	**18,281**	**17,239**	**1,042**

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:

	30.06.2010	30.06.2009	Change
Income from equity investments	6	284	(278)
Financial income (expenses) from equity investments	**6**	**284**	**(278)**
Exchange differences and gains (losses) on currency hedges	**(4,900)**	**(4,459)**	**(441)**
Net interest expense and other bank charges	(4,546)	(7,096)	2,550
Financial discounts	(5,306)	(5,083)	(223)
Other financial income (expenses)	(2,209)	(2,610)	401
Other financial income (expenses)	**(12,061)**	**(14,789)**	**2,728**
Financial income (expenses)	**(16,955)**	**(18,964)**	**2,009**

"Exchange differences and gains (losses) on currency hedges" include losses arising from rate differentials on derivatives hedging currency risk, especially in relation to subsidiaries in Russia, as well as other exchange differences.

"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 and the effect on profit or loss of accounting for bank loans in accordance with the amortized cost method.

10. INCOME TAXES FOR THE PERIOD

These are made up as follows:

	30.06.2010	30.06.2009	Change
Current income taxes:			
- Income taxes	14,438	2,386	12,052
- IRAP (Italian regional business tax)	2,515	1,421	1,094
Deferred income taxes	(6,353)	604	(6,957)
Total	**10,600**	**4,411**	**6,189**

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

COMMENTS ON THE STATEMENT OF FINANCIAL POSITION: ASSETS

NON-CURRENT ASSETS

11. GOODWILL

	30.06.2010		31.12.2009		
	Gross	Net	Gross	Net	Change
Goodwill	259,645	231,318	259,645	231,318	-

As already stated in the paragraph entitled "Change in scope of consolidation", there have been no changes in the scope of consolidation during the first half of 2010.

Goodwill:
- is not amortized because it is considered to have an indefinite useful life. Instead, it is tested for impairment at least once a year to identify any evidence of loss in value.
- is allocated to cash-generating units (CGUs), identified by business segment: the De'Longhi Group has two principal operating segments (the Household and Professional divisions) which represent the main way in which the group is analyzed, both for management reporting purposes and for the disclosure of segment information in its financial reports; six CGUs have been identified within these operating segments.

The objective of the impairment test is to determine the value in use of the CGU to which the goodwill refers, meaning the present value of the future cash flows expected to be derived from the ongoing use of the assets; any cash flows arising from extraordinary events are therefore ignored.
In particular, value in use is determined using the discounted cash flow method for forecast cash flows contained in three-year plans approved by management.

No events of significance have occurred in the first half of 2010 such as might suggest that the carrying amount of goodwill could have suffered any impairment loss; in fact, the financial results for the first half of 2010 are basically in line with the estimates used at 31 December 2009.
Further information can be found in the explanatory notes to the consolidated financial statements at 31 December 2009.

Estimating the recoverable amount of the CGUs involves the use of judgement and estimates by management. In fact, several factors also associated with developments in the difficult market context could make it necessary to reassess the value of goodwill. The group will be constantly monitoring those circumstances and events that might make it necessary to perform new impairment tests.

12. OTHER INTANGIBLE ASSETS

These are broken down as follows:

	30.06.2010		31.12.2009		
	Gross	**Net**	**Gross**	**Net**	**Change**
New product development costs	53,404	14,722	50,084	14,604	118
Patents	30,538	2,956	29,995	3,088	(132)
Trademarks and similar rights	220,783	152,843	220,811	154,968	(2,125)
Work in progress and advances	12,362	11,219	11,245	10,103	1,116
Other	18,921	3,568	15,766	585	2,983
Total	**336,008**	**185,308**	**327,901**	**183,348**	**1,960**

The following table reports movements in the main asset categories during 2010:

	New product development costs	Patents	Trademarks and similar rights	Work in progress and advances	Other	Total
Net opening balance	**14,604**	**3,088**	**154,968**	**10,103**	**585**	**183,348**
Additions	1,861	453	10	2,918	3,131	8,373
Amortization	(3,202)	(674)	(2,097)	-	(174)	(6,147)
Translation differences and other movements (*)	1,459	89	(38)	(1,802)	26	(266)
Net closing balance	**14,722**	**2,956**	**152,843**	**11,219**	**3,568**	**185,308**

(*) The amounts relating to "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 €4,779 thousand in development costs as intangible assets during the first half of 2010; the increase of €1,861 thousand in "New product development costs" refers to projects already completed at the reporting date, while the increase of €2,918 thousand in "Work in progress and advances" refers to projects still in progress.

The group has incurred some €19 million in research and development costs during the first half of 2010 (€16 million in 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 analysis of the De'Longhi and Climaveneta trademarks carried out upon IFRS transition supported the view 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 2009 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 2010 such as might suggest that the carrying amounts of trademarks could have suffered any impairment loss.

"Other" intangible assets include €3,020 thousand in commercial goodwill purchased during the first half of 2010 in relation to the direct distribution of De'Longhi products in Greece. This amount has been determined by also taking account of the fair value of a put option in the seller's favour that expires on 31 December 2014.

13. LAND, PROPERTY, PLANT AND MACHINERY

These are detailed as follows:

	30.06.2010		31.12.2009		
	Gross	Net	Gross	Net	Change
Land and buildings	89,277	69,799	86,017	68,453	1,346
Plant and machinery	195,899	65,323	189,882	63,931	1,392
Total	**285,176**	**135,122**	**275,899**	**132,384**	**2,738**

The following table reports movements during 2010:

	Land and buildings	Plant and machinery	Total
Net opening balance	**68,453**	**63,931**	**132,384**
Additions	1,033	2,638	3,671
Disposals	-	(30)	(30)
Depreciation	(1,425)	(3,257)	(4,682)
Translation differences and other movements	1,738	2,041	3,779
Net closing balance	**69,799**	**65,323**	**135,122**

The additions to "Land and buildings" mainly refer to non-routine maintenance work on third-party premises.

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

	30.06.2010	31.12.2009	Change
Buildings	3,526	3,588	(62)
Plant and other assets	16,052	16,045	7
Total	**19,578**	**19,633**	**(55)**

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:

	30.06.2010		31.12.2009		
	Gross	Net	Gross	Net	Change
Industrial and commercial equipment	192,807	28,527	182,095	27,993	534
Other	51,719	13,593	49,171	13,684	(91)
Work in progress and advances	5,164	5,164	3,548	3,548	1,616
Total	**249,690**	**47,284**	**234,814**	**45,225**	**2,059**

The following table reports movements during 2010:

	Industrial and commercial equipment	Other	Work in progress and advances	Total
Net opening balance	**27,993**	**13,684**	**3,548**	**45,225**
Additions	4,647	1,608	1,746	8,001
Disposals	(59)	(187)	-	(246)
Depreciation	(5,524)	(1,928)	-	(7,452)
Translation differences and other movements	1,470	416	(130)	1,756
Net closing balance	**28,527**	**13,593**	**5,164**	**47,284**

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

15. EQUITY INVESTMENTS

	30.06.2010	31.12.2009	Change
Other companies	671	671	-
Total	**671**	**671**	**-**

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

16. NON-CURRENT RECEIVABLES

The balance at 30 June 2010 includes €1,583 thousand in security deposits (€1,848 at 31 December 2009) and €43 thousand in other non-current receivables (€46 thousand at 31 December 2009).

17. OTHER NON-CURRENT FINANCIAL ASSETS

This reports financial assets classified as "Loans and receivables".

18. DEFERRED TAX ASSETS AND DEFERRED TAX LIABILITIES

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

	30.06.2010	31.12.2009	Change
Deferred tax assets	36,624	38,060	(1,436)
Deferred tax liabilities	(21,023)	(25,304)	4,281
Net asset balance	**15,601**	**12,756**	**2,845**

"Deferred tax assets" and "Deferred tax liabilities" include the taxes calculated on temporary differences between the carrying amount of assets and liabilities and their corresponding tax base (particularly taxed provisions recognized by the parent company and its subsidiaries) and the tax effects associated with the allocation of higher values to fixed assets as a result of allocating goodwill arising on consolidation. They also include the benefit arising from the carryforward of unused tax losses which are likely to be used in the future.

Details of the net balance are as follows:

	30.06.2010	31.12.2009	Change
- Temporary differences	3,667	1,875	1,792
- Tax losses	11,934	10,881	1,053
Net asset balance	**15,601**	**12,756**	**2,845**

The change in the net asset balance also reflects a reduction of €2,633 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 €9.0 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:

	30.06.2010	31.12.2009	Change
Raw, ancillary and consumable materials	65,431	57,863	7,568
Work in progress and semi-finished products	26,726	20,766	5,960
Finished products and goods	298,928	207,208	91,720
Advances	233	65	168
Inventory writedown allowance	(33,570)	(28,818)	(4,752)
Total	**357,748**	**257,084**	**100,664**

The value of inventories is stated after deducting an allowance for obsolete or slow-moving goods totalling €33,570 thousand (€28,818 thousand at 31 December 2009), in relation to products and raw materials no longer deemed to be of strategic interest.

20. TRADE RECEIVABLES

These are detailed as follows:

	30.06.2010	31.12.2009	Change
Trade receivables			
- due within 12 months	288,574	374,743	(86,169)
- due beyond 12 months	375	456	(81)
Allowance for doubtful accounts	(28,869)	(23,320)	(5,549)
Total trade receivables	**260,080**	**351,879**	**(91,799)**

Trade receivables are stated net of an allowance for doubtful accounts of €28,869 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:

	31.12.2009	Increases (*)	Utilization	Translation differences and other movements	30.06.2010
Allowance for doubtful accounts	23,320	7,147	(1,873)	275	28,869

(*) The increase in the allowance reflected in the income statement (and discussed in *note 6. Contingency and other provisions*) is €283 thousand higher than the amount reported above; this difference refers to the recognition of an allowance against "Other receivables", which are stated net of this allowance.

The group has received €581 thousand in sureties and €6,650 thousand in letters of patronage from customers as guarantees against trade balances.

Trade receivables are broken down by geographical area as follows:

Geographical area	30.06.2010	%	31.12.2009	%
Italy	60,434	23.2%	66,148	18.8%
United Kingdom	5,751	2.2%	17,554	5.0%
Rest of Europe	102,960	39.6%	168,842	48.0%
United States, Canada, Mexico	14,720	5.7%	13,808	3.9%
Rest of the world	76,215	29.3%	85,527	24.3%
Total	**260,080**	**100.0%**	**351,879**	**100.0%**

21. CURRENT TAX ASSETS

These are detailed as follows:

	30.06.2010	31.12.2009	Change
VAT	10,307	9,398	909
Tax payments on account	4,112	4,394	(282)
Direct taxes	1,499	2,058	(559)
Tax refunds requested	1,792	1,964	(172)
Other tax receivables	814	715	99
Total current tax assets	**18,524**	**18,529**	**(5)**

The amount of current tax assets due beyond 12 months is €421 thousand (€421 thousand at 31 December 2009).

22. OTHER RECEIVABLES

"Other receivables" are broken down as follows:

	30.06.2010	31.12.2009	Change
Prepaid insurance costs	1,508	2,591	(1,083)
Advances to suppliers	4,938	4,462	476
Employees	511	376	135
Other	8,184	7,915	269
Total other receivables	**15,141**	**15,344**	**(203)**

Other receivables include €88 thousand in amounts due beyond 12 months.

23. CURRENT FINANCIAL RECEIVABLES AND ASSETS

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

	30.06.2010	31.12.2009	Change
Fair value of derivatives	17,621	5,213	12,408
Other financial receivables	6,860	6,129	731
Other securities	2,544	2,544	-
Total current financial receivables and assets	**27,025**	**13,886**	**13,139**

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

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

"Other securities" include €2,500 thousand for a bond issued by Edifriuli S.p.A. and subscribed by the subsidiary DL Radiators S.p.A.. This bond matures during the course of 2010.

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 €185.6 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 €178.7 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 statement of financial position, 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 2010 include €1,476 thousand in current accounts of Chinese subsidiaries that are restricted having been given as collateral.

COMMENTS ON THE STATEMENT OF FINANCIAL POSITION: LIABILITIES

EQUITY

Net equity is made up as follows:

	30.06.2010	31.12.2009	Change
Group portion	725,550	686,845	38,705
Minority interests	1,524	1,678	(154)
Total net equity	**727,074**	**688,523**	**38,551**

The annual general meeting (AGM) of De'Longhi S.p.A. held on 21 April 2010 declared a dividend totalling €11,960 thousand, which was paid during 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

These are broken down as follows:

	30.06.2010	31.12.2009	Change
Share premium reserve	325	325	-
Legal reserve	8,464	7,777	687
Other reserves			
- Extraordinary reserve	59,893	58,792	1,101
- Fair value and cash flow hedge reserve	10,178	3,301	6,877
- Translation differences	965	(25,066)	26,031
- Profit (loss) carried forward	179,468	160,859	18,609
Total reserves	**259,293**	**205,988**	**53,305**

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

The "Legal reserve" had a balance of €7,777 thousand at 31 December 2009. The intervening increase of €687 thousand is due to the allocation of the profit for 2009, 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 2009 and the dividends declared by the above AGM.

The "Fair value and cash flow hedge" reserve is stated net of €3,888 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.

The increase of €6,877 thousand in the "Fair value and cash flow hedge reserve" during the first half of 2010 reflects €9,510 thousand in positive fair value changes in cash flow hedges less €2,633 thousand in tax.

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

Minority interests in net equity amount to €1,524 thousand. The interests held by minority interests and their corresponding share of net equity and results for the period ended 30 June 2010 are summarized below:

Company	% interest	Net equity	Profit (loss) for the period
E-Services S.r.l.	49%	1,556	29
Climaveneta Polska S.P.Zo.O.	19.12%	(32)	28
Total		**1,524**	**57**

The decrease of €154 thousand in minority interests in net equity reflects €211 thousand in dividends distributed to minority shareholders and €57 thousand in minority interests in the profit for the period.

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

Company	Net equity 30.06.2010	Profit (loss) after taxes 1st half 2010	Net equity 31.12.2009	Profit (loss) after taxes Full year 2009
De'Longhi S.p.A. financial statements	**542,855**	**12,984**	**541,831**	**13,748**
Share of subsidiaries' equity and results for period attributable to the group, after deducting carrying value of the investments	75,596	11,276	26,466	10,898
Allocation of goodwill arising on consolidation and related amortization and reversal of goodwill recognized for statutory purposes	135,892	(1,457)	141,342	(2,130)
Elimination of intercompany profits	(26,867)	(5,700)	(19,948)	9,929
Other adjustments	(402)	711	(1,168)	336
Consolidated financial statements	**727,074**	**17,814**	**688,523**	**32,781**
Minority interests	(1,524)	(57)	(1,678)	(424)
Group portion	**725,550**	**17,757**	**686,845**	**32,357**

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 30.06.2010	Within one year	One to five years	Beyond five years	Balance 31.12.2009	Change
Overdrafts	7,895			7,895	6,874			6,874	1,021
Short-term loans in euro or foreign currency	42,446			42,446	48,252			48,252	(5,806)
Advances	2,419			2,419	1,808			1,808	611
Long-term loans (current portion)	54,713			54,713	67,075			67,075	(12,362)
Total short-term bank loans and borrowings	**107,473**	**-**	**-**	**107,473**	**124,009**	**-**	**-**	**124,009**	**(16,536)**
Long-term loans		99,865	9,861	109,726	-	95,929	347	96,276	13,450
Total bank loans and borrowings	**107,473**	**99,865**	**9,861**	**217,199**	**124,009**	**95,929**	**347**	**220,285**	**(3,086)**

Long-term loans comprise the following:

Loans (including short-term portion)	**Balance 30.06.2010**	**Balance 31.12.2009**
Banca Popolare di Verona	50,885	59,277
Banca Popolare di Sondrio	28,078	27,391
Centrobanca – Banca Popolare di Vicenza	17,834	-
KBC Bank	16,620	20,763
BNP Paribas	14,438	29,018
Banca Popolare Friuladria	12,883	14,301
Banca di Cividale	7,266	8,169
Banca di Treviso	4,995	-
Banca Popolare di Vicenza	4,985	-
Cariparma	2,857	-
IMI (Law 46)	2,558	2,994
Unicredit	162	482
Other minor loans	878	956
Total long-term loans	**164,439**	**163,351**

A total of €35 million in new loans were obtained during the first half of 2010.
De'Longhi S.p.A. has entered a long-term loan agreement with Centrobanca and Banca Popolare di Vicenza for €30 million, of which €18 million was disbursed in the first half of 2010 (the rest will be disbursed in 2011).
De'Longhi S.p.A. has also entered a long-term loan agreement with Banca Popolare di Vicenza for €5 million.
Both loans mature in 2017 and carry a floating interest rate indexed to Euribor; neither is backed by any security and both call for annual compliance with financial covenants (ratio of net debt to EBITDA and of net debt to net equity).
The subsidiary De'Longhi Capital Services S.r.l. has agreed an unsecured, floating-rate loan with Banca di Treviso for €5 million, maturing in 2014.
The subsidiary RC Group S.p.A. obtained a total of €7 million in five-year, unsecured loans during the period that are not subject to financial covenants.

The loan arranged by BNP Paribas calls for the observance of financial covenants (the ratios between net debt and net equity and net debt and EBITDA) to be verified on a six-monthly basis; all such covenants had been observed at 30 June 2010.

The other loans either do not carry financial covenants or require such covenants to be verified once a year on the basis of figures reported at 31 December.

28. OTHER FINANCIAL PAYABLES

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

	30.06.2010	31.12.2009	Change
Payables to lease companies (short-term portion)	2,380	1,832	548
Ministry of Industry loans (short-term portion)	551	546	5
Payables for the purchase of equity investments	155	477	(322)
Negative fair value of derivatives	3,349	1,253	2,096
Other short-term financial payables	13,517	13,856	(339)
Total short-term payables	**19,952**	**17,964**	**1,988**
Payables to lease companies (one to five years)	7,976	7,885	91
Ministry of Industry loans (one to five years)	1,602	2,142	(540)
Other financial payables (one to five years)	4,090	4,024	66
Total long-term payables (one to five years)	**13,668**	**14,051**	**(383)**
Payables to lease companies (beyond five years)	2,016	2,767	(751)
Ministry of Industry loans (beyond five years)	-	-	-
Total long-term payables (beyond five years)	**2,016**	**2,767**	**(751)**
			-
Total other financial payables	**35,636**	**34,782**	**854**

This balance mostly refers to €12,372 thousand in payables recognized for finance leases (€12,484 thousand at 31 December 2009) and €2,153 thousand in low-interest loans from the Ministry of Industry (€2,688 thousand at 31 December 2009).

"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, and to an option relating to the purchase of the right to distribute De'Longhi products in Greece.

"Negative fair value of derivatives" refers to hedging contracts, whose measurement at 30 June 2010 has resulted in a financial liability.

Net financial position

Details of the net financial position are as follows:

	30.06.2010	31.12.2009	Change
A. Cash	357	313	44
B. Cash equivalents	155,271	123,641	31,630
C. Securities	-	-	-
D. Total liquidity (A+B+C)	**155,628**	**123,954**	**31,674**
E. Current financial receivables and other securities	**27,025**	**13,886**	**13,139**
Of which:	-		
Fair value of derivatives	*17,621*	*5,213*	*12,408*
F. Current bank loans and borrowings	(52,761)	(56,934)	4,173
G. Current portion of non-current debt	(54,712)	(67,075)	12,363
H. Other current financial payables	(19,952)	(17,964)	(1,988)
Of which:			
Fair value of derivatives	*(3,349)*	*(1,253)*	*(2,096)*
I. Current financial debt (F+G+H)	**(127,425)**	**(141,973)**	**14,548**
J. Net current financial debt (I +E + D)	**55,228**	**(4,133)**	**59,361**
K. Non-current bank loans and borrowings	(109,726)	(96,276)	(13,450)
L. Bonds	-	-	-
M. Other non-current payables (*)	(15,526)	(16,682)	1,156
Of which:			
options	*(4,071)*	*(4,024)*	*(47)*
N. Non-current financial debt (K+L+M)	**(125,252)**	**(112,958)**	**(12,294)**
Total	**(70,024)**	**(117,091)**	**47,067**

(*) This amount differs from that reported in the statement of financial position because it is presented net of €158 thousand included in "Receivables" and "Other non-current financial assets" (€136 thousand at 30 June 2009).

For a better understanding of changes in the group's net financial position, reference should be made to the full consolidated statement of cash flows, appended to the present explanatory notes, and the condensed statement presented in the interim report on operations.

The fair value of outstanding financial instruments (currency derivatives) at 30 June 2010 is detailed as follows:

	Fair value(€/000)	
	Current financial assets	**Other financial payables (short-term portion)**
Hedges of 2010 budget	16,816	(2,995)
Hedges against foreign currency receivables and payables	805	(354)
Total fair value	**17,621**	**(3,349)**

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

29. EMPLOYEE BENEFITS

These are made up as follows:

	30.06.2010	31.12.2009	Change
Provision for severance indemnities	16,447	16,965	(518)
Defined benefit plans	6,404	7,751	(1,347)
Long-term benefits	2,129	3,951	(1,822)
Total employee benefits	**24,980**	**28,667**	**(3,687)**

The provision for severance indemnities includes amounts payable to employees of the group's Italian companies and not transferred to supplementary pension schemes or the pension fund set up by INPS (Italy's national social security agency). This provision has been classified as a defined benefit plan, governed as such by *IAS 19 - Employee benefits*.

Some of the group's foreign companies provide defined benefit plans for their employees.
Some of these plans have assets servicing them, but severance indemnities, as a self-financed obligation, do not.
These plans are valued on an actuarial basis to express the present value of the benefit payable at the end of service that employees have accrued at the reporting 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	30.06.2010	31.12.2009	Change
Defined benefit obligations	16,447	16,965	(518)

Net cost charged to income	30.06.2010	31.12.2009	Change
Current service cost	57	82	(25)
Interest cost on obligations	367	871	(504)
Total	**424**	**953**	**(529)**

Change in present value of obligations	30.06.2010	31.12.2009	Change
Present value at 1 January	**16,965**	**18,363**	**(1,398)**
Current service cost	57	82	(25)
Utilization of provision	(942)	(2,351)	1,409
Interest cost on obligations	367	871	(504)
Present value at reporting date	**16,447**	**16,965**	**(518)**

Defined benefit plans:

Movements in the period are as follows:

Net cost charged to income	**30.06.2010**	**31.12.2009**	**Change**
Current service cost	136	266	(130)
Return on plan assets	(856)	(1,369)	513
Interest cost on obligations	978	1,651	(673)
Total	**258**	**548**	**(290)**

Change in present value of obligations	**30.06.2010**	**31.12.2009**	**Change**
Present value at 1 January	7,751	**9,268**	(1,517)
Net cost charged to income	258	548	(290)
Benefits paid	(2,627)	(2,289)	(338)
Translation difference	1,022	224	798
Present value at reporting date	**6,404**	**7,751**	**(1,347)**

The present value at 30 June 2010 includes €3,505 thousand in respect of Kenwood Ltd. and €2,899 thousand for De'Longhi Japan Corp.

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. prepared an information circular in regard to this plan, pursuant to art. 84-*bis* of the Issuer Regulations, which was drawn up in compliance with appendix 3, format 7 of the Issuer Regulations, and was 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 share price.
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 reporting 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 by taking account of the terms and conditions under which such rights are granted.
The cost of adopting this Phantom Stock Option Plan has had an immaterial impact on the consolidated financial statements at 30 June 2010.

The long-term benefits refer to a Long-Term-Incentive Cash plan for the De'Longhi Group's top management and key people, aimed at retaining these resources within the group by focusing their efforts on medium/long-term success factors, and at improving the competitiveness of their remuneration with respect to the market in general.
As for the performance-related part of the incentive, the EBITDA objectives were only partially achieved, while the balance-sheet objective was far exceeded, with net working capital turnover considerably better than target.
Although the group's results in the three-year reference period were lower than those required in the plan, they were positive taken as a whole, also in view of the particularly difficult global economic context in which they were achieved.
In light of this, the Compensation Committee of De'Longhi S.p.A. submitted a proposal to the company's Board of Directors, which duly approved it, to pay part of the incentives envisaged by the plan, on the established dates in April and December 2010.

30. NON-CURRENT PROVISIONS FOR CONTINGENCIES AND OTHER CHARGES

The breakdown is as follows:

	30.06.2010	31.12.2009	Change
Agents' leaving indemnity provision and other retirement provisions	6,684	6,515	169
Product warranty provision	18,957	18,182	775
Provisions for contingencies and other charges	15,741	13,020	2,721
Total non-current provisions for contingencies and other charges	**41,382**	**37,717**	**3,665**

Movements are as follows:

	31.12.2009	Utilization	Increases	Other	30.06.2010
Agents' leaving indemnity provision	6,515	(49)	224	(6)	**6,684**
Product warranty provision	18,182	(4,375)	4,725	425	**18,957**
Provisions for contingencies and other charges	13,020	(3,065)	4,220	1,566	**15,741**
Total	**37,717**	**(7,489)**	**9,169**	**1,985**	**41,382**

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 2010. It takes account of the provisions of Decree 24/2002 and of European Community law.

The "Provision for contingencies and other charges" includes:

- the provision for uninsured liabilities arising from product complaints (limited to policy deductibles) of €3,411 thousand (€3,214 thousand at 31 December 2009);
- the provision of €4,116 thousand for restructuring and reorganization in Italy and abroad (€3,895 thousand at 31 December 2009);
- provisions of €8,215 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	30.06.2010	%	31.12.2009	%
Italy	124,344	38.4%	127,397	43.8%
United Kingdom	10,797	3.3%	8,232	2.8%
Rest of Europe	51,546	15.9%	60,847	20.9%
United States, Canada, Mexico	5,800	1.8%	5,740	2.0%
Rest of the world	131,723	40.6%	88,857	30.5%
Total	**324,210**	**100.0%**	**291,073**	**100.0%**

Trade payables include €3 thousand in balances due beyond 12 months.

32. CURRENT TAX LIABILITIES

These are broken down as follows:

	30.06.2010	31.12.2009	Change
Direct taxes	13,953	12,793	1,160
Indirect taxes	5,398	8,752	(3,354)
Withholdings payable	2,442	5,377	(2,935)
Other taxes	1,313	7,875	(6,562)
Total current tax liabilities	**23,106**	**34,797**	**(11,691)**

Current tax liabilities due beyond 12 months amount to €5 thousand at 30 June 2010.

33. OTHER PAYABLES

These are broken down as follows:

	30.06.2010	31.12.2009	Change
Employees	28,677	23,854	4,823
Social security institutions	6,287	8,010	(1,723)
Advances	4,089	2,354	1,735
Other	18,555	18,311	244
Total other payables	**57,608**	**52,529**	**5,079**

34. COMMITMENTS

These are broken down as follows:

	30.06.2010	31.12.2009	Change
Guarantees given to third parties	776	769	7
Other commitments	4,391	3,605	786
Total commitments	**5,167**	**4,374**	**793**

"Other commitments" mainly consist of €1.9 million in contractual obligations by the subsidiary De'Longhi America Inc..

35. HIERARCHICAL LEVELS OF FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE

The following table presents the hierarchical levels in which the fair value measurements of financial instruments have been classified at 30 June 2010. As required by IFRS 7, the hierarchy comprises the following levels:

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

Financial instruments measured at fair value	Level 1	Level 2	Level 3
Derivatives:			
- derivatives with positive fair value	-	17,621	-
- derivatives with negative fair value	-	(3,349)	-
Available-for-sale financial assets:			
- other non-current financial assets	43	-	-

There were no transfers between the levels during the period.

36. 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 audit for tax year 2005 by the tax police's Treviso division.
The preliminary notice of findings was issued on 16 September 2008, in respect of which the company has not made the election under art. 5-bis of Decree 218 dated 19 June 1997, as amended by art. 83 par. 18 of Decree 112 dated 25 June 2008.

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

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

<u>Climaveneta S.p.A.</u>
A general tax audit for tax year 2005 by the Treviso tax office.
A preliminary notice of findings was issued on 31 December 2008; the company has not made the election under art. 5-bis of Decree 218 dated 19 June 1997, as amended by art. 83 par.18 of Decree 112 dated 25 June 2008.
A tax audit for tax years 2007 and 2008 by the Treviso customs office, relating to proper compliance with the obligations under European Community law as introduced in Law 427/93. The preliminary notice of findings was issued on 23 February 2010, in respect of which the company has not made the election under art. 5-bis of Decree 218 dated 19 June 1997, as amended by art.83 par.18 of Decree 112 dated 25 June 2008.

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

<u>Climaveneta Home System S.r.l. (now Climaveneta S.p.A)</u>
A general tax audit for tax year 2007 by the Treviso tax office.
The preliminary notice of findings was issued on 5 March 2010, in respect of which the company has not made the election under art. 5-bis of Decree 218 dated 19 June 1997, as amended by art. 83 par. 18 of Decree 112 dated 25 June 2008.

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

<u>De'Longhi Appliances S.r.l.</u>
Audit by the Treviso tax police of direct tax, VAT and other taxes for tax periods from 01/01/2007 to 29/05/2009, under the provisions of art. 27, par. 9 -11 of Decree 185/2008 (so-called tax tutorship).
A preliminary notice of findings relating to tax year 2007 was issued on 23 December 2009. The company has not made the election under art. 5-bis of Decree 218 dated 19 June 1997, as amended by art. 83 par.18 of Decree 112 dated 25 June 2008.
The tax auditors formally recorded on 23 December 2009 that they were suspending the audit for tax periods from 01/01/2008 to 29/05/2009 until 30 April 2010.
The company has stated that it will appeal before the competent bodies against the findings contained in the preliminary notice, although the tax authorities have not yet issued any notice of assessment.

Ariete S.p.A. (now De'Longhi Appliances S.r.l.)
A general tax audit for tax years 2003 and 2004 by the Tuscany regional tax office.
A preliminary notice of findings was issued on 14 June 2006. All the matters regarding direct taxes have now been settled. The related cost has already been reflected in the financial statements.
As regards the VAT findings, since no agreement was reached with the Prato tax office, the company presented an appeal to the Prato Provincial Tax Commission, which ruled in the company's favour on 8 July 2008. The Prato provincial tax office has not accepted this ruling and presented an appeal on 30 September 2009.

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

Kenwood Appliances Ltd. and Kenwood Ltd.
An audit of the tax returns for 2004 and 2005.
These disputes were settled during the first half of 2010 through written agreements with the UK tax authorities.
A number of points regarding 2006 and 2007 still remain open, especially in relation to the taxation in the United Kingdom of the dividends received by Italian companies and to the application of the controlled foreign company tax rules.

37. TRANSACTIONS AND BALANCES WITH RELATED PARTIES

Appendix 3 contains the information concerning transactions and balances with related parties required by CONSOB Circulars 97001574 dated 20 February 1997, 98015375 dated 27 February 1998 and DEM/2064231 dated 30 September 2002; 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.

38. OPERATING SEGMENTS

Information relating to operating segments is presented below:

Income statement data

			30.06.2010		
	Household	Professional	Corporate	Eliminations	Consolidated total
Total revenues	496,656	155,472	5,733	(7,236)	650,625
EBITDA	**53,732**	**12,144**	**(2,254)**	**28**	**63,650**
Amortization and depreciation	(13,268)	(4,716)	(297)	-	(18,281)
EBIT	**40,464**	**7,428**	**(2,551)**	**28**	**45,369**
Financial income (expenses)					(16,955)
Profit (loss) before taxes					**28,414**
Taxes					(10,600)
Profit (loss) after taxes					**17,814**
Profit (loss) pertaining to minority interests					57
Profit (loss) for the period					**17,757**

Data from statement of financial position *(30 June 2010)*

	Household	Professional	Corporate	Eliminations	Consolidated total
Total assets	940,613	411,589	308,252	(188,236)	1,472,218
Total liabilities	(304,981)	(400,941)	(227,041)	187,819	(745,144)

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 and depreciation	(12,676)	(4,257)	(306)	-	(17,239)
EBIT	**28,028**	**5,178**	**(5,879)**	**(122)**	**27,205**
Financial income (expenses)					(18,964)
Profit (loss) 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**

Data from statement of financial position *(31 December 2009)*

	Household	Professional	Corporate	Eliminations	Consolidated total
Total assets	926,927	487,271	172,192	(172,713)	11,413,677
Total liabilities	(334,243)	(387,775)	(175,674)	172,548	(725,154)

39. SUBSEQUENT EVENTS

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

Treviso, 27 August 2010

De'Longhi S.p.A.
Vice Chairman and Chief Executive Officer
Fabio De'Longhi

APPENDICES

These appendices contain additional information to that reported in the explanatory notes, of which they form an integral part.

This information is contained in the following appendices:

1. List of consolidated companies
2. Statement of cash flows in terms of net financial position
3. Transactions and balances with related parties:
    a) *Income statement and statement of financial position*
    b) *Summary by company*

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 30.06.2010	
				Directly	Indirectly
LINE-BY-LINE METHOD:					
DE'LONGHI APPLIANCES S.R.L.	Treviso	EUR	200,000,000.00	100%	
DE'LONGHI AMERICA INC.	Saddle Brook	USD	9,100,000.00		100%
DE'LONGHI FRANCE S.A.R.L.	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.U.	Barcelona	EUR	3,066.00		100%
DE'LONGHI CAPITAL SERVICES S.R.L. (2)	Treviso	EUR	53,000,000.00	11.32%	88.68%
E- SERVICES S.R.L.	Treviso	EUR	50,000.00	51%	
DE'LONGHI NEDERLAND B.V.	Breda	EUR	226,890.00		100%
DL TRADING LIMITED	Hong Kong	HKD	73,010,000.00		100%
TRICOM INDUSTRIAL COMPANY LIMITED	Hong Kong	HKD	171,500,000.00		100%
PROMISED SUCCESS LIMITED	Hong Kong	HKD	28,000,000.00		100%
ON SHIU (ZHONGSHAN) ELECTRICAL APPLIANCE CO. LTD.	Zhongshan City	CNY	55,112,118.00		100%
DONG GUAN DE'LONGHI-KENWOOD APPLIANCES CO.LTD.	Qing Xi Town	CNY	13,940,020.00		100%
CLIMAVENETA S.P.A.	Treviso	EUR	10,000,000.00		100%
CLIMAVENETA DEUTSCHLAND GMBH	Nordstedt	EUR	306,775.00		100%
CLIMAVENETA FRANCE SASU	Epone	EUR	150,000.00		100%
DE'LONGHI HOUSEHOLD S.A.	Luxembourg	EUR	181,730,990.00	100%	
DE'LONGHI JAPAN CORPORATION	Tokyo	JPY	50,000,000.00		100%
DL RADIATORS S.P.A.	Treviso	EUR	5,000,000.00		100%
DE'LONGHI CLIMA POLSKA SP.ZO.O	Warsaw	PLN	597,000.00		100%
Company controlled through trust 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%
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	440,520.00		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%
CLIM.RE. S.A.	Luxembourg	EUR	1,239,468.00	4%	96%
DL PROFESSIONAL S.A.	Luxembourg	EUR	30,205,000.00	99.95%	0.05%
R.C. GROUP S.P.A.	Valle Salimbene	EUR	10,680,000.00		100%
R.C. LUX S.A.	Luxembourg	EUR	6,959,773.00		100%
ELLE SRL	Treviso	EUR	10,000.00		100%
DE'LONGHI BOSPHORUS EV ALETLERI TICARET ANONIM SIRKETI	Istanbul	TRY	3,700,000.00		100%

DE'LONGHI PRAGA S.RO	Prague	CZK	200,000.00	100%
TOP CLIMA S.L. (5)	Barcelona	EUR	1,606,000.00	100%
SOMORA ASESORES SL (5)	Barcelona	EUR	303,005.00	100%
SATER MANTENIMIENTO SL (5)	Madrid	EUR	250,000.00	99.99%
KENWOOD SWISS A.G.	Baar	CHF	1,000,000.00	100%
DL HRVATSKA D.O.O.	Zagreb	HRD	370,000.00	100%
DE'LONGHI BRASIL - COMÉRCIO E IMPORTAÇÃO Ltda	São Paulo	BRL	4,842,340.00	100%
GS LUX S.A.	Luxembourg	EUR	377,000.00	100%
FOSHAN RC AIR CONDITIONING R.E. CO. LTD.	Foshan City	CNY	9,159,370.00	100%
DE'LONGHI POLSKA SP. Z.O.O.	Warsaw	PLN	50,000.00	100%
CLIMAVENETA POLSKA SP. ZO.O	Legionowo	PLN	1,700,000.00	80.88%
DE'LONGHI APPLIANCES TECHNOLOGY SERVICES (Shenzen) Co. Ltd	Shenzen	USD	175,000.00	100%
DE'LONGHI LTD.	Wellingborough	GBP	4,000,000.00	100%
PROPORTIONATE METHOD:				
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	Hong Kong	HKD	20,000	50%
RC AIR CONDITIONING (BEIJING) LIMITED	Beijing	CNY	HKD 1,000,000	50%
EQUITY METHOD:				
Associated companies:				
Effegici S.r.l. (4)	Gorgo al Monticano (TV)	EUR	100,000	25%

OTHER SUBSIDIARIES (IN LIQUIDATION OR DORMANT)

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

(1) Figures at 30 June 2010, 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 Ltd.
(3) A distributor of heating products in Germany, the interest in which is held through a trust company. As permitted by law, we have omitted the company's name to protect its interests and those of the group.
(4) Figures at 31 December 2009.
(5) The 100% interest includes the put and call options for the purchase of the 35% minority stake, which can be exercised starting from 2011.
(6) Dormant companies, whose financial statements are unavailable.

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

(Appendix 2 to the Explanatory Notes)

(€/000)	30/06/2010 *6 months*	30/06/2009 *6 months*
Profit (loss) pertaining to the group	17,757	3,858
Income taxes for the period	10,600	4,411
Amortization, depreciation and impairment	18,281	17,239
Net change in provisions	10,777	(3,698)
Cash flow generated (absorbed) by current operations (A)	**57,415**	**21,810**
Change in assets and liabilities for the period:		
Trade receivables	116,724	104,109
Inventories	(80,318)	(19,055)
Trade payables	(4,554)	(49,628)
Other current assets and liabilities	(16,055)	(9,913)
Payment of income taxes	(12,960)	(1,979)
Cash flow generated (absorbed) by movements in working capital (B)	**2,837**	**23,534**
Cash flow generated (absorbed) by current operations and movements in working capital (A+B)	**60,252**	**45,344**
Investment activities:		
Investments in intangible assets	(8,373)	(5,617)
Other cash flows for intangible assets	634	52
Investments in property, plant and equipment	(11,672)	(14,075)
Other cash flows from property, plant and equipment	593	419
Net investments in equity investments and other financial assets	488	2,515
Cash flow generated (absorbed) by ordinary investment activities (C)	**(18,330)**	**(16,706)**
Cash effect for purchase of equity investments	-	824
Non-recurring cash flow (D)	**-**	**824**
Fair value and cash flow hedge reserves	9,511	1,888
Dividends paid	(11,960)	(8,970)
Change in currency translation reserve	7,748	(5,432)
Increase (decrease) in minority interests in capital and reserves	(154)	(288)
Cash flow generated (absorbed) by changes in equity accounts (E)	**5,145**	**(12,802)**
Cash flow for the period (A+B+C+D+E)	**47,067**	**16,660**
Opening net financial position	**(117,091)**	**(246,456)**
Cash flow for the period (A+B+C+D+E)	47,067	16,660
Closing net financial position	**(70,024)**	**(229,796)**

(*) Net financial position represents gross financial debt as reduced by cash and cash equivalents and other financial receivables. More details about its composition can be found in the earlier note on *Net financial position*.

Transactions and balances with related parties

(Appendix 3 to the Explanatory Notes - €/000)

CONSOLIDATED INCOME STATEMENT (pursuant to CONSOB Resolution 15519 of 27 July 2006) (€/000)	**30.06.2010**	**of which with related parties**	**30.06.2009**	**of which with related parties**
Revenues from sales and services	639,167	265	582,454	148
Other revenues	11,458	41	12,801	63
Total consolidated revenues	***650,625***		***595,255***	
Raw and ancillary materials, consumables and goods	(375,336)	(2)	(308,418)	(165)
Change in inventories of finished products and work in progress	67,765		21,931	
Change in inventories of raw and ancillary materials, consumables and goods	12,252		(2,865)	
Materials consumed	***(295,319)***		***(289,352)***	
Payroll costs	(98,862)		(92,705)	
Services and other operating expenses	(176,195)	(3,367)	(157,639)	(3,813)
Provisions	(16,599)		(11,115)	
Amortization and depreciation	(18,281)		(17,239)	
EBIT	**45,369**		**27,205**	
Financial income (expenses)	(16,955)	2	(18,964)	2
PROFIT (LOSS) BEFORE TAXES	**28,414**		**8,241**	
Income taxes	(10,600)		(4,411)	
PROFIT (LOSS) AFTER TAXES	**17,814**		**3,830**	
Profit (loss) pertaining to minority interests	57		(28)	
PROFIT (LOSS) PERTAINING TO OWNERS OF THE PARENT	**17,757**		**3,858**	

CONSOLIDATED STATEMENT OF FINANCIAL POSITION - ASSETS (pursuant to CONSOB Resolution 15519 of 27 July 2006) (€/000)	**30.06.2010**	**of which with related parties**	**31.12.2009**	**of which with related parties**
NON-CURRENT ASSETS				
INTANGIBLE ASSETS	416,626		414,666	
- Goodwill	231,318		231,318	
- Other intangible assets	185,308		183,348	
PROPERTY, PLANT AND EQUIPMENT	182,406		177,609	
- Land, property, plant and machinery	135,122		132,384	
- Other tangible assets	47,284		45,225	
EQUITY INVESTMENTS AND OTHER FINANCIAL ASSETS	2,416		2,666	
- Equity investments (in associated companies)	-		-	
- Equity investments (in other companies)	671		671	
- Receivables	1,626		1,894	
- Other non-current financial assets	119		101	
DEFERRED TAX ASSETS	36,624		38,060	
TOTAL NON-CURRENT ASSETS	638,072		633,001	
CURRENT ASSETS				
INVENTORIES	357,748		257,084	
TRADE RECEIVABLES	260,080	293	351,879	164
CURRENT TAX ASSETS	18,524		18,529	
OTHER RECEIVABLES	15,141	2	15,344	-
CURRENT FINANCIAL RECEIVABLES AND ASSETS	27,025	80	13,886	78
CASH AND CASH EQUIVALENTS	155,628		123,954	
TOTAL CURRENT ASSETS	834,146		780,676	
TOTAL ASSETS	**1,472,218**		**1,413,677**	

CONSOLIDATED STATEMENT OF FINANCIAL POSITION - NET EQUITY AND LIABILITIES (pursuant to CONSOB Resolution 15519 of 27 July 2006) (€/000)	**30.06.2010**	**of which with related parties**	**31.12.2009**	**of which with related parties**
NET EQUITY				
GROUP PORTION OF NET EQUITY	725,550		686,845	
- Share capital	448,500		448,500	
- Reserves	259,293		205,988	
- Profit (loss) pertaining to the group	17,757		32,357	
MINORITY INTERESTS	1,524		1,678	
TOTAL NET EQUITY	727,074		688,523	
NON-CURRENT LIABILITIES				
FINANCIAL PAYABLES	125,410		113,094	
- Bank loans and borrowings (long-term portion)	109,726		96,276	
- Other financial payables (long-term portion)	15,684		16,818	
DEFERRED TAX LIABILITIES	21,023		25,304	
NON-CURRENT PROVISIONS FOR CONTINGENCIES AND OTHER CHARGES	66,362		66,384	
- Employee benefits	24,980		28,667	
- Other provisions	41,382		37,717	
TOTAL NON-CURRENT LIABILITIES	212,795		204,782	
CURRENT LIABILITIES				
TRADE PAYABLES	324,210	284	291,073	270
FINANCIAL PAYABLES	127,425		141,973	
- Bank loans and borrowings (short-term portion)	107,473		124,009	
- Other financial payables (short-term portion)	19,952		17,964	
CURRENT TAX LIABILITIES	23,106		34,797	
OTHER PAYABLES	57,608		52,529	
TOTAL CURRENT LIABILITIES	532,349		520,372	
TOTAL NET EQUITY AND LIABILITIES	**1,472,218**		**1,413,677**	

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 between related parties during the first half of 2010:

(€/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.		(0.3)		(0,1)
Mokarabia S.p.A.	0.3		0.1	(0.1)
Gamma S.r.l.		(3.0)	0.1	
De'Longhi Holding S.A.			0.1	
Total related parties	**0.3**	**(3.4)**	**0.4**	**(0.3)**
TOTAL RELATED PARTIES	**0.3**	**(3.4)**	**0.4**	**(0.3)**

(1) These mostly refer to dealings of a commercial nature.

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

In addition, Giuseppe De'Longhi (Chairman of the Board of Directors) was recharged €0.1 million by the parent company De'Longhi S.p.A. for the cost of services incurred.

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

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

The undersigned Fabio De'Longhi, Vice Chairman and Chief Executive Officer, and Stefano Biella, as 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 half-year condensed consolidated financial statements during the first half of 2010:
- have been adequate in relation to the company's characteristics and
- have been effectively applied.

They also certify that the half-year condensed consolidated financial statements at 30 June 2010:-

- have been prepared in accordance with the applicable International Financial Reporting Standards adopted 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 statement of financial position and results of operations and of the group of companies included in the consolidation.

Lastly, they certify that the interim report on operations contains references to important events that took place in the first six months of the year and their impact on the half-year condensed consolidated 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, 27 August 2010

Fabio De'Longhi	*Stefano Biella*
Vice Chairman and Chief Executive Officer	*Financial Reporting Officer*

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Auditors' review report on the interim condensed consolidated financial statements
(Translation from the original Italian text)

To the Shareholders of De'Longhi S.p.A.

1. We have reviewed the interim condensed consolidated financial statements, comprising the statement of financial position, the statements of income , the statement of comprehensive income, the statement of changes in equity and cash flows and the related explanatory notes, of De'Longhi S.p.A. and its subsidiaries (the "De'Longhi Group") as of June 30, 2010. Directors of De'Longhi S.p.A. are responsible for the preparation of the interim condensed consolidated financial statements in conformity with the International Financial Reporting Standards applicable to interim financial reporting (IAS 34) as adopted by the European Union. Our responsibility is to issue this review report based on our review.

2. We conducted our review in accordance with review standards recommended by Consob (the Italian Stock Exchange Regulatory Agency) in its Resolution no. 10867 of July 31, 1997. Our review consisted mainly of obtaining information on the accounts included in the interim condensed consolidated financial statements and the consistency of the accounting principles applied, through discussions with management, and of applying analytical procedures to the financial data presented in these consolidated financial statements. Our review did not include the application of audit procedures such as tests of compliance and substantive procedures on assets and liabilities and was substantially less in scope than an audit conducted in accordance with generally accepted auditing standards. Accordingly, we do not express an audit opinion on the interim condensed consolidated financial statements as the other auditors expressed on the annual consolidated financial statements.

   The consolidated financial statements of the prior year and the interim condensed consolidated financial statements of the corresponding period of the prior year which have been restated in accordance with IAS 1 (2007), have been, respectively, audited and reviewed by other auditors. Accordingly, reference should be made to the reports of the other auditors issued on March 26, 2010 and on August 28, 2009, respectively.

3. Based on our review, nothing has come to our attention that causes us to believe that the interim condensed consolidated financial statements of De'Longhi Group as of June 30, 2010 are not prepared, in all material respects, in conformity with the International Financial Reporting Standards applicable to interim financial reporting (IAS 34) as adopted by the European Union.

Treviso, August 27, 2010

Reconta Ernst & Young S.p.A.
Signed by: Stefano Marchesin, Partner

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

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