Half-year financial report at 30 June 2011

De'Longhi S.p.A. – Registered office: Via L. Seitz 47, 31100 Treviso, Italy
Share capital: €448,500,000
Tax Identification and Business Register no: 11570840154
Treviso Chamber of Commerce R.E.A. no. 224758 - VAT no. 03162730265

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 2011	% revenues	2nd quarter 2010	% revenues	Change	% change
Revenues	400.5	100.0%	350.4	100.0%	50.0	14.3%
Gross profit	174.3	43.5%	155.8	44.5%	18.5	11.9%
EBITDA before non-recurring income/expenses	44.6	11.1%	34.4	9.8%	10.2	29.6%

First-half income statement

(€/million)	1st half 2011	% revenues	1st half 2010	% revenues	Change	% change
Revenues	763.1	100%	651.0	100.0%	112.1	17.2%
Constant currency change		*17.0%*				
Gross profit	334.3	43.8%	290.6	44.6%	43.7	15.0%
EBITDA before non-recurring income/expenses	88.7	11.6%	66.5	10.2%	22.2	33.4%
EBIT	67.1	8.8%	45.4	7.0%	21.8	48.0%
Profit (loss) pertaining to the group	34.0	4.5%	17.8	2.7%	16.3	91.6%

Second-quarter results by operating segment

	2nd quarter 2011		2nd quarter 2010	
(€/million)	Household	Professional	Household	Professional
Revenues	300.2	101.3	266.7	85.0
Change 2011/2010	*33.5*	*16.3*		
% change	*12.6%*	*19.2%*		
EBITDA before non-recurring income/expenses	34.4	12.1	24.4	10.6
Change 2011/2010	*10.0*	*1.6*		
% margin on revenues	*11.4%*	*12.0%*	*9.1%*	*12.4%*

First-half results by operating segment

	1st half 2011		1st half 2010	
(€/million)	Household	Professional	Household	Professional
Revenues	587.2	178.8	497.0	155.5
Change 2011/2010	*90.1*	*23.3*		
% change	*18.1%*	*15.0%*		
EBITDA before non-recurring income/expenses	76.9	16.6	55.1	13.6
Change 2011/2010	*21.8*	*2.9*		
% margin on revenues	*13.1%*	*9.3%*	*11.1%*	*8.8%*

Statement of financial position

(€/million)	30.06.2011	30.06.2010	31.12.2010
Net working capital	216.1	246.6	226.9
Net capital employed	764.0	797.1	765.3
Net financial position	(12.1)	(70.0)	(4.7)
Net bank financial position(*)	5.4	(80.2)	5.6
Net equity	751.9	727.1	760.6

(*) Net of financial items reflecting the fair value of options and derivatives.

Human resources

Average number of employees	1st half 2011	1st half 2010	31.12.2010
Household	5,188	5,620	5,743
Professional	1,805	1,708	1,680
Corporate	84	82	84
Total	**7,077**	**7,410**	**7,507**

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 IFRS.

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 and payroll.
EBITDA is an intermediate measure that derives from EBIT after adding 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 liabilities less 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 reported €400.5 million in consolidated revenues in the second quarter of 2011 (+14.3% on the second quarter of 2010); growth was driven by both divisions, with Household revenues up +12.6% and Professional revenues up by an even higher +19.2%. Second-quarter performance in 2011 allowed six-month revenues to grow by 17.2% to €763.1 million, of which €587.2 million (+18.1%) relating to the Household division and €178.8 million (+15%) to the Professional division.

The strategies adopted by the group for these divisions in recent years have produced an improvement in all the main performance and financial indicators; actions in the Household division have primarily involved ongoing investment in research and development, mainly of coffee and food preparation machines, reorganization of the production platform to make it more efficient and cost effective, and a search for new markets in Asia, the Middle East and South America without ignoring Europe, where the German market has continued to be a source of satisfaction.
The Professional division has seen major investments in new technological processes and products and a growth in distribution in Europe and fast-developing markets (such as China where the division's industrial air-conditioning companies have established a solid production and commercial base and enjoyed a significant growth in business).

Of particular note was the excellent performance by food preparation products and coffee machines and the strong growth in machinery for air-conditioning systems and ICT industrial process chillers.
In the coffee machines category, both fully automatic machines and the Nespresso products reported strong sales growth; the new Nescafè Dolce Gusto capsule coffee machines launched in 2011 also contributed to the growth in sales.

In terms of markets, mature markets continued to grow well (+14.9% mainly in Italy, the United Kingdom and Western Europe), while emerging markets (APA - Asia and the Americas - and MEIA - Middle East/India/Africa) accelerated their growth to 22.8%.

As for the group's profitability, gross profit improved from €290.6 million to €334.3 million, with a slight contraction in margin from 44.6% to 43.8% mainly due to the rise in raw material costs during the first six months of the year.

Despite higher advertising and promotional expenses (up €11.4 million), cost-control over services and payroll (as a percentage of revenues), led to a major increase in EBITDA before non-recurring expenses (to €88.7 million in the first six months of 2011 from €66.5 million in 2010, with the margin going from 10.2% in 2010 to 11.6% in the first six months of 2011).

EBIT amounted to €67.1 million in the first six months of 2011 (€45.4 million in 2010) after €2.5 million in non-recurring expenses, with the margin going from 7.0% to 8.8%.

Net financial expenses at 30 June 2011 decreased from €17 million to €12.4 million, mainly thanks to lower debt and net positive results from exchange rate differences.

Profit after taxes was €34.3 million, an increase of €16.5 million on the same period in 2010.

The net financial position reported €12.1 million in net debt at 30 June 2011, having improved by €57.9 million from €70 million at 30 June 2010 thanks to the operating cash flows generated by higher earnings.
Excluding the non-banking part of this exposure, in other words €17.6 million in net liabilities recognized for options and derivatives (€10.2 million in net assets at 30 June 2010), the financial position would have reported net cash of €5.4 million.

Macroeconomic scenario

The first six months of 2011 witnessed a widespread slowdown in economic activity.
The deterioration was most marked in Japan, where the earthquake caused industrial and electricity production to fall sharply, with only a minimal recovery to date.
Other factors holding back the expansion of demand were the hike in oil prices (already in progress at the end of last year) and the measures to redress the US federal deficit, involving the transition from a phase of active stimulus to one of neutral fiscal policy.
Expectations that this is a transitory situation have recently faded in the face of new concerns over the sustainability of debt in many advanced economies, that will force many governments to adopt tough fiscal measures, leading to new dampers on short-term global growth.
Emerging countries have bucked the trend by continuing to grow apace. However, some of these economies are showing signs of a slowdown.
It is possible that the slowdown will also affect emerging economies, primarily China, whose GDP grew by 9.7% in the first quarter of 2011 (in line with the two preceding quarters), fuelling consumer price inflation, which has risen to 5.5%.

Interest rates

Uncertainty over economic growth has justified an accommodating monetary policy in many of the developed economies; in areas (like the Euro-zone) where rates have risen, the reason has been linked more to fears of accelerating imported inflation caused by exogenous factors - such as higher raw material costs - than to a cooling in demand.
In the United States, the FED has left rates unchanged, entering a period of pause that will probably last for the rest of 2011 and into 2012, based on the latest statements by Bernanke, the Federal Reserve's governor.
In the Euro-zone imported inflation has accelerated faster than expected, forcing the ECB to make an initial rate rise in April (25 bps) and a second one in July (25 bps), resulting in a reference rate of 1.50%. A possible reduction in the pressure from the Mediterranean region debt crisis could have a normalizing effect on European monetary policy in coming months.

Currency markets

The Euro ceased to strengthen against other major currencies during the second quarter.
The appreciation driven by the growth in yields on short-term euro-denominated assets has been checked by worsening tensions over the sovereign debt of certain member states. Following a number of fluctuations, the European currency has nonetheless returned to the record highs in effective nominal terms reported at the start of April.
Bilaterally, the Euro exchange rate appreciated slightly against the dollar and sterling in the second quarter of 2011 (by 1.7% and 2.1% respectively) and depreciated against the yen (1%).
The two principal drivers for the Euro, therefore, continue to be: developments in the European debt crisis, and trends in expectations concerning rate rises by the ECB and FED respectively.
The Swiss franc has appreciated considerably against the Euro since the explosion of the European debt crisis and the stockmarket collapse, going from a low of 1.32 against the Euro to almost parity, appreciating by around +12% in the course of just the second quarter. In fact, the Swiss currency has regained its traditional role as a safe haven, despite the Swiss central bank's concerns over the negative consequences of excessive currency appreciation for the growth opportunities in an already dangerously languishing economy.

Rationalization of the group's structure

During the first six months of 2011 the group continued its strategy of building up Household division structures (for sales, logistics and administration) in high-growth emerging countries (in the Far East, Australia and the Americas, the Middle East, India and Africa) to get closer to these important markets and be able to capture every available growth opportunity.
The Household division historically operated with a centralized business model that used a different approach for the various brands; to deal with ever greater competition in emerging markets the group has changed its strategy by shifting from a global but centralized organization to a single "GLocal" approach for all the brands and transferring its operations closer to markets while retaining control by the Italian and UK offices over the principal activities (product development, R&D and marketing).

Work has also continued on strengthening the international commercial network by starting direct distribution in Ukraine with the opening of a commercial subsidiary; with a view to being able to achieve its commercial expansion policies, the group has carried on analyzing and researching certain markets where it currently has no direct presence.

The activities in New Zealand have also been reorganized by centralizing back office functions in Australia and transforming the subsidiary into an agency with consequent savings in resources and costs.

In the Professional division, Climaveneta, the company which produces and sells air-conditioning and cooling systems, has had its sales network strengthened through the acquisition of a company in the United Kingdom that distributes chillers in this market and through the formation at the end of December 2010 of a new company in India with a local partner to produce and sell thermo-cooling systems in this important market. Start-up activities also continued for the production facilities in China that will make ICT industrial process chillers as part of the company's development programme for the Chinese market.

As regards DL Radiators, continued actions have been taken to address the difficult market in which the company operates, involving further targeting of costs and process improvements to regain profitability by reorganizing both manufacturing and operations.

Group results

The reclassified consolidated income statement is summarized as follows:

(€/million)	1st half 2011	% revenues	1st half 2010	% revenues
Revenues	**763.1**	**100.0%**	**651.0**	**100.0%**
Change 2011/2010	*112.1*	*17.2%*		
Materials consumed & other production costs (production services and payroll costs)	(428.8)	(56.2%)	(360.4)	(55.4%)
Gross profit	**334.3**	**43.8%**	**290.6**	**44.6%**
Other services & expenses	(164.6)	(21.6%)	(147.2)	(22.6%)
Value added	**169.7**	**22.2%**	**143.4**	**22.0%**
Payroll (non-production)	(71.7)	(9.4%)	(62.2)	(9.5%)
Provisions	(9.2)	(1.2%)	(14.8)	(2.3%)
EBITDA before non-recurring income/expenses	**88.7**	**11.6%**	**66.5**	**10.2%**
Change 2011/2010	*22.2*	*33.4%*		
Other non-recurring income (expenses)	(2.5)	(0.3%)	(2.9)	(0.4%)
EBITDA	**86.2**	**11.3%**	**63.6**	**9.8%**
Amortization and depreciation	(19.1)	(2.5%)	(18.3)	(2.8%)
EBIT	**67.1**	**8.8%**	**45.4**	**7.0%**
Change 2011/2010	*21.8*	*48.0%*		
Financial income (expenses)	(12.4)	(1.6%)	(17.0)	(2.6%)
Profit (loss) before taxes	**54.8**	**7.2%**	**28.4**	**4.4%**
Income taxes	(20.4)	(2.7%)	(10.6)	(1.6%)
Profit (loss) after taxes	**34.3**	**4.5%**	**17.8**	**2.7%**
Profit (loss) pertaining to minority interests	0.3	0.0%	0.1	0.0%
Profit (loss) pertaining to the group	**34.0**	**4.5%**	**17.8**	**2.7%**

The gross profit reported in the reclassified income statement differs by €70.3 million at 30 June 2011 (€65.1 million at 30 June 2010) 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 2011 with an increase of €22.2 million (+33.4%) in EBITDA before non-recurring income/expenses; gross profit, which climbed by €43.7 million from €290.6 million in the first half of 2010 to €334.3 million in the first half of 2011 was influenced not only by higher volumes, better product mix and net positive exchange rate effects but also by the growth in raw material costs.
"Other services & expenses" came down as a percentage of revenues from 22.6% in the first half of 2010 to 21.6% in 2011 despite the growth in advertising and promotions in support of the group's main brands (€50.8 million in the first half of 2011 versus €39.4 million in the first half of 2010).

Non-production payroll costs were 15.4% higher than in the same period of 2010, reflecting growth in the number of staff employed by Italian companies, salary increases and provisions for variable pay and long-term employee benefits.

EBITDA before non-recurring expenses was €88.7 million, with the margin climbing from 10.2% in the first half of 2010 to 11.6% in 2011.

EBITDA came to €86.2 million (€63.6 million in the first half of 2010) after €2.5 million in non-recurring expenses mostly for restructuring and reorganizing certain production activities and for the costs of a number of non-recurring activities.

After booking €19.1 million in amortization and depreciation, EBIT came to €67.1 million in the first half of 2011 (€45.4 million in 2010), with the margin going from 7.0% to 8.8%.

Net financial expenses in the first half of 2011 amounted to €12.4 million, €4.6 million down on the first half of 2010, having benefited from a reduction in net interest expense due to a lower level of average debt, from continued low interest rates and from €2.4 million in net exchange rate gains (versus net losses of €3.6 million in 2010).

Profit pertaining to the group amounted to €34 million, an increase of €16.3 million on the first half of 2010.

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 2011				1st half 2010			
(€/million)	**Household**	**Professional**	**Corporate**	**Consolidated total**	**Household**	**Professional**	**Corporate**	**Consolidated total**
Revenues	587.2	178.8	6.5	**763.1**	497.0	155.5	5.7	**651.0**
Change 2011/2010	*90.1*	*23.3*		***112.1***				
% change	*18.1%*	*15.0%*		***17.2%***				
Constant currency revenues (*)	586.5	178.6	6.5	**762.3**	497.3	155.5	5.7	**651.4**
Constant currency change 2011/2010	*89.2*	*23.1*		***110.9***				
% change	*17.9%*	*14.9%*		***17.0%***				
EBITDA before non-recurring expenses	76.9	16.6	(4.8)	**88.7**	55.1	13.6	(2.3)	**66.5**
Change 2011/2010	*21.8*	*2.9*		***22.2***				
% margin on revenues	*13.1%*	*9.3%*		***11.6%***	*11.1%*	*8.8%*		***10.2%***
EBITDA	76.2	15.6	(5.6)	**86.2**	53.7	12.1	(2.3)	**63.6**
Change 2011/2010	*22.5*	*3.4*		***22.6***				
% margin on revenues	*13.0%*	*8.7%*		***11.3%***	*10.8%*	*7.8%*		***9.8%***
EBIT	62.4	10.6	(5.9)	**67.1**	40.5	7.4	(2.6)	**45.4**
Change 2011/2010	*21.9*	*3.2*		***21.8***				
% margin on revenues	*10.6%*	*5.9%*		***8.8%***	*8.1%*	*4.8%*		***7.0%***

(*) As adjusted for the effect of hedges.

Total segment revenues are reconciled to the consolidated figures by eliminating certain intersegment transactions, amounting to €9.4 million at 30 June 2011 and €7.2 million at 30 June 2010.

Household

The division reported €587.2 million in revenues, up €90.1 million (+18.1%) on the same period in 2010; sales by both the De'Longhi and Kenwood brands were particularly strong.

As for product lines, cooking and food preparation posted excellent sales growth, continuing to be driven by double-digit sales growth for coffee machines and food processors, while portable air-conditioning products also grew, mainly thanks to sales to certain important customers in the United States.

EBITDA before non-recurring expenses was €76.9 million (€55.1 million in 2010), with the margin improving by 2 percentage points (from 11.1% to 13.1%) thanks to higher volumes and better product mix (the increase in sales determined by higher margin product ranges) and to net positive exchange rate differences.

Professional

The division posted a major increase in revenues to €178.8 million (+15% on 2010).
This result benefited from the acceleration in second-quarter growth on the first quarter to 19.2%; this performance was determined by excellent sales of machinery for air-conditioning systems and ICT industrial process chillers by both the Climaveneta and RC brands.

Water-filled radiator sales contracted due to the weak market and seasonal factors that shifted certain sales into the second half of the year.

Increased volumes helped counter most of the impact of higher raw material costs. Gross profit increased by €6.3 million, with the margin going from 33.9% to 33%.

EBITDA before non-recurring expenses came to €16.6 million (€13.6 million in 2010), with the margin going from 8.8% to 9.3% (second-quarter EBITDA before non-recurring expenses reported a margin of 12% on revenues).

Markets

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

(€/million)	1st half 2011	1st half 2010	Change	% change
Mature markets				
Italy	121.4	112.4	9.0	8.0%
United Kingdom	63.6	57.7	5.9	10.3%
North America	46.1	30.7	15.4	50.2%
Japan	13.5	11.8	1.7	14.1%
Western Europe	285.1	248.4	36.6	14.8%
Total	**529.6**	**461.0**	**68.7**	**14.9%**
Emerging markets				
Eastern Europe	69.7	52.6	17.1	32.6%
Rest of the world	163.7	137.5	26.3	19.1%
Total	**233.4**	**190.0**	**43.4**	**22.8%**
Total revenues	**763.1**	**651.0**	**112.1**	**17.2%**

Both mature and emerging markets enjoyed a positive performance, even if at different rates; mature markets, of which the largest are Italy the United Kingdom and Western Europe, consolidated the growth already seen in previous years, posting a revenue increase of €68.7 million (+14.9%).
Italian sales grew by 8% thanks to increases for both the Household and Professional divisions.
Sales in the United States benefited from the supply of portable air-conditioning units to a number of important customers.

Emerging markets (which include Eastern Europe and the rest of the world, primarily China, Australia, the Americas and the Middle East) posted an increase of €43.4 million (+22.8% on the same period in 2010) despite the current difficulties on certain markets (mainly the Middle East and North Africa).

Review of the statement of financial position

The reclassified consolidated statement of financial position is presented below:

(€/million)	30.06.2011	30.06.2010	31.12.2010	Change 30.06.11 – 30.06.10	Change 30.06.11 – 31.12.10
- Intangible assets	409.4	416.6	408.6	(7.2)	0.8
- Property, plant and equipment	192.1	182.4	186.4	9.7	5.7
- Financial assets	2.7	2.3	2.1	0.5	0.7
- Deferred tax assets	39.2	36.6	33.5	2.5	5.7
Non-current assets	**643.5**	**637.9**	**630.6**	**5.5**	**12.9**
- Inventories	365.2	357.7	288.0	7.5	77.2
- Trade receivables	274.1	260.1	387.9	14.0	(113.8)
- Trade payables	(362.2)	(324.2)	(374.2)	(38.0)	12.0
- Other payables (net of receivables)	(61.0)	(47.0)	(74.9)	(13.9)	13.9
Net working capital	**216.1**	**246.6**	**226.9**	**(30.5)**	**(10.8)**
Total non-current liabilities and provisions	(95.5)	(87.4)	(92.2)	(8.2)	(3.4)
Net capital employed	**764.0**	**797.1**	**765.3**	**(33.1)**	**(1.3)**
Net financial position*	**(12.1)**	**(70.0)**	**(4.7)**	**57.9**	**(7.4)**
Total net equity	**(751.9)**	**(727.1)**	**(760.6)**	**(24.8)**	**8.7**
Total net debt and equity	**(764.0)**	**(797.1)**	**(765.3)**	**33.1**	**1.3**

(*) Net financial position includes €17.6 million in net financial liabilities (€10.3 million in net financial liabilities at 31 December 2010) relating to the fair value of derivatives and to the recognition of options on minority interests.

Investments in property, plant and equipment and intangible assets amounted to €24.7 million (€20 million in the same period of 2010), and included expenditure on the group's investment programme in the renewable energy sector, with the goal of generating power for consumption by its own plants as well.
As part of this programme a 1 MWp solar power system has been installed on the roof of the Mignagola di Carbonera factory; this was completed by the deadline of 31 December 2010 and started operating in 2011 after connecting to the national electricity grid. In addition, procedures were completed in 2011 for installing a 2.3 MWp solar power system on the roof of the Moimacco factory, which started operating in June 2011.

As for factories in China, construction work continued during the first half of 2011 on the new factory due to be ready by the end of 2011, providing the group with a more modern structure better able to satisfy ever growing product demand, while achieving better integration of manufacturing activities. New departments have been studied and designed to make the factory autonomous where mould construction, plastic screen printing and assembly are concerned.

Net working capital decreased by €30.5 million on 30 June 2010 despite the growth in business, while net working capital turnover went from 16.9% of revenues in 2010 to 12.4% in 2011; trade receivables and inventories also reported a positive trend.

Cash flows from current operations helped bring down net debt to €12.1 million at 30 June 2011, an improvement of €57.9 million on 30 June 2010 despite higher investments over the 12 months, the higher dividend payment, the negative effect of recognizing the fair value reserve (which has become negative since 2010) and the growth in the currency translation reserve in connection with foreign currency loans.

Details of the net financial position are as follows:

(€/million)	**30.06.2011**	**30.06.2010**	**31.12.2010**	**Change 30.06.11 – 30.06.10**	**Change 30.06.11 – 31.12.10**
Cash and cash equivalents	200.0	155.6	193.5	44.4	6.5
Other financial receivables	13.0	27.0	12.2	(14.0)	0.8
Current portion of non-current debt	(40.9)	(54.7)	(40.6)	13.8	(0.3)
Current financial debt	(84.6)	(72.7)	(62.2)	(11.9)	(22.5)
Net current financial (debt) assets	**87.5**	**55.2**	**103.0**	**32.2**	**(15.5)**
Non-current financial debt	**(99.6)**	**(125.3)**	**(107.7)**	**25.7**	**8.1**
Total net financial position	**(12.1)**	**(70.0)**	**(4.7)**	**57.9**	**(7.4)**

The net current financial position reported €87.5 million in net financial assets at 30 June 2011 (compared with net cash of €55.2 million at 30 June 2010).
As for non-current debt, De'Longhi S.p.A., the parent company, received €12 million during the first half of 2011 as the second tranche of the loan arranged with a banking syndicate in the prior year.

If financial items other than net bank debt (i.e. fair value of options and derivatives) are eliminated, the net financial position becomes a positive €5.4 million at 30 June 2011 (versus a negative €80.2 million at 30 June 2010).

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

(€/million)	**1st half 2011**	**1st half 2010**	**31.12.2010 (12 months)**
Cash flow generated (absorbed) by current operations	75.9	57.4	168.0
Cash flow generated (absorbed) by other changes in working capital	(16.9)	2.8	9.5
Cash flow generated (absorbed) by current operations and changes in net working capital	**59.1**	**60.3**	**177.5**
Cash flow generated (absorbed) by investment activities	(25.2)	(18.3)	(45.4)
Cash flow generated (absorbed) by operating activities	**33.9**	**41.9**	**132.1**
Non-recurring cash flow	(2.2)	-	-
Cash flow generated (absorbed) by changes in net equity	(39.1)	5.1	(19.7)
Cash flow for the period	**(7.4)**	**47.1**	**112.4**
Opening net financial position	(4.7)	(117.1)	(117.1)
Closing net financial position	**(12.1)**	**(70.0)**	**(4.7)**

Cash flow generated by current operations amounted to €75.9 million in the first half of 2011 (€57.4 million in 2010).
Cash flow generated (absorbed) by operating activities, including after the higher investment expenditure mentioned earlier, amounted to €33.9 million (€41.9 million in the first half of 2010).

Changes in net equity absorbed €39.1 million in cash flow (having generated €5.1 million in 2010) mainly due to the negative impact of the fair value and cash flow hedge reserve - a negative €10.3 million at 30 June 2011 but a positive €9.5 million at 30 June 2010 -, to a negative currency translation reserve of €7.3 million (versus a positive €7.7 million at 30 June 2010) and to a larger dividend distribution.

Human resources

The De'Longhi Group had 7,477 employees at 30 June 2011.

The following table summarizes the average number of employees during the first half of 2011 compared with the first half of 2010:

	1st half 2011	%	1st half 2010	%	31.12.2010	%
Household	5,188	73%	5,620	76%	5,743	76%
Professional	1,805	26%	1,708	23%	1,680	23%
Corporate	84	1%	82	1%	84	1%
Total	**7,077**	**100%**	**7,410**	**100%**	**7,507**	**100%**

The group had an average of 7,077 employees during the first half of the year, 333 fewer than in the first half of 2010; this was the product of different trends in the group's two divisions.

The Household division reported a reduction of 432 employees, reflecting downsizing of the workforce at the Chinese and Russian electric oil-filled radiator factories to match market demand and growth in the workforce at the Italian high-end coffee machines factory in the face of strong product demand.

The Professional division reported an increase of 97 employees, reflecting new recruits at the Climaveneta factories in Italy and at the Chinese production company and consolidation of the newly acquired or formed companies in the United Kingdom and India.

Principal risks and uncertainties facing the group

Reference should be made to the Group Annual Report at 31 December 2010.

Corporate governance and ownership structure

Reference should be made to the Group Annual Report at 31 December 2010.

Subsequent events

During July 2011 the Board of Directors of De'Longhi S.p.A. approved an extraordinary transaction for a partial, proportionate spin-off from De'Longhi to De'Longhi Clima S.p.A., a wholly-owned subsidiary. The main purpose of the spin-off is to separate the activities relating to the two distinct areas of business in which the De'Longhi Group currently operates, and particularly to demerge production and marketing activities for machines for industrial air-conditioning systems and ICT industrial process chillers and for water-filled radiators (relating to the Professional division), from the production and marketing activities for small domestic appliances and portable air-conditioning and heating products (relating to the Household division).
The transaction's main aim is to permit independent development of the two distinct businesses relating to each of the two divisions and which have no operating synergies with the other. In fact, the spin-off's principal rationale is the fact that the Professional division's activities are substantially different from the Household division in terms of customers and markets and also address different potential investor profiles.

The Household division's business involves the production and sale of domestic appliances for food preparation and cooking, for domestic cleaning and ironing, portable air-conditioning and heating, that are distributed through the retail channel under a business-to-consumer model, mainly with the De' Longhi, Kenwood and Ariete brands.

The Professional division's business involves the production and sale of machinery for air-conditioning systems, latest heating technology, heat pumps and for temperature control of industrial processes, data centres and mobile telecommunications, and water-filled radiators distributed through the Professional channel under a business-to-business model. The market for this business, unlike that for products in the Household division, is characterized by cyclical demand and the presence of players that compete primarily on standards of technology and product processes.

As a result of the spin-off, which depends on obtaining the necessary clearance from the Italian Stock Exchange and from Consob (Italy's securities regulator), two distinct groups will emerge, each focused on their own business with clearly identified objectives discernable by the market. De'Longhi S.p.A., with its small household appliances business, will have the opportunity of reflecting the unexpressed value of the Household division, positioning itself as world leader in high-end coffee machines.

Instead, De'Longhi Clima S.p.A. will have the opportunity to secure a role as a global competitor in the business of high energy efficient products and to act as a consolidator in the Heating, Ventilation and Air Conditioning (HVAC) market.

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

Outlook for the current year

Despite the still highly uncertain economic environment, the group has confirmed its upward trend in revenues and margins in both its divisions again in the second quarter of 2011.
The group is confident that it will post further growth in the second half of the year, even though the strong financial tensions and the rising cost of raw materials invite caution.

Treviso, 29 August 2011

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

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CONSOLIDATED INCOME STATEMENT

(€/000)	*Notes*	1st half 2011	of which non-recurring	1st half 2010	of which non-recurring	2010	of which non-recurring
Revenues from sales and services	*1 -7*	750,244	-	639,167	(373)	1,600,338	(396)
Other revenues	*1*	12,826		11,458		25,546	
Total consolidated revenues		***763,070***	**-**	***650,625***	***(373)***	***1,625,884***	***(396)***
Raw and ancillary materials, consumables and goods	*2*	(442,787)		(375,336)		(790,373)	
Change in inventories of finished products and work in progress	*3*	72,930		67,765		20,643	(853)
Change in inventories of raw and ancillary materials, consumables and goods	*3*	11,357		12,252		(4,011)	(400)
Materials consumed		***(358,500)***		***(295,319)***		***(773,741)***	***(1,253)***
Payroll costs	*4*	(111,857)	(22)	(98,862)		(203,493)	(466)
Services and other operating expenses	*5 - 7*	(196,181)	(1,402)	(176,195)	(663)	(421,652)	(1,819)
Provisions	*6 - 7*	(10,299)	(1,078)	(16,599)	(1,847)	(33,892)	(2,048)
Amortization and depreciation	*8*	(19,102)		(18,281)		(45,459)	
EBIT		**67,131**	**(2,502)**	**45,369**	**(2,883)**	**147,647**	**(5,982)**
Financial income (expenses)	*9*	(12,367)		(16,955)		(36,090)	
PROFIT (LOSS) BEFORE TAXES		**54,764**		**28,414**		**111,557**	
Income taxes	*10*	(20,423)		(10,600)		(36,456)	
PROFIT (LOSS) AFTER TAXES		**34,341**		**17,814**		**75,101**	
Profit (loss) pertaining to minority interests		317		57		186	
PROFIT (LOSS) PERTAINING TO OWNERS OF THE PARENT		**34,024**		**17,757**		**74,915**	
EARNINGS PER SHARE							
- basic		**€ 0.23**		**€ 0.12**		**€ 0.50**	
- diluted		**€ 0.23**		**€ 0.12**		**€ 0.50**	

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*	1st half 2011	1st half 2010	2010
Profit (loss) after taxes		34,341	17,814	75,101
Other components of comprehensive income				
Change in fair value of cash flow hedges	*26*	(10,257)	9,510	(7,040)
Tax effect of change in fair value of cash flow hedges	*26*	2,826	(2,633)	1,920
Differences from translating foreign company financial statements into euro	*26*	(13,767)	26,031	14,239
Total comprehensive income (loss)		**13,143**	**50,722**	**84,220**
Total comprehensive income attributable to:				
Owners of the parent		12,826	50,665	84,036
Minority interests		317	57	184

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

ASSETS (€/000)	*Notes*	30.06.2011	31.12.2010	30.06.2010
NON-CURRENT ASSETS				
INTANGIBLE ASSETS		409,417	408,615	416,626
- Goodwill	*11*	230,518	228,042	231,318
- Other intangible assets	*12*	178,899	180,573	185,308
PROPERTY, PLANT AND EQUIPMENT		192,133	186,431	182,406
- Land, property, plant and machinery	*13*	136,431	133,493	135,122
- Other tangible assets	*14*	55,702	52,938	47,284
EQUITY INVESTMENTS AND OTHER FINANCIAL ASSETS		2,884	2,309	2,416
- Equity investments (in other companies)	*15*	677	671	671
- Receivables	*16*	2,099	1,512	1,626
- Other non-current financial assets	*17*	108	126	119
DEFERRED TAX ASSETS	*18*	39,162	33,471	36,624
TOTAL NON-CURRENT ASSETS		643,596	630,826	638,072
CURRENT ASSETS				
INVENTORIES	*19*	365,209	288,012	357,748
TRADE RECEIVABLES	*20*	274,113	387,937	260,080
CURRENT TAX ASSETS	*21*	19,758	13,686	18,524
OTHER RECEIVABLES	*22*	16,725	14,996	15,141
CURRENT FINANCIAL RECEIVABLES AND ASSETS	*23*	13,017	12,221	27,025
CASH AND CASH EQUIVALENTS	*24*	199,996	193,515	155,628
TOTAL CURRENT ASSETS		888,818	910,367	834,146
TOTAL ASSETS		**1,532,414**	**1,541,193**	**1,472,218**

NET EQUITY AND LIABILITIES (€/000)		30.06.2011	31.12.2010	30.06.2010
NET EQUITY				
GROUP PORTION OF NET EQUITY		749,920	758,921	725,550
- Share capital	*25*	448,500	448,500	448,500
- Reserves	*26*	267,396	235,506	259,293
- Profit (loss) pertaining to the group		34,024	74,915	17,757
MINORITY INTERESTS	*26*	1,968	1,651	1,524
TOTAL NET EQUITY		751,888	760,572	727,074
NON-CURRENT LIABILITIES				
FINANCIAL PAYABLES		99,738	107,934	125,410
- Bank loans and borrowings (long-term portion)	*27*	80,968	89,416	109,726
- Other financial payables (long-term portion)	*28*	18,770	18,518	15,684
DEFERRED TAX LIABILITIES	*18*	19,731	19,393	21,023
NON-CURRENT PROVISIONS FOR CONTINGENCIES AND OTHER CHARGES		75,810	72,787	66,362
- Employee benefits	*29*	24,553	25,907	24,980
- Other provisions	*30*	51,257	46,880	41,382
TOTAL NON-CURRENT LIABILITIES		195,279	200,114	212,795
CURRENT LIABILITIES				
TRADE PAYABLES		362,220	374,184	324,210
FINANCIAL PAYABLES		125,559	102,755	127,425
- Bank loans and borrowings (short-term portion)	*27*	100,126	81,353	107,473
- Other financial payables (short-term portion)	*28*	25,433	21,402	19,952
CURRENT TAX LIABILITIES	*31*	39,656	44,659	23,106
OTHER PAYABLES	*32*	57,812	58,909	57,608
TOTAL CURRENT LIABILITIES		585,247	580,507	532,349
TOTAL NET EQUITY AND LIABILITIES		**1,532,414**	**1,541,193**	**1,472,218**

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.

CONSOLIDATED STATEMENT OF CASH FLOWS

(€/000)	*Notes*	**1st half 2011**	**1st half 2010**
Profit (loss) pertaining to the group		34,024	17,757
Income taxes for the period		20,423	10,600
Amortization, depreciation and impairment		19,102	18,281
Net change in provisions		2,395	10,777
Cash flow generated (absorbed) by current operations (A)		**75,944**	**57,415**
Change in assets and liabilities for the period:			
Trade receivables		100,911	116,724
Inventories		(84,532)	(80,318)
Trade payables		5,161	(4,554)
Other current assets and liabilities		(27,106)	(16,055)
Payment of income taxes		(11,296)	(12,960)
Cash flow generated (absorbed) by movements in working capital (B)		**(16,862)**	**2,837**
Cash flow generated (absorbed) by current operations and movements in working capital (A+B)		**59,082**	**60,252**
Investment activities:			
Investments in intangible assets		(4,865)	(8,373)
Other cash flows for intangible assets		72	634
Investments in property, plant and equipment		(19,814)	(11,672)
Other cash flows for property, plant and equipment		185	593
Net investments in equity investments and other financial assets		(783)	488
Cash flow generated (absorbed) by ordinary investment activities		**(25,205)**	**(18,330)**
Cash effect for purchase of equity investments		(2,198)	-
Non-recurring cash flow (D)		**(2,198)**	**-**
Dividends paid		(21,827)	(11,960)
Change in currency translation reserve		(10,587)	17,206
Increase (decrease) in minority interests in capital and reserves		317	(154)
New loans		13,761	46,169
Interest payment on loans		(1,635)	(1,473)
Repayment of loans and other net changes in sources of finance		(5,227)	(60,036)
Cash flow generated (absorbed) by changes in net equity and by financing activities (E)		**(25,198)**	**(10,248)**
Cash flow for the period (A+B+C+D+E)		**6,481**	**31,674**
Opening cash and cash equivalents	*24*	**193,515**	**123,954**
Increase (decrease) in cash and cash equivalents (A+B+C+D+E)		6,481	31,674
Closing cash and cash equivalents	*24*	**199,996**	**155,628**

Appendix 2 presents the statement of cash flows at 30 June 2011 in terms of net financial position.

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 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
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**
Balance at 31 December 2010	**448,500**	**325**	**8,464**	**59,893**	**(1,819)**	**(10,825)**	**179,468**	**74,915**	**758,921**	**1,651**	**760,572**
Allocation of 2010 result as per AGM resolution of 12 April 2011											
- distribution of dividends							(21,827)		(21,827)		(21,827)
- allocation to reserves			1,229	1,532			72,154	(74,915)	-		-
Movements from transactions with shareholders	**-**	**-**	**1,229**	**1,532**	**-**	**-**	**50,327**	**(74,915)**	**(21,827)**	**-**	**(21,827)**
Profit (loss) after taxes								34,024	34,024	317	34,341
Other components of comprehensive income (loss)					(7,431)	(13,767)			(21,198)		(21,198)
Comprehensive income (loss)	**-**	**-**	**-**	**-**	**(7,431)**	**(13,767)**	**-**	**34,024**	**12,826**	**317**	**13,143**
Balance at 30 June 2011	**448,500**	**325**	**9,693**	**61,425**	**(9,250)**	**(24,592)**	**229,795**	**34,024**	**749,920**	**1,968**	**751,888**

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's business involves the production and sale of machinery for air-conditioning systems, latest heating technology, heat pumps and for temperature control of industrial processes, data centres and mobile telecommunications, and water-filled radiators distributed through the Professional channel under a business-to-business model.

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

The 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 format with fewer disclosures than in annual financial statements.

The half-year condensed consolidated financial statements at 30 June 2011 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 of which have been prepared in a full format that is comparable with the annual consolidated financial statements.
The explanatory notes are presented in a condensed format and so are limited to the information needed by users to understand the financial statements for the first half of 2011.

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 to 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.

The publication of the half-year condensed consolidated financial statements of De'Longhi S.p.A. for the period ended 30 June 2011 was authorized by the Board of Directors on 29 August 2011.

International financial reporting standards and/or interpretations adopted

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, except for certain *Improvements to International Financial Reporting Standards*, endorsed by the European Union in February 2011, which have nonetheless not had a significant impact on the present financial statements.

International financial reporting standards and/or interpretations not yet applicable

On 12 May 2011, the IASB published IFRS 10 - *Consolidated financial statements* with the aim of proposing a new standard for consolidated financial statements to replace the current version of IAS 27 (*Consolidated and separate financial statements*) and also incorporates the contents of SIC 12 (*Special purpose entities*).

On the same date the IASB also published IFRS 11 - *Joint arrangements*, which supersedes IAS 31, and IFRS 12 - *Disclosure of interests in other entities*, which establishes what information to disclose in the notes to financial statements to which IFRS 10 and IFRS 11 apply.

Also issued was IFRS 13 – *Fair value measurement*, which provides a number of guidelines on how to determine fair value.

On 16 June 2011, the IASB published a revised version of IAS 19 - *Employee benefits*, which makes a number of changes to the accounting treatment for employee benefits, and an amendment to IAS 1 - *Presentation of items of other comprehensive income* (OCI).

Amendments have also been published to IFRS 7 - *Financial instruments: disclosures*, to IAS 12 - *Income taxes* and to IFRS 1 - *First-time adoption of International Financial Reporting Standards*.

At the date of the present report, the competent bodies of the European Union had not yet completed the endorsement process needed for the new standards to apply.

The following exchange rates have been used:

		30.06.2011		30.06.2010		% change		31.12.2010
Currency		**Period-end exchange rate (*)**	**Average exchange rate (*)**	**Period-end exchange rate (*)**	**Average exchange rate (*)**	**Period-end exchange rate**	**Average exchange rate**	**Period-end exchange rate (*)**
US dollar	USD	1.44530	1.40311	1.22710	1.32843	17.8%	5.6%	1.33620
British pound	GBP	0.90255	0.86804	0.81745	0.87002	10.4%	(0.2%)	0.86075
Hong Kong dollar	HKD	11.24750	10.91985	9.55490	10.32333	17.7%	5.8%	10.38560
Chinese renminbi (yuan)	CNY	9.34160	9.17551	8.32150	9.06777	12.3%	1.2%	8.82200
Australian dollar	AUD	1.34850	1.35799	1.44030	1.48592	(6.4%)	(8.6%)	1.31360
Canadian dollar	CAD	1.39510	1.37026	1.28900	1.37372	8.2%	(0.3%)	1.33220
Japanese yen	JPY	116.25000	115.02967	108.79000	121.49500	6.9%	(5.3%)	108.65000
Malaysian ringgit	MYR	4.36260	4.25465	3.97300	4.39431	9.8%	(3.2%)	4.09500
New Zealand dollar	NZD	1.74680	1.80431	1.77610	1.88421	(1.6%)	(4.2%)	1.72000
Polish zloty	PLN	3.99030	3.95176	4.14700	4.00262	(3.8%)	(1.3%)	3.97500
South African rand	ZAR	9.85690	9.68513	9.38080	10.00364	5.1%	(3.2%)	8.86250
Singapore dollar	SGD	1.77610	1.76535	1.71600	1.85558	3.5%	(4.9%)	1.71360
Russian rouble	RUB	40.40000	40.14488	38.28200	39.92270	5.5%	0.6%	40.82000
Turkish lira	TRY	2.35000	2.20639	1.94000	2.02200	21.1%	9.1%	2.06940
Czech koruna	CZK	24.34500	24.34772	25.69100	25.73408	(5.2%)	(5.4%)	25.06100
Swiss franc	CHF	1.20710	1.27043	1.32830	1.43674	(9.1%)	(11.6%)	1.25040
Brazilian real	BRL	2.26010	2.28711	2.20820	2.38684	2.4%	(4.2%)	2.21770
Croatian kuna	HRK	7.40180	7.39711	7.19800	7.26721	2.8%	1.8%	7.38300
Ukrainian hryvnia	UAH	11.53530	11.17557	9.72042	10.59251	18.7%	5.5%	10.62540
Indian Rupee	INR	64.56200	63.13153	56.9930	60.79925	13.3%	3.8%	59.75800

(*) Source: Bank of Italy

CHANGE IN THE SCOPE OF CONSOLIDATION

A commercial subsidiary has been formed in Ukraine (in operation since May 2011) as part of the process of strengthening the international commercial network.

Climaveneta, a company in the Professional division that produces and sells air-conditioning and cooling systems, has acquired a company in the United Kingdom that distributes chillers in the UK market; the newly acquired company has been consolidated from 1 May 2011.

Total transaction value	2,847
(Fair value of assets and liabilities acquired)	(371)
Goodwill	2,476

The focus on building up Climaveneta has also involved investments in a new company formed in India at the end of December 2010 with a local partner to produce and sell thermo-cooling systems in this important market (the effects of these transactions were not material at 30 June 2011), as well as continued work on starting up production facilities in China to produce precision thermo-cooling systems as part of the company's development programme for the Chinese market.

SEASONALITY OF BUSINESS

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

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:

	1st half 2011	1st half 2010	Change
Household	587,166	496,656	90,510
Professional	178,770	155,472	23,298
Corporate	6,499	5,733	766
Intersegment eliminations	(9,365)	(7,236)	(2,129)
Total	**763,070**	**650,625**	**112,445**

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

Revenues by geographical area:

(€/million)	1st half 2011	1st half 2010	Change	% change
Mature markets				
Italy	121,417	112,381	9,036	8.0%
United Kingdom	63,570	57,658	5,912	10.3%
North America	46,100	30,691	15,409	50.2%
Japan	13,487	11,818	1,669	14.1%
Western Europe	285,066	248,045	37,021	14.9%
Total	**529,640**	**460,593**	**69,047**	**15.0%**
Emerging markets				
Eastern Europe	69,686	52,556	17,130	32.6%
Rest of the world	163,744	137,476	26,268	19.1%
Total	**233,430**	**190,032**	**43,398**	**22.8%**
Total revenues	**763,070**	**650,625**	**112,445**	**17.3%**

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

"Other revenues" are broken down as follows:

	1st half 2011	1st half 2010	Change
Out-of-period gains	3,346	3,159	187
Freight reimbursement	3,069	3,003	66
Commercial rights	819	955	(136)
Loss compensation	452	282	170
Other income	5,140	4,059	1,081
Total	**12,826**	**11,458**	**1,368**

2. RAW AND ANCILLARY MATERIALS, CONSUMABLES AND GOODS

The breakdown is as follows:

	1st half 2011	1st half 2010	Change
Raw materials	68,275	49,774	18,501
Parts	184,561	154,932	29,629
Finished products	185,538	166,693	18,845
Other purchases	4,413	3,937	476
Total	**442,787**	**375,336**	**67,451**

3. CHANGE IN INVENTORIES

The breakdown is as follows:

	1st half 2011	1st half 2010	Change
Change in inventories of finished products and work in progress	72,930	67,765	5,165
Change in inventories of raw and ancillary materials, consumables and goods	11,357	12,252	(895)

Note 19. Inventories analyzes the changes in more detail. The difference between the overall change in inventories reported in the income statement and the change in balances reported in the statement of financial position is mainly due to differences arising on the translation of foreign company financial statements.

4. PAYROLL COSTS

These costs include €40,091 thousand in production-related payroll (€36,711 thousand at 30 June 2010).
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 €22 thousand in non-recurring costs at 30 June 2011.

The following table analyzes the composition of the group's workforce at 30 June 2011:

	30.06.2011	31.12.2010
Blue collar	4,208	4,025
White collar	3,145	2,938
Senior managers	124	120
Total	**7,477**	**7,083**

5. SERVICES AND OTHER OPERATING EXPENSES

These are detailed as follows:

	1st half 2011	1st half 2010	Change
Advertising	14,059	9,258	4,801
Promotional expenses	36,767	30,144	6,623
Transport (for purchases and sales)	34,806	33,761	1,045
Commissions	10,458	9,737	721
Rentals and leasing	14,100	14,591	(491)
Subcontracted work	10,950	8,577	2,373
Technical support	9,653	9,775	(122)
Travel	7,771	7,207	564
Insurance	2,731	3,716	(985)
Storage and warehousing	7,225	6,236	989
Consulting services	7,171	6,565	606
Power	4,531	4,297	234
Postage, telegraph and telephones	2,159	2,200	(41)
Maintenance	1,997	1,989	8
Emoluments of directors and statutory auditors	1,578	1,635	(57)
Other sundry services	13,667	11,651	2,016
Total services	**179,623**	**161,339**	**18,284**
Sundry taxes	11,335	9,441	1,894
Out-of-period expenses	2,083	1,990	93
Other	3,140	3,425	(285)
Total other operating expenses	**16,558**	**14,856**	**1,702**
Total services and other operating expenses	**196,181**	**176,195**	**19,986**

"Rentals and leasing" at 30 June 2011 consist of premises rental (€11,397 thousand), operating lease payments (€623 thousand), royalties (€338 thousand) and equipment hire (€1,742 thousand).

At 30 June 2011 "Services and other operating expenses" include €1,402 thousand in non-recurring costs mainly in connection with actions aimed at reorganizing some of the group's activities.

6. CONTINGENCY AND OTHER PROVISIONS

These include €10,299 thousand in increases in provisions at 30 June 2011 which are discussed in *note 30. Non-current provisions for contingencies and other charges*.
They also include €2,174 thousand in increases to the allowance for doubtful accounts .

Total provisions include €1,078 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 €2,502 thousand at 30 June 2011 are classified directly in the income statement line items to which they refer (€1,402 thousand in services and other operating expenses, €22 thousand in payroll costs and €1,078 thousand in contingency and other provisions).

The breakdown is as follows:

	1st half 2011	1st half 2010	Change
Reorganization costs - commercial activities	611	589	22
Restructuring costs - production	1,000	1,500	(500)
Other non-recurring expenses	891	794	97
Total non-recurring expenses	**2,502**	**2,883**	**(381)**

8. AMORTIZATION AND DEPRECIATION

These are detailed as follows:

	1st half 2011	1st half 2010	Change
Amortization of intangible assets	6,368	6,147	221
Depreciation of property, plant and equipment	12,734	12,134	600
Total amortization and depreciation	**19,102**	**18,281**	**821**

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:

	1st half 2011	1st half 2010	Change
Income from equity investments	6	6	-
Financial income (expenses) from equity investments	**6**	**6**	**-**
Exchange differences and gains (losses) on currency hedges	**2,391**	**(3,594)**	**5,985**
Net interest expense and other bank charges	(4,851)	(4,546)	(305)
Financial discounts	(5,893)	(5,306)	(587)
Other financial income (expenses)	(4,020)	(3,515)	(505)
Other net financial income (expenses)	**(14,764)**	**(13,367)**	**(1,397)**
Financial income (expenses)	**(12,367)**	**(16,955)**	**4,588**

"Other financial income (expenses)" include the rate differentials on derivatives that hedge currency risk.

"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 analyzed as follows:

	1st half 2011	1st half 2010	Change
Current income taxes:			
- Income taxes	20,610	14,438	6,172
- IRAP (Italian regional business tax)	2,941	2,515	426
Deferred income tax liabilities (assets)	(3,128)	(6,353)	3,225
Total	**20,423**	**10,600**	**9,823**

"Deferred income tax liabilities (assets)" 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

	30.06.2011		31.12.2010		
	Gross	**Net**	**Gross**	**Net**	**Change**
Goodwill	258,845	230,518	256,369	228,042	2,476

The increase in goodwill relates to the acquisition of Climaveneta UK Inc. in the Professional division.

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

The following table shows how goodwill is allocated by CGU:

Cash-generating unit	Goodwill at 30.06.2011
De'Longhi	24,471
Kenwood	17,120
Climaveneta	102,549
DL Radiators	63,375
RC	23,003
Total	**230,518**

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 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 2011 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 2011 are basically in line with the estimates used at 31 December 2010.
Further information can be found in the explanatory notes to the consolidated financial statements at 31 December 2010.

Estimating the recoverable amount of the CGUs requires management to make judgements and estimates. 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 analyzed as follows:

	30.06.2011		31.12.2010		
	Gross	**Net**	**Gross**	**Net**	**Change**
New product development costs	62,656	15,153	60,515	16,382	(1,229)
Patents	31,627	2,572	31,085	2,675	(103)
Trademarks and similar rights	220,789	148,690	220,803	150,741	(2,051)
Work in progress and advances	10,689	9,547	8,743	7,601	1,946
Other	19,110	2,937	19,031	3,174	(237)
Total	**344,871**	**178,899**	**340,177**	**180,573**	**(1,674)**

The following table reports movements in the main asset categories during 2011:

	New product development costs	Patents	Trademarks and similar rights	Work in progress and advances	Other	Total
Net opening balance	**16,382**	**2,675**	**150,741**	**7,601**	**3,174**	**180,573**
Additions	1,929	524	27	2,284	101	4,865
Amortization	(3,370)	(645)	(2,037)	-	(316)	(6,368)
Translation differences and other movements (*)	212	18	(41)	(338)	(22)	(171)
Net closing balance	**15,153**	**2,572**	**148,690**	**9,547**	**2,937**	**178,899**

(*) 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 €4,213 thousand in development costs as intangible assets during the first half of 2011, of which €1,929 thousand in "New product development costs" for projects already completed at 30 June 2011, and €2,284 thousand in "Work in progress and advances" for projects still in progress.

The group has incurred some €18.4 million in research and development costs during the first half of 2011 (€19 million in the first half of 2010).

"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 at the time of 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 2010 on the basis of discount rates reflecting current market assessments of the time value of money and the risks specific to the individual cash-generating units, did not reveal any evidence that these assets might have suffered an impairment loss. No events of significance have occurred in the first half of 2011 such as might suggest that the carrying amount of trademarks could have suffered any impairment loss.

"Other" intangible assets include €2,497 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 also takes account of the fair value of a put option in the seller's favour expiring on 31 December 2014.

13. LAND, PROPERTY, PLANT AND MACHINERY

These are analyzed as follows:

	30.06.2011		31.12.2010		
	Gross	**Net**	**Gross**	**Net**	**Change**
Land and buildings	90,265	68,820	88,791	68,638	182
Plant and machinery	200,035	67,611	195,042	64,855	2,756
Total	**290,300**	**136,431**	**283,833**	**133,493**	**2,938**

The following table reports movements during 2011:

	Land and buildings	Plant and machinery	Total
Net opening balance	**68,638**	**64,855**	**133,493**
Additions	615	3,230	3,845
Disposals	-	(4)	(4)
Depreciation	(1,569)	(3,321)	(4,890)
Translation differences and other movements	1,136	2,851	3,987
Net closing balance	**68,820**	**67,611**	**136,431**

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):

	30.06.2011	31.12.2010	Change
Buildings	3,339	3,430	(91)
Plant and equipment	16,092	15,730	362
Other	329	289	40
Total	**19,760**	**19,449**	**311**

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:

	30.06.2011		31.12.2010		
	Gross	**Net**	**Gross**	**Net**	**Change**
Industrial and commercial equipment	201,561	30,351	198,366	30,840	(489)
Other	49,108	13,527	48,785	13,561	(34)
Work in progress and advances	11,824	11,824	8,537	8,537	3,287
Total	**262,493**	**55,702**	**255,688**	**52,938**	**2,764**

The following table reports movements during 2011:

	Industrial and commercial equipment	**Other**	**Work in progress and advances**	**Total**
Net opening balance	**30,840**	**13,561**	**8,537**	**52,938**
Additions	5,107	2,439	8,423	15,969
Disposals	(113)	(117)	(13)	(243)
Depreciation	(5,813)	(2,031)	-	(7,844)
Translation differences and other movements	330	(325)	(5,123)	(5,118)
Net closing balance	**30,351**	**13,527**	**11,824**	**55,702**

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

The increase in "Work in progress" is due to expenditure on the installation of photovoltaic systems and on the construction of a new manufacturing facility for a Chinese subsidiary.

15. EQUITY INVESTMENTS

The balance at 30 June 2011 reflects €677 thousand in equity investments in other companies, accounted for as available-for-sale financial assets.

16. NON-CURRENT RECEIVABLES

The balance at 30 June 2011 comprises €2,063 thousand in security deposits (€1,394 at 31 December 2010) and €36 thousand in other non-current receivables (€118 thousand at 31 December 2010).

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:

	30.06.2011	31.12.2010	Change
Deferred tax assets	39,162	33,471	5,691
Deferred tax liabilities	(19,731)	(19,393)	(338)
Net asset balance	**19,431**	**14,078**	**5,353**

"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:

	30.06.2011	31.12.2010	Change
- Temporary differences	8,574	6,046	2,528
- Tax losses	10,857	8,032	2,825
Net asset balance	**19,431**	**14,078**	**5,353**

The change in the net asset balance also reflects an increase of €2,826 thousand in amounts booked to net equity in the "Fair value and cash flow hedge reserve".

CURRENT ASSETS

19. INVENTORIES

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

	30.06.2011	31.12.2010	Change
Raw, ancillary and consumable materials	71,852	50,682	21,170
Work in progress and semi-finished products	25,284	21,303	3,981
Finished products and goods	300,273	253,250	47,023
Advances	1	1	-
Inventory writedown allowance	(32,201)	(37,224)	5,023
Total	**365,209**	**288,012**	**77,197**

The value of inventories is stated after deducting an allowance for obsolete or slow-moving goods totalling €32,201 thousand (€37,224 thousand at 31 December 2010), in relation to products and raw materials no longer deemed to be of strategic interest.
This allowance has decreased following the sale of slow-moving products and parts during the first half of 2011.

20. TRADE RECEIVABLES

These are detailed as follows:

	30.06.2011	31.12.2010	Change
Trade receivables			
- due within 12 months	300,803	415,690	(114,887)
- due beyond 12 months	5	5	-
Allowance for doubtful accounts	(26,695)	(27,758)	1,063
Total trade receivables	**274,113**	**387,937**	**(113,824)**

Trade receivables are stated net of an allowance for doubtful accounts of €26,695 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:

	31.12.2010	Increases	Utilization	Translation differences and other movements	30.06.2011
Allowance for doubtful accounts	27,758	2,174	(2,694)	(543)	26,695

The group has received €469 thousand in guarantees and €6,600 thousand in letters of patronage from customers as collateral against trade balances.

21. CURRENT TAX ASSETS

These are detailed as follows:

	30.06.2011	31.12.2010	Change
VAT	12,845	6,724	6,121
Tax payments on account	2,000	1,931	69
Direct taxes	1,623	1,842	(219)
Tax refunds requested	2,177	2,225	(48)
Other tax receivables	1,113	964	149
Total current tax assets	**19,758**	**13,686**	**6,072**

The amount of current tax assets due beyond 12 months is €421 thousand (€421 thousand at 31 December 2010).

22. OTHER RECEIVABLES

"Other receivables" are analyzed as follows:

	30.06.2011	31.12.2010	Change
Prepaid insurance costs	759	531	228
Advances to suppliers	7,718	5,885	1,833
Employees	575	643	(68)
Other	7,673	7,937	(264)
Total other receivables	**16,725**	**14,996**	**1,729**

Other receivables include €124 thousand in amounts due beyond 12 months.

23. CURRENT FINANCIAL RECEIVABLES AND ASSETS

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

	30.06.2011	31.12.2010	Change
Fair value of derivatives	2,872	2,625	247
Other financial receivables	7,645	7,096	549
Other securities	2,500	2,500	-
Total current financial receivables and assets	**13,017**	**12,221**	**796**

More details about 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" report the bond issued by Edilfriuli S.p.A. and subscribed by the subsidiary DL Radiators S.p.A.. This bond matures in October 2011.

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 €305.6 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 €283.1 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 2011 include €1,190 thousand in current accounts of Chinese subsidiaries that are restricted having been given as collateral.

COMMENTS ON THE STATEMENT OF FINANCIAL POSITION: LIABILITIES

NET EQUITY

Net equity is made up as follows:

	30.06.2011	31.12.2010	Change
Group portion	749,920	758,921	(9,001)
Minority interests	1,968	1,651	317
Total net equity	**751,888**	**760,572**	**(8,684)**

The annual general meeting (AGM) of De'Longhi S.p.A. held on 12 April 2011 declared a dividend totalling €21,827 thousand, which was paid during the first six months of the year.

Changes in net equity are reported as 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:

	30.06.2011	31.12.2010	Change
Share premium reserve	325	325	-
Legal reserve	9,693	8,464	1,229
Other reserves			
- Extraordinary reserve	61,425	59,893	1,532
- Fair value and cash flow hedge reserve	(9,250)	(1,819)	(7,431)
- Currency translation reserve	(24,592)	(10,825)	(13,767)
- Profit (loss) carried forward	229,795	179,468	50,327
Total reserves	**267,396**	**235,506**	**31,890**

The "Share premium reserve" was set up following the public offering at the time of 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 €8,464 thousand at 31 December 2010. The intervening increase of €1,229 thousand is due to the allocation of profit for 2010, as approved by the above AGM of De'Longhi S.p.A..

The "Extraordinary reserve" has increased due to the allocation of the parent company's profit for 2010, as approved by the above AGM.

The "Fair value and cash flow hedge" reserve is stated net of €3,490 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 €7,431 thousand during the first half of 2011 in the negative value of the "Fair value and cash flow hedge reserve" reflects €10,257 thousand in negative fair value changes in cash flow hedges less €2,826 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 €1,968 thousand. The interests held by minority interests and their corresponding share of net equity and results for the period ended 30 June 2011 are summarized below:

Company	**% interest**	**Net equity**	**Profit (loss) for the period**
E-Services S.r.l.	49%	2,023	309
Climaveneta Polska S.P.Zo.O.	19.12%	(55)	8
Total		**1,968**	**317**

The increase of €317 thousand in minority interests in net equity is due to the profit for the period attributable to minority interests.

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 30.06.2011**	**Profit (loss) after taxes 1st half 2011**	**Net equity 31.12.2010**	**Profit (loss) after taxes Full year 2010**
De'Longhi S.p.A. financial statements	**536,478**	**3,846**	**554,459**	**24,588**
Share of subsidiaries' equity and results for period attributable to the group, after deducting carrying value of the investments	113,624	32,938	94,220	60,515
Allocation of goodwill arising on consolidation and related amortization and reversal of goodwill recognized for statutory accounting purposes	126,363	(1,197)	135,339	(8,257)
Elimination of intercompany profits	(22,964)	(960)	(22,339)	(1,773)
Other adjustments	(1,613)	(286)	(1,107)	28
Consolidated financial statements	**751,888**	**34,341**	**760,572**	**75,101**
Minority interests	1,968	317	1,651	186
Group portion	**749,920**	**34,024**	**758,921**	**74,915**

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 30.06.2011	Within one year	One to five years	Beyond five years	Balance 31.12.2010	Change
Overdrafts	4,321			4,321	4,398			4,398	(77)
Short-term loans in euro or foreign currency	53,723			53,723	33,979			33,979	19,744
Advances	1,171			1,171	2,373			2,373	(1,202)
Long-term loans (current portion)	40,911			40,911	40,603			40,603	308
Total short-term bank loans and borrowings	**100,126**	**-**	**-**	**100,126**	**81,353**	**-**	**-**	**81,353**	**18,773**
Long-term loans	-	73,348	7,620	80,968	-	81,857	7,559	89,416	(8,448)
Total bank loans and borrowings	**100,126**	**73,348**	**7,620**	**181,094**	**81,353**	**81,857**	**7,559**	**170,769**	**10,325**

Long-term loans comprise the following:

Loans (including short-term portion)	**Balance 30.06.2011**	**Balance 31.12.2010**
Banca Popolare di Verona	34,067	42,511
Banca Popolare di Sondrio	20,389	24,297
Centrobanca – Banca Popolare di Vicenza	29,862	17,866
KBC Bank	8,321	12,475
Banca Popolare Friuladria	10,060	11,480
Banca di Cividale	5,372	6,338
Banca di Treviso	3,801	4,404
Banca Popolare di Vicenza	4,987	4,983
Cariparma	2,281	2,568
IMI (Law 46)	1,930	2,213
Other minor loans	809	884
Total long-term loans	**121,879**	**130,019**

During the first half of the year De'Longhi S.p.A. received the second tranche (€12,000 thousand) of the loan syndicated in the prior year by Centrobanca-Banca di Credito Finanziario e Mobiliare S.p.A.with Banca Popolare di Vicenza.
The loans entered in 2010 and partially disbursed in the first six months of the current year mature in 2017, carry a floating interest rate indexed to Euribor, are not backed by any security and call for annual compliance with financial covenants (ratio of net financial position to EBITDA and ratio of net financial position to net equity).

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 year end.

28. OTHER FINANCIAL PAYABLES

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

	30.06.2011	31.12.2010	Change
Payables to lease companies (short-term portion)	2,559	2,467	92
Ministry of Industry loans (short-term portion)	563	557	6
Payables for the purchase of equity investments	132	143	(11)
Negative fair value of derivatives	12,831	5,490	7,341
Other short-term financial payables	9,348	12,745	(3,397)
Total short-term payables	**25,433**	**21,402**	**4,031**
Payables to lease companies (one to five years)	9,069	8,307	762
Ministry of Industry loans (one to five years)	1,039	1,585	(546)
Other financial payables (one to five years)	7,657	7,478	179
Total long-term payables (one to five years)	**17,765**	**17,370**	**395**
Payables to lease companies (beyond five years)	1,005	1,148	(143)
Total long-term payables (beyond five years)	**1,005**	**1,148**	**(143)**
Total other financial payables	**44,203**	**39,920**	**4,283**

This balance includes €12,633 thousand in payables recognized for finance leases (€11,922 thousand at 31 December 2010) and €1,602 thousand in low-interest loans from the Ministry of Industry (€2,142 thousand at 31 December 2010).

"Other short-term financial payables" primarily refer to balances arising in connection with the without-recourse factoring of receivables.

"Other financial payables (one to five years)" mainly refer to the value of options over the remaining shares in the company Top Clima, over a minority stake in Climaveneta's new Indian company and over distribution rights to De'Longhi products in Greece.

"Negative fair value of derivatives" refers to hedging contracts, whose measurement at 30 June 2011 has resulted in a financial liability.

Net financial position

Details of the net financial position are as follows:

	30.06.2011	31.12.2010	Change
A. Cash	523	357	166
B. Cash equivalents	199,473	193,158	6,315
C. Securities	-	-	-
D. Total liquidity (A+B+C)	**199,996**	**193,515**	**6,481**
E. Current financial receivables and other securities	**13,017**	**12,221**	**796**
Of which:	-		
Fair value of derivatives	*2,872*	*2,625*	*247*
F. Current bank loans and borrowings	(59,215)	(40,749)	(18,466)
G. Current portion of non-current debt	(40,911)	(40,603)	(308)
H. Other current financial payables	(25,433)	(21,402)	(4,031)
Of which:			
Fair value of derivatives	*(12,831)*	*(5,490)*	*(7,341)*
I. Current financial debt (F+G+H)	**(125,559)**	**(102,754)**	**(22,805)**
J. Net current financial debt (I+E+D)	**87,454**	**102,982**	**(15,528)**
K. Non-current bank loans and borrowings	(80,968)	(89,416)	8,448
L. Bonds	-	-	
M. Other non-current payables (*)	(18,627)	(18,275)	(352)
Of which:			
Fair value of derivatives	*(111)*	-	*(111)*
Options	*(7,513)*	*(7,479)*	*(21)*
N. Non-current financial debt (K+L+M)	**(99,595)**	**(107,691)**	**8,096**
Total	**(12,141)**	**(4,709)**	**(7,432)**

(*) This amount differs from that reported in the statement of financial position because it is presented net of €143 thousand classified in "Receivables" and "Other non-current financial assets" (€243 thousand at 31 December 2010).

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 2011 is detailed as follows:

	Fair value (€/000)		
	Current financial assets	**Other financial payables (short-term portion)**	**Other financial payables (long-term portion)**
Hedges of 2011 budget	2,538	(11,692)	(111)
Hedges against foreign currency receivables and payables	334	(1,139)	-
Total fair value	**2,872**	**(12,831)**	**(111)**

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

29. EMPLOYEE BENEFITS

These are analyzed as follows:

	30.06.2011	31.12.2010	Change
Provision for severance indemnities	15,348	15,483	(135)
Defined benefit plans	4,207	6,534	(2,327)
Long-term benefits	4,998	3,890	1,108
Total employee benefits	**24,553**	**25,907**	**(1,354)**

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 an unfunded 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	**30.06.2011**	**31.12.2010**	**Change**
Defined benefit obligations	15,348	15,483	(135)

Net cost charged to income	**30.06.2011**	**31.12.2010**	**Change**
Current service cost	59	114	(55)
Interest cost on obligations	393	741	(348)
Total	**452**	**855**	**(403)**

Change in present value of obligations	**30.06.2011**	**31.12.2010**	**Change**
Present value at 1 January	**15,483**	**16,965**	**(1,482)**
Current service cost	59	114	(55)
Utilization of provision	(587)	(2,337)	1,750
Interest cost on obligations	393	741	(348)
Present value at reporting date	**15,348**	**15,483**	**(135)**

Defined benefit plans:

Movements in the period are as follows:

Net cost charged to income	30.06.2011	31.12.2010	Change
Current service cost	151	339	(188)
Return on plan assets	(869)	(1,694)	825
Interest cost on obligations	972	1,975	(1,003)
Total	**254**	**620**	**(366)**

Change in present value of obligations	30.06.2011	31.12.2010	Change
Present value at 1 January	6,534	**7,751**	(1,217)
Net cost charged to income	254	620	(366)
Benefits paid	(2,303)	(2,569)	266
Translation difference	(278)	732	(1,010)
Present value at reporting date	**4,207**	**6,534**	**(2,327)**

The present value at 30 June 2011 comprises €1,173 thousand in respect of Kenwood Ltd. and €3,034 thousand for De'Longhi Japan Corp.

Long-term benefits mostly refer to provision for a share-based compensation scheme (Phantom Stock Option Plan) approved in 2008 which entitles beneficiaries to cash payments based on the growth in the company's ordinary share price.
De’Longhi S.p.A. published an information circular with regard to this plan, as required by art. 84-*bis* of the Issuer Regulations; this circular was prepared 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. At 30 June 2011 the number of exercisable options was 500,000. The allotment value was €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 (thus triggering the 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 the Phantom Stock Option Plan had an impact of €1,808 thousand on the income statement at 30 June 2011.

30. NON-CURRENT PROVISIONS FOR CONTINGENCIES AND OTHER CHARGES

The breakdown is as follows:

	30.06.2011	31.12.2010	Change
Agents’ leaving indemnity provision and other retirement provisions	6,534	6,602	(68)
Product warranty provision	23,446	22,226	1,220
Provisions for contingencies and other charges	21,277	18,052	3,225
Total non-current provisions for contingencies and other charges	**51,257**	**46,880**	**4,377**

Movements are as follows:

	31.12.2010	Utilization	Increases	Other	30.06.2011
Agents' leaving indemnity provision and other retirement provisions	6,602	(247)	180	(1)	6,534
Product warranty provision	22,226	(6,466)	7,597	89	23,446
Provisions for contingencies and other charges	18,052	(2,461)	6,607	(921)	21,277
Total	**46,880**	**(9,174)**	**14,384**	**(833)**	**51,257**

The agents' leaving indemnity provision covers the payments that might be due to departing agents in accordance with art. 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 2011. 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 of €6,332 thousand for uninsured liabilities arising from product complaints, limited to policy deductibles (€6,971 thousand at 31 December 2010);
- the provision of €3,033 thousand for restructuring and reorganization in Italy and abroad (€3,164 thousand at 31 December 2010);
- provisions of €11,912 thousand by the parent company and certain subsidiaries against various contingencies and liabilities relating to legal disputes.

CURRENT LIABILITIES

31. CURRENT TAX LIABILITIES

These are detailed as follows:

	30.06.2011	31.12.2010	Change
Direct taxes	28,214	19,567	8,647
Indirect taxes	6,847	12,092	(5,245)
Withholdings payable	3,875	5,604	(1,729)
Other taxes	720	7,396	(6,676)
Total current tax liabilities	**39,656**	**44,659**	**(5,003)**

Tax liabilities due beyond 12 months amount to €20 thousand at 30 June 2011.

32. OTHER PAYABLES

These are detailed as follows:

	30.06.2011	31.12.2010	Change
Employees	31,499	28,254	3,245
Social security institutions	5,829	7,860	(2,031)
Advances	5,557	5,504	53
Other	14,927	17,291	(2,364)
Total other payables	**57,812**	**58,909**	**(1,097)**

33. COMMITMENTS

These are detailed as follows:

	30.06.2011	31.12.2010	Change
Guarantees given to third parties	2,027	1,332	695
Other commitments	3,283	3,260	23
Total commitments	**5,310**	**4,592**	**718**

"Other commitments" mainly consist of contractual obligations of the subsidiary De'Longhi America Inc. for €0.9 million and of the subsidiary Tricom Industrial Company Limited for €1.6 million.

34. 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 2011. 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	-	2,872	-
- derivatives with negative fair value	-	(12,942)	-
Available-for-sale financial assets:			
- other non-current financial assets	46	-	-

There were no transfers between the levels during the period.

35. TAX POSITION

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

- DL Radiators S.p.A.: a general tax audit for tax year 2005 by the Treviso tax office. A preliminary notice of findings was issued on 18 December 2008. Further to this notice the Veneto regional tax office (large taxpayer unit) issued a notice of assessment dated 29 December 2010, against which the company filed an appeal on 23 June 2011 with Venice's Provincial Tax Commission following failure of the attempt to reach a mutually agreed solution. The petition for conciliation was presented to the Veneto regional tax office on 25 July 2011.

- De'Longhi Capital Services S.r.l.: specific access for direct taxes relating to tax years 2004, 2005 and 2006 by the Veneto regional tax office. A preliminary notice of findings was issued on 14 December 2009, in respect of which the Treviso provincial tax office issued a notice of assessment on 13 December 2010, against which the company filed an appeal on 8 June 2011 with Treviso's Provincial Tax Commission following failure of the attempt to reach a mutually agreed solution. The petition for conciliation was presented to the Treviso provincial tax office on 15 July 2011.
  Since the above companies filed for tax on a group basis in 2005, the Veneto regional tax office (large taxpayer unit) issued a notice of assessment dated 29 December 2010 to the head of the tax group De' Longhi S.p.A., against which the company filed an appeal on 23 June 2011 with Venice's Provincial Tax Commission following failure of the attempt to reach a mutually agreed solution.

- Climaveneta S.p.A.: a tax audit for tax years 2007 and 2008 by the Treviso customs office, relating to correct 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: the company has stated that it will appeal before the competent bodies against the findings contained in the preliminary notice, although the tax authorities have not yet issued any notice of assessment.

- Climaveneta Home System S.r.l. (now Climaveneta S.p.A.): a general tax audit for tax year 2007 by the Treviso tax office. The preliminary notice of findings was issued on 5 March 2010, against which the company intends to appeal before the competent bodies: the tax authorities have not yet issued any notice of assessment.

- De'Longhi Appliances S.r.l.: audit by the Treviso tax police of direct tax, VAT and other taxes for tax periods from 01/01/2007 to 29/05/2009, under the provisions of art. 27, par. 9 -11 of Decree 185/2008 (so-called tax tutorship). A preliminary notice of findings relating to tax year 2007 was issued on 23 December 2009, against which the company intends to appeal before the competent bodies; the tax authorities have not yet issued any notice of assessment, while the audit in relation to tax year 2008 was completed with the issue of a notice of findings on 11 November 2010, in which no matters were raised.

- Kenwood Appliances Ltd. and Kenwood Ltd.: a number of requests for information regarding 2006 and 2007 still remain open, especially in relation to the taxation in the United Kingdom of dividends received by Italian companies and to the application of Controlled Foreign Corporation rules.

When preparing its half-year condensed consolidated financial statements, the group has evaluated, with the assistance of its tax advisors, the possible outcomes of the above proceedings which were still uncertain at the end of the reporting period.

36. 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.

37. OPERATING SEGMENTS

Information relating to operating segments is presented below:

Income statement data

			1st half 2011		
	Household	Professional	Corporate	Eliminations	Consolidated total
Total revenues	587,166	178,770	6,499	(9,365)	763,070
EBITDA	**76,227**	**15,583**	**(5,572)**	**(5)**	**86,233**
Amortization and depreciation	(13,872)	(4,949)	(281)	-	(19,102)
EBIT	**62,355**	**10,634**	**(5,853)**	**(5)**	**67,131**
Financial income (expenses)					(12,367)
Profit (loss) before taxes					**54,764**
Income taxes					(20,423)
Profit (loss) after taxes					**34,341**
Profit (loss) pertaining to minority interests					317
Profit (loss) for the period					**34,024**

Statement of financial position data (30 June 2011)

	Household	Professional	Corporate	Eliminations	Consolidated total
Total assets	840,601	646,423	261,366	(215,976)	1,532,414
Total liabilities	(213,648)	(371,688)	(410,901)	215,711	(780,526)

Income statement data

			1st half 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**
Income taxes					(10,600)
Profit (loss) after taxes					**17,814**
Profit (loss) pertaining to minority interests					57
Profit (loss) for the period					**17,757**

Statement of financial position data (31 December 2010)

	Household	Professional	Corporate	Eliminations	Consolidated total
Total assets	973,832	515,105	194,435	(142,179)	1,541,193
Total liabilities	(354,693)	(393,220)	(174,716)	142,008	780,621

38. SUBSEQUENT EVENTS

During July 2011 the Board of Directors of De'Longhi SpA approved an extraordinary transaction for a partial, proportionate spin-off from De'Longhi to De'Longhi Clima S.p.A., a wholly-owned subsidiary. The main purpose of the spin-off is to separate the activities relating to the two distinct areas of business in which the De'Longhi Group currently operates, and particularly to demerge production and marketing activities for machines for industrial air-conditioning systems and ICT industrial process chillers and for water-filled radiators (relating to the Professional division), from the production and marketing activities for small domestic appliances and portable air-conditioning products (relating to the Household division).
The transaction's main aim is to permit independent development of the two distinct businesses relating to each of the two divisions and which have no operating synergies with the other. In fact, the spin-off's principal rationale is the fact that the Professional division's activities are substantially different from the Household division in terms of customers and markets and also address different potential investor profiles.

As a result of the spin-off, two distinct groups will emerge, each focused on their own business with clearly identified objectives discernable by the market. De'Longhi, with its small household appliances business, will have the opportunity of reflecting the unexpressed value of the Household division, positioning itself as world leader in high-end coffee machines.

Instead, De'Longhi Clima S.p.A. will have the opportunity to secure a role as a global competitor in the business of high energy efficient products and to act as a consolidator in the Heating, Ventilation and Air Conditioning (HVAC) market.

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

Treviso, 29 August 2011

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 30.06.2011	
				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 KENWOOD A.P.A. LTD	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	CNY	55,112,118.00		100%
DONG GUAN DE'LONGHI-KENWOOD APPLIANCES CO.LTD.	Qing Xi Town	CNY	56,465,250.00		100%
CLIMAVENETA S.P.A.	Treviso	EUR	10,000,000.00		100%
CLIMAVENETA DEUTSCHLAND GMBH	Nordstedt	EUR	306,775.00		100%
CLIMAVENETA FRANCE SASU	Epone	EUR	150,000.00		100%
DE'LONGHI HOUSEHOLD S.A.	Luxembourg	EUR	181,730,990.00	100%	
DE'LONGHI JAPAN CORPORATION	Tokyo	JPY	50,000,000.00		100%
DL RADIATORS S.P.A.	Treviso	EUR	5,000,000.00		100%
DE'LONGHI CLIMA POLSKA SP.ZO.O	Warsaw	PLN	597,000.00		100%
Company controlled through nominee company (3)	Nuremberg	EUR	26,000.00		100%
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	Moscow	RUB	6,000,000.00		100%
DL TRADING (SHENZEN) COMPANY CO. LTD.	Shenzhen	CNY	USD 1,543,000		100%
KENWOOD APPLIANCES LTD.	Havant	GBP	30,586,001.00		100%
DE'LONGHI BENELUX 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%
DE'LONGHI KENWOOD HELLAS S.A.	Athens	EUR	452,520.00		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%
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. (4)	Barcelona	EUR	1,606,000.00		100%
SOMORA ASESORES SL (4)	Barcelona	EUR	303,005.00		100%

SATER MANTENIMIENTO SL (4)	Madrid	EUR	250,000.00		99.99%
KENWOOD SWISS AG	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%
FOSHAN RC AIR CONDITIONING R.E. CO. LTD.	Foshan City	CNY	9,159,370.00		100%
DE’LONGHI POLSKA SP. Z.O.O.	Warsaw	PLN	50,000		100%
CLIMAVENETA POLSKA SP. ZO.O	Legionowo	PLN	1,700,000		80.88%
DE'LONGHI LTD.	Wellingborough	GBP	4,000,000.00		100%
DE’LONGHI APPLIANCES TECHNOLOGY SERVICES (Shenzen) Co. Ltd	Shenzhen	USD	175,000.00		100%
CLIMAVENETA REFRIGERATION EQUIPMENT (SHANGHAI) CO. LTD	Shanghai	CNY	USD 2,100,000		100%
DE'LONGHI TRADING (SHANGHAI) CO. LTD	Shanghai	CNY	USD 945,000		100%
CLIMAVENETA CLIMATE TECHNOLOGY PRIVATE LIMITED	Bangalore	INR	50,500,000		100%
CLIMAVENETA UK LIMITED	Solihull	GBP	890,000.00		100%
DE’LONGHI UKRAINE LLC	Kiev	UAH	549,843.20		100%
DE’LONGHI CLIMA S.P.A. (5)	Milan	EUR	10,000.00	100%	
PROPORTIONATE METHOD:					
CHAT UNION CLIMAVENETA COMPANY LTD.	Hong Kong	HKD	10,000		50%
CLIMAVENETA CHAT UNION REFRIGERATION EQUIPMENT (SHANGAI) CO.LTD.	Shanghai	CNY	USD 6,800,000		50%
CLIMAVENETA CHAT UNION TRADING (SHANGHAI) CO.LTD.	Shanghai	CNY	USD 600,000		50%
CHAT UNION CLIMAVENETA TRADING (SHANGHAI) CO.LTD	Shanghai	CNY	10,000,000		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%

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 2011, 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 nominee company. As permitted by law, the company's name has been omitted to protect its interests and those of the group.
(4) The 100% interest includes the reciprocal put and call options over purchase of the minority interest.
(5) Company name changed following the extraordinary shareholders' meeting on 18 July 2011 which also resolved to transform the company from an "S.r.l." (private limited company) into an "S.p.A." (joint stock company).
(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)

	1st half 2011	1st half 2010
Profit (loss) pertaining to the group	34,024	17,757
Income taxes for the period	20,423	10,600
Amortization, depreciation and impairment	19,102	18,281
Net change in provisions	2,395	10,777
Cash flow generated (absorbed) by current operations (A)	**75,944**	**57,415**
Change in assets and liabilities for the period:		
Trade receivables	100,911	116,724
Inventories	(84,532)	(80,318)
Trade payables	5,161	(4,554)
Other current assets and liabilities	(27,106)	(16,055)
Payment of income taxes	(11,296)	(12,960)
Cash flow generated (absorbed) by movements in working capital (B)	**(16,862)**	**2,837**
Cash flow generated (absorbed) by current operations and movements in working capital (A+B)	**59,082**	**60,252**
Investment activities:		
Investments in intangible assets	(4,865)	(8,373)
Other cash flows for intangible assets	72	634
Investments in property, plant and equipment	(19,814)	(11,672)
Other cash flows for property, plant and equipment	185	593
Net investments in equity investments and other financial assets	(783)	488
Cash flow generated (absorbed) by ordinary investment activities	**(25,205)**	**(18,330)**
Cash effect for purchase of equity investments	(2,242)	-
Non-recurring cash flow (D)	**(2,242)**	**-**
Fair value and cash flow hedge reserves	(10,250)	9,511
Dividends paid	(21,827)	(11,960)
Change in currency translation reserve	(7,307)	7,748
Increase (decrease) in minority interests in capital and reserves	317	(154)
Cash flow generated (absorbed) by changes in net equity (E)	**(39,067)**	**5,145**
Cash flow for the period (A+B+C+D+E)	**(7,432)**	**47,067**
Opening net financial position	**(4,709)**	**(117,091)**
Cash flow for the period (A+B+C+D+E)	(7,432)	47,067
Closing net financial position	**(12,141)**	**(70,024)**

(*) Net financial position represents gross financial debt less 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)	**1st half 2011**	**of which with related parties**	**1st half 2010**	**of which with related parties**
Revenues from sales and services	750,244	73	639,167	265
Other revenues	12,826	38	11,458	41
Total consolidated revenues	***763,070***		***650,625***	
Raw and ancillary materials, consumables and goods	(442,787)	(134)	(375,336)	(2)
Change in inventories of finished products and work in progress	72,930		67,765	
Change in inventories of raw and ancillary materials, consumables and goods	11,357		12,252	
Materials consumed	***(358,500)***		***(295,319)***	
Payroll costs	(111,857)		(98,862)	
Services and other operating expenses	(196,181)	(3,531)	(176,195)	(3,367)
Provisions	(10,299)		(16,599)	
Amortization and depreciation	(19,102)		(18,281)	
EBIT	**67,131**		**45,369**	
Financial income (expenses)	(12,367)	-	(16,955)	2
PROFIT (LOSS) BEFORE TAXES	**54,764**		**28,414**	
Income taxes	(20,423)		(10,600)	
PROFIT (LOSS) AFTER TAXES	**34,341**		**17,814**	
Profit (loss) pertaining to minority interests	317		57	
PROFIT (LOSS) PERTAINING TO OWNERS OF THE PARENT	**34,024**		**17,757**	

CONSOLIDATED STATEMENT OF FINANCIAL POSITION - ASSETS (pursuant to CONSOB Resolution 15519 of 27 July 2006) (€/000)	**30.06.2011**	**of which with related parties**	**31.12.2010**	**of which with related parties**
NON-CURRENT ASSETS				
INTANGIBLE ASSETS	409,417		408,615	
- Goodwill	230,518		228,042	
- Other intangible assets	178,899		180,573	
PROPERTY, PLANT AND EQUIPMENT	192,133		186,431	
- Land, property, plant and machinery	136,431		133,493	
- Other tangible assets	55,702		52,938	
EQUITY INVESTMENTS AND OTHER FINANCIAL ASSETS	2,884		2,309	
- Equity investments (in other companies)	677		671	
- Receivables	2,099		1,512	
- Other non-current financial assets	108		126	
DEFERRED TAX ASSETS	39,162		33,471	
TOTAL NON-CURRENT ASSETS	643,596		630,826	
CURRENT ASSETS				
INVENTORIES	365,209		288,012	
TRADE RECEIVABLES	274,113	20	387,937	85
CURRENT TAX ASSETS	19,758		13,686	
OTHER RECEIVABLES	16,725	44	14,996	111
CURRENT FINANCIAL RECEIVABLES AND ASSETS	13,017	-	12,221	-
CASH AND CASH EQUIVALENTS	199,996		193,515	
TOTAL CURRENT ASSETS	888,818		910,367	
TOTAL ASSETS	**1,532,414**		**1,541,193**	

CONSOLIDATED STATEMENT OF FINANCIAL POSITION - NET EQUITY AND LIABILITIES (pursuant to CONSOB Resolution 15519 of 27 July 2006) (€/000)	**30.06.2011**	**of which with related parties**	**31.12.2010**	**of which with related parties**
NET EQUITY				
GROUP PORTION OF NET EQUITY	749,920		758,921	
- Share capital	448,500		448,500	
- Reserves	267,396		235,506	
- Profit (loss) pertaining to the group	34,024		74,915	
MINORITY INTERESTS	1,968		1,651	
TOTAL NET EQUITY	751,888		760,572	
NON-CURRENT LIABILITIES				
FINANCIAL PAYABLES	99,738		107,934	
- Bank loans and borrowings (long-term portion)	80,968		89,416	
- Other financial payables (long-term portion)	18,770		18,518	
DEFERRED TAX LIABILITIES	19,731		19,393	
NON-CURRENT PROVISIONS FOR CONTINGENCIES AND OTHER CHARGES	75,810		72,787	
- Employee benefits	24,553		25,907	
- Other provisions	51,257		46,880	
TOTAL NON-CURRENT LIABILITIES	195,279		200,114	
CURRENT LIABILITIES				
TRADE PAYABLES	362,220	378	374,184	204
FINANCIAL PAYABLES	125,559		102,755	
- Bank loans and borrowings (short-term portion)	100,126		81,353	
- Other financial payables (short-term portion)	25,433		21,402	
CURRENT TAX LIABILITIES	39,656		44,659	
OTHER PAYABLES	57,812		58,909	
TOTAL CURRENT LIABILITIES	585,247		580,507	
TOTAL NET EQUITY AND LIABILITIES	**1,532,414**		**1,541,193**	

Transactions and balances with related parties

Summary by company

In compliance with the guidelines and methods for identifying significant transactions, especially those with related parties covered by the De'Longhi S.p.A. rules on corporate governance, we shall now present the following information concerning related party transactions during 2011:

(€/million)	Revenues	Raw material and other costs	Trade, other and financial receivables	Trade payables
Related companies: (1)				
Max Information S.r.l.	-	(0.5)	-	(0.3)
Gamma	0.0	(3.1)	0.1	-
Mokarabia S.p.A.	0.1	(0.1)	-	(0.1)
TOTAL RELATED PARTIES	**0.1**	**(3.7)**	**0.1**	**(0.4)**

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

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 2011:

- 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 2011:-

- 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, 29 August 2011

Fabio De'Longhi
Vice Chairman and Chief Executive Officer

Stefano Biella
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 income statement, 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 subsidiaries (the "De'Longhi Group") as of June 30, 2011. The 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 we expressed on the annual consolidated financial statements.

   With respect to the consolidated financial statements of the prior year and the interim condensed consolidated financial statements of the corresponding period of the prior year, presented for comparative purposes, reference should be made to our reports issued on March 21, 2011 and on August 27, 2010, 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, 2011 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 29, 2011

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