Half-year financial report at 30 June 2012

De'Longhi S.p.A. – Registered office: Via L. Seitz 47, 31100 Treviso, Italy
Share capital: €224,250,000
Tax Identification and Business Register no: 11570840154
Treviso Chamber of Commerce R.E.A. no. 224758 - VAT no. 03162730265

Contents

Company officers	Page 2
Key performance indicators	Page 3
Interim report on operations	Page 5
Half-year condensed consolidated financial statements:	
Consolidated income statement	Page 17
Consolidated statement of comprehensive income	Page 17
Consolidated statement of financial position	Page 18
Consolidated statement of cash flows	Page 19
Consolidated statement of changes in net equity	Page 20
Explanatory notes	Page 21
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	Page 54
External auditors' report on the limited review of the half-year condensed consolidated financial statements	Page 55

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 at the shareholders' meeting of 21 April 2010.

KEY PERFORMANCE INDICATORS

Second-quarter income statement

(€/million)	2nd quarter 2012	% revenues	2nd quarter 2011 (*)	% revenues	Change	% change
Revenues	326.7	100.0%	301.1	100.0%	25.5	8.5%
Net industrial margin	156.1	47.8%	140.3	46.6%	15.8	11.3%
EBITDA before non-recurring income/expenses	39.4	12.0%	32.5	10.8%	6.8	21.1%

(*) In accordance with IFRS 5, the figures for the second quarter 2011 have been restated to exclude the businesses transferred to DeLclima Group on 1 January 2012 under the Demerger.

First-half income statement

(€/million)	1st half 2012	% revenues	1st half 2011 (*)	% revenues	Change	% change
Revenues	644.4	100.0%	589.0	100.0%	55.4	9.4%
Constant currency change					*32.9*	*5.6%*
Net industrial margin	305.3	47.4%	277.3	47.1%	28.1	10.1%
EBITDA before non-recurring income/expenses	82.2	12.8%	72.2	12.3%	10.0	13.8%
EBIT	58.2	9.0%	56.5	9.6%	1.6	2.9%
EBIT *adjusted*	66.1	10.3%	58.0	9.9%	8.0	13.9%
Profit (loss) pertaining to the group	32.3	5.0%	30.3	5.2%	2.0	6.5%

(*) In accordance with IFRS 5, the figures for the first half 2011 have been restated to exclude the businesses transferred to DeLclima Group on 1 January 2012 under the Demerger.

Statement of financial position

(€/million)	30.06.2012	30.06.2011 (*)	31.12.2011 (*)
Net working capital	233.1	172.8	235.2
Net capital employed	500.2	419.6	469.2
Net financial position	75.2	57.8	117.4
Net equity	575.4	477.4	586.6

(*) Figures restated to take account of the effects of the demerger which took effect from 1 January 2012.

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

- 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 besides EBIT.
Net industrial margin 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, amortization and impairment of property, plant and equipment and intangible assets. EBITDA is also presented net of non-recurring items, which are reported separately on the face of the income statement.
- Adjusted EBIT: this corresponds to EBIT, as adjusted to exclude non-recurring items.
- 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 benefits and provisions for contingencies and other charges.
- Net financial position: this measure represents cash and cash equivalents and other financial receivables, less financial liabilities. The individual line items in the statement of financial position used to determine this measure are analysed later in this report.

INTERIM REPORT ON OPERATIONS

Introduction

The partial, proportionate demerger of the Professional division's activities from De'Longhi S.p.A. to its wholly-owned subsidiary DeLclima S.p.A. which took effect from 1 January 2012 resulted in the creation of two distinct groups, De'Longhi S.p.A. and DeLclima S.p.A.; trading in the shares of DeLclima S.p.A. commenced on 2 January 2012 on the screen-traded market managed by Borsa Italiana S.p.A., with the two companies operating as two separate groups, each focused on their own business.
The half-year report at 30 June 2012, therefore, reports the activities of the former Household and Corporate divisions, which have become a single operating division since 1 January 2012; for the sake of consistent comparison, corresponding restated figures are presented at 30 June 2011 which take account of the effects of the aforesaid demerger.

REVIEW OF PERFORMANCE

Despite the difficult economic environment, in the second quarter of 2012 the Group confirmed the favourable trend in sales which rose by €25.5 million or 8.5% thanks to a particularly dynamic product mix and the growing contribution of the emerging markets.
The growth recorded in the second quarter brought first half sales to €644.4 million, an increase of €55.4 million with respect to the same period in 2011 (+9.4%), driven by double digit growth in coffee makers and food preparation appliances.
The Group is progressing in line with its business plan and in potentially high-growth segments; of which the investments announced during the half are testimony, namely the acquisition of a production facility in Romania from Nokia and the decision to grow externally through the acquisition of Braun's small domestic appliances division.
The facility in Romania forms part of the group's development strategies to support its fast-growing international presence, and to diversify its industrial platform, so as to partly restore the balance in production between the currently dominant China and Europe.
Based on the agreement for the acquisition of the Braun division, which will be finalized at the end of August, Procter & Gamble will grant De'Longhi a perpetual licence over the Braun brand for small domestic appliances and related patents, and will sell some manufacturing assets, as well as transfer a certain number of employees located primarily in Germany.
These transactions will allow the group to strengthen its position as a worldwide leader in the small domestic appliances market.

With regard to market performances, all three sales regions grew, albeit at a different pace. The APA markets reported strong growth, rising 27% (of particular note was the increase recorded in Australia, Japan, the United States and China) to reach almost 30% of total sales. The European markets posted a positive result (+3%) due to good growth in Germany, Benelux, and the former Soviet republics (Russia and Ukraine), which more than offset the weak trend in the Mediterranean markets (Italy and, above all, Spain). The MEIA region also reported positive results (+5.6%).
With regard to margins, in the half the rising cost of raw materials and the trend in exchange rates put pressure on the gross margins which was partially offset by currency hedges.
The gross profit showed improvement, rising from €277.3 million to €305.3 million, with a slightly higher margin (up from 47.1% to 47.4%).
This trend, together with containment of the costs of services and payroll (as a percentage of net revenues) resulted in an increase in EBITDA before non-recurring expenses (in the first six months of 2012 the figure reached €82.2 million, €72.2 million in the first half of 2011 with the margin on revenues going from 12.3% in 2011 to 12.8% in 2012).

EBIT amounted to €58.2 million in the first six months of 2012 (€56.5 million in 2011) after non-recurring expenses of €7.9 million relating, above all to the Braun transaction, and after amortization and depreciation of €16.1 million, up with respect to 2011 by €1.9 million due to the increased investments made in 2011 and the current year.
EBIT, net of the above mentioned non-recurring expenses, rose by €8 million with a margin of 10.3% versus 9.9%.

Net financial expenses at 30 June 2012 amounted to €14.2 million, an increase of €5.1 million with respect to 2011 primarily due to net currency management losses (€3.4 million in the first half of 2012 including hedging costs in the period and versus a gain of €0.2 million in the same period of 2011) and higher financial expenses linked to the rise in debt in the first half of 2012 with respect to 2011 (due primarily to the capital contribution of €150 million made to the Professional division at 30 June 2011 which was then absorbed by the DeLclima Group as result of the demerger finalized early 2012).

Net profit in the half reached €32.3 million, an increase of €2 million with respect to the same period in 2011, despite the expenses incurred as a result of the Braun transaction.

The net financial position at 30 June 2012 was a positive €75.2 million, an improvement of €17.4 million with respect to 30 June 2011 (€57.8 million), despite significant non-recurring investments and the dividends paid in 2012.

Global market conditions (Source: Bank of Italy/ECB)

The world economy experienced a widespread slowdown in the first half of 2012; while expansion continued in the first quarter of the year, albeit at a slow pace, thanks above all to growth in the emerging markets and the United States, in the second quarter the economy weakened further.
GDP continued to shrink, particularly in the Euro-zone, due to a drop in domestic demand and investments, along with weak employment and real income, low consumer confidence and the tight credit markets.
As a result of the weak international markets, the price of oil dropped significantly and the ECB further reduced interest rates.
Along with investors' concerns about the political situation in Greece and the implication of the difficulties encountered by the Spanish banking system, there is now a perception that governments are not united in their approach to European governance reforms and to the way the crisis should be managed. During the EU summit held on 28 and 29 June important decisions were made in order to break the vicious circle of sovereign risk, fragility of the banking system and growth, which must be implemented as quickly as possible.
With regard to the future, according to the most recent forecasts of the Bank of Italy and the ECB, the recessionary phase is expected to continue through the second part of the year, while it will take longer for a gradual recovery to begin in the Euro-zone.
These forecasts are strongly dependent on a united European Union and the normalization of the financial markets, as well as the implementation of structural policies designed to increase competitiveness and growth. A further increase in energy costs could also impede the recovery in the medium term.

Significant events

The group's major focus during the first half of 2012 was on completing the demerger, with the introduction of operational and organizational procedures to create two independently governed holding company structures, and on finalizing certain important investments in the production area to support the group's strong growth and on the transaction on the Braun brand activities.

In particular, production activities were restarted following the new tariff status of the factory in Russia, where another warehouse next to the existing one was purchased in order to make logistics costs more efficient. In addition, work was basically completed on the new small domestic appliances factory in China which should be operational beginning in the second half of 2012.

At the end of March 2012, following receipt of the necessary authorizations from the local authorities, an agreement was finalized to acquire a production facility in Cluj in Romania.
The acquisition forms part of the group's development strategies to support its fast-growing international presence, and to diversify its industrial platform, so as to partly restore the balance in production between the currently dominant Far East and Europe, where De'Longhi is present with one factory in Italy.
The new facility, once the production lines are up and running (forecast for the end of the third quarter of 2012) and production begins, will make in possible to increase production capacity for the high-growth product lines at competitive rates, to be closer to the main markets and to reduce US dollar exposure.

In April 2012 Procter & Gamble agreed to grant De'Longhi a perpetual licence over the Braun brand for small kitchen appliances, irons and other minor categories.
In addition to the perpetual licence over the Braun brand and related patents (in the above categories), the transaction involved the sale of certain manufacturing assets and inventories relating to the categories concerned.
The acquisition will allow the group to strengthen its business at the top-end of the small domestic appliances market, where quality, innovation and design are key product features.
Based on the agreement for the acquisition of the Braun division, which is expected to be finalized by the end of August 2012, Procter & Gamble will continue temporarily to manage the operations of the business sold while giving De'Longhi the relative net proceeds, which will make it possible to better organize the transition to the De'Longhi Group which is expected to take effect by 1 January 2013.
A payment of €50 million will be made for the acquisition of the Braun assets once the agreement is finalized and €90 million (in net present value) will be paid in yearly instalments over the next 15 years; a variable amount of between 0 and €122 million (not discounted) will also be paid based on the increase in the sale of Braun brand products at the end of the fifth year.

In June 2012 the agreement for the factoring of trade receivables, involving the revolving monthly transfer of a portfolio of trade receivables without recourse, was renewed. This new agreement, which is the third after the first one entered into for the period 2002-2006 and the second one entered into at the beginning of 2007 and terminated with the new transaction, calls for the assignment of receivables without recourse to BNP Paribas N.V.; the transaction involved a greater number of group companies (including the principal European commercial companies); consequently the number of transfers increased which allowed for a leaner structure and made it possible to lower the costs associated with the factoring program.

Group results

The reclassified consolidated income statement is summarized as follows:

(€/million)	1st half 2012	% revenues	1st half 2011 (*)	% revenues
Revenues	**644.4**	**100.0%**	**589.0**	**100.0%**
Change 2012/2011	*55.4*	*9.4%*		
Materials consumed & other production costs (production services and payroll costs)	(339.0)	(52.6%)	(311.7)	(52.9%)
Net industrial margin	**305.3**	**47.4%**	**277.3**	**47.1%**
Other services & expenses	(151.6)	(23.5%)	(140.4)	(23.8%)
Value added	**153.7**	**23.9%**	**136.9**	**23.2%**
Payroll (non-production)	(62.1)	(9.6%)	(57.1)	(9.7%)
Provisions	(9.4)	(1.5%)	(7.6)	(1.3%)
EBITDA before non-recurring income/expenses	**82.2**	**12.8%**	**72.2**	**12.3%**
Change 2012/2011	*10.0*	*13.8%*		
Other non-recurring income (expenses)	(7.9)	(1.2%)	(1.5)	(0.3%)
EBITDA	**74.2**	**11.5%**	**70.7**	**12.0%**
Amortization and depreciation	(16.1)	(2.5%)	(14.2)	(2.4%)
EBIT	**58.2**	**9.0%**	**56.5**	**9.6%**
Change 2012/2011	*1.6*	*2.9%*		
Financial income (expenses)	(14.2)	(2.2%)	(9.1)	(1.6%)
Profit (loss) before taxes	**43.9**	**6.8%**	**47.4**	**8.0%**
Income taxes	(11.4)	(1.8%)	(16.7)	(2.8%)
Profit (loss) after taxes	**32.6**	**5.1%**	**30.7**	**5.2%**
Profit (loss) pertaining to minority interests	0.2	0.0%	0.3	0.1%
Profit (loss) pertaining to the group	**32.3**	**5.0%**	**30.3**	**5.2%**

(*) Figures restated to take account of the effects of the demerger which took effect from 1 January 2012.

The net industrial margin reported in the reclassified income statement differs by €52.7 million at 30 June 2012 (€45.2 million at 30 June 2011) 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.

Net revenues rose by €55.4 million, thanks to higher volumes and the positive effect of sales mix and exchange rates.
Growth pertained, above all, to the cooking and food preparation appliances, De' Longhi coffee makers and food processors, as well as to Kenwood hand blenders and food processors.

The main types of coffee makers posted growth: from the fully automatic machines to the capsule machines (branded Nespresso), especially the in-house manufactured *"Lattissima +"* range. The sales of the *"Dolce Gusto"* machines fell with respect to 2011, the year in which the machines were launched in the main markets.
The figures for the espresso coffee machine market showed growth in all the main European countries.
New products were launched in the half, both fully automatic (with the introduction of the *Primadonna Exclusive*) and capsule machines; the launch of *Lattissima +* in Asia and South America was also completed.

With regard to Kenwood products, the good growth trend is explained by the strategy to focus on premium positioning in a dynamic market characterized by the introduction of new brands, particularly in the low to medium end of the market, which caused traditional brands to loose market share; the Kenwood food production product range, from food processors to hand blenders, posted growth in the main markets.
The new *K mix* product range, offered in a variety of colors, was launched in the first half, along with the new range of improved food processors and the new technologically improved *Cooking chef*.
Kenwood products were also introduced in Canada and in Belgium.

Portable air conditioning and air treatment units posted good results which more than offset the drop in fixed air conditioning units, a product line which is no longer strategic for the group.
The portable air conditioning market featured a good performance in the Mediterranean region, less than favorable weather in Northern-Central Europe and good results in the United States, thanks also to an improved product mix.

The Group defined its online sales strategy. In the first semester the operating model was finalized and the sale of De' Longhi products was launched in one pilot country, which will be followed by other countries and the sale of Kenwood products.

As for the profit performance, De'Longhi closed the first half of 2012 with an EBITDA before non-recurring expenses of €10 million (+13.8%), reflecting a gross profit which rose by €28.1 million from the €277.3 million reported in the first half of 2011 to €305.3 million in the first half of 2012, impacted, on the one hand, by higher volumes and an improved product mix and, on the other hand, by the increase in the costs of raw materials.
The item "Other services & expenses" and non-production payroll costs fell as a percentage of revenues, from 33.5% to 33.2%, while advertising and promotional expenditure was broadly unchanged with respect to the sales trend.

EBITDA amounted to €74.2 million (€70.7 million in the first half of 2011), after non-recurring expenses of €7.9 million linked primarily to the Braun acquisition.

EBIT amounted to €58.2 million in the first six months of 2012 (€56.5 million in the same period in 2011), falling as a percentage of revenues from 9.6% to 9.0% after depreciation and amortization of €16.1 million.

Net financial expenses at 30 June 2012 amounted to €14.2 million, an increase of €5.1 million with respect to 2011 primarily due to net currency management losses (€3.4 million in the first half of 2012 including hedging costs in the period and versus a gain of €0.2 million in the same period of 2011) and higher financial expenses linked to the rise in debt in the first half of 2012 with respect to 2011 (due primarily to the capital contribution of €150 million made to the Professional division at 30 June 2011 which was then absorbed by the DeLclima Group as a result of the demerger finalized early 2012).

Profit pertaining to the Group reached €32.3 million, an increase with respect to the first half of 2011 (€30.3 million) after having incurred higher non-recurring expenses.

New operating segment disclosures

Following the partial, proportionate demerger of the Professional division's activities from De'Longhi S.p.A. to its wholly-owned subsidiary DeLclima S.p.A., the De'Longhi Group changed the segment information provided in accordance with IFRS 8; beginning in 2012 three new operating segments were defined which coincide with the group's three main business regions, on the basis of the location of assets: Europe, MEIA (Middle East, India and Africa) and APA (Asia, Pacific, America). Each segment is responsible for all aspects of the group's brands within the different markets it services.
This breakdown is in line with the tools used by group management to run operations, as well as evaluate the company's performance and make strategic decisions.

The results by operating segment can be found in the Explanatory Notes.

Markets

The following table summarizes sales performance in the Group's various business regions:

(€/million)	1st half 2012	%	1st half 2011 (*)	%	Change	% change
Western Europe	340.1	52.8%	339.5	57.6%	0.6	0.2%
Eastern Europe	67.5	10.5%	56.1	9.5%	11.4	20.3%
EUROPE	**407.6**	**63.3%**	**395.6**	**67.2%**	**12.0**	**3.0%**
MEIA (Middle East/India/Africa)	**42.7**	**6.6%**	**40.5**	**6.9%**	**2.3**	**5.6%**
APA (Asia/Pacific/Americas)	**194.0**	**30.1%**	**152.9**	**26.0%**	**41.1**	**26.9%**
Total revenues	**644.4**	**100.0%**	**589.0**	**100.0%**	**55.4**	**9.4%**

(*) Figures restated to take account of the effects of the demerger which took effect from 1 January 2012.

Europe reported €407.6 million in revenues, up 3% on the first half of 2011. Sales in Western Europe (Germany, Benelux) were good and results were positive in the United Kingdom (sales were broadly in line with 2011), considering the weak local market, and down in the Mediterranean countries (above all Spain and, to a lesser degree, Italy) and Scandinavia, where the launch of the *Dolce Gusto* coffee machines in 2011 caused sales to rise significantly.
A very positive performance was posted in Eastern Europe where revenues amounted to €67.5 million (+20.3%).

The sales in the APA region were particularly brilliant, rising 26.9% on the same period of 2011 to €194 million thanks to the growth recorded in the principal markets (Australia, the United States, Japan, China). This segment now represents 30.1% of the group's total sales (versus 26% in the first half of 2011).

The MEIA region also performed well with revenues coming in at €42.7 million, (+5.6%); this performance reflects the positive impact of the restructuring undertaken in 2011 to strengthen the commercial and back office structures in a sales area with good prospects for future development.

The following table analyzes revenues between so-called mature and emerging countries:

(€/million)	1st half 2012		1st half 2011 (*)		Change	% change
Mature markets	416.6	64.7%	398.6	67.7%	18.0	4.5%
Emerging markets	227.8	35.3%	190.4	32.3%	37.3	19.6%
Total revenues	**644.4**	**100.0%**	**589.0**	**100.0%**	**55.4**	**9.4%**

(*) Figures restated to take account of the effects of the demerger which took effect from 1 January 2012.

Review of the statement of financial position

The reclassified consolidated statement of financial position is presented below:

(€/million)	30.06.2012	30.06.2011 (*)	31.12.2011 (*)	Change 30.06.12 – 30.06.11	Change 30.06.12 – 31.12.11
- Intangible assets	174.4	177.9	175.8	(3.5)	(1.4)
- Property, plant and equipment	129.3	92.2	109.1	37.2	20.3
- Financial assets	3.1	2.5	3.0	0.6	0.1
- Deferred tax assets	42.5	37.6	32.8	4.9	9.7
Non-current assets	**349.3**	**310.1**	**320.7**	**39.2**	**28.6**
- Inventories	358.5	302.0	278.0	56.6	80.6
- Trade receivables	215.8	178.5	349.5	37.3	(133.7)
- Trade payables	(319.2)	(260.3)	(330.8)	(58.9)	11.6
- Other payables (net of receivables)	(22.1)	(47.4)	(61.5)	25.3	39.4
Net working capital	**233.1**	**172.8**	**235.2**	**60.3**	**(2.1)**
Total non-current liabilities and provisions	(82.3)	(63.4)	(86.7)	(18.9)	4.5
Net capital employed	**500.2**	**419.6**	**469.2**	**80.6**	**31.0**
Net debt/(Net financial assets)	**(75.2)**	**(57.8)**	**(117.4)**	**(17.4)**	**42.2**
Total net equity	**575.4**	**477.4**	**586.6**	**98.0**	**(11.2)**
Total net debt and equity	**500.2**	**419.6**	**469.2**	**80.6**	**31.0**

(*) Figures restated to take account of the effects of the demerger which took effect from 1 January 2012.
(*) Net financial position includes €19.2 million in net financial assets (€27.0 million in net financial assets at 31 December 2011 and €11.5 million in net financial liabilities at 30 June 2011) 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 €33.9 million in the first half of 2012 (€15.8 million in the first half of 2011), and included the purchase of property in Romania, the investment made in Russia to open a logistics warehouse and the completion of the investment made in the new Chinese facility.

Net working capital increased by €60.3 million on 30 June 2011, with net working capital turnover going from 12.6% of revenues at the end of June 2011 to 15.7% in 2012). This increase reflects the still high level of inventories accumulated in some countries during 2011, which should be eliminated by the end of 2012.
Trade payables and trade receivables were also higher due to the growth in business, while the net balance of other payables fell due to an increase in indirect tax credits connected to the new investments, which were partially refunded at the end of July, and increased supplier advances.

The net financial position at 30 June 2012 was a positive €75.2 million, with a positive cash flow of €17.4 million in the twelve months after non-recurring investments of approximately €32.4 million in new, primarily industrial projects in China, Russia and Romania and in solar energy systems, the recognition of indirect tax credits linked to these investments for which a refund was not yet received, higher dividend payments and the positive impact of the valuation of derivatives and options.

Details of the net financial position are as follows:

(€/million)	**30.06.2012**	**30.06.2011 (*)**	**31.12.2011 (*)**	**Change 30.06.12 – 30.06.11**	**Change 30.06.12 – 31.12.11**
Cash and cash equivalents	207.9	162.8	195.7	45.0	12.1
Other financial receivables	25.6	140.1	33.7	(114.5)	(8.2)
Current financial debt	(116.6)	(184.6)	(61.0)	68.0	(55.7)
Net current financial debt	**116.8**	**118.3**	**168.5**	**(1.5)**	**(51.7)**
Non-current financial debt	**(41.6)**	**(60.5)**	**(51.1)**	**18.9**	**9.5**
Total net financial position	**75.2**	**57.8**	**117.4**	**17.4**	**(42.2)**
Of which:					
- positions with banks and other financial payables	*56.0*	*69.3*	*90.4*	*(13.3)*	*(34.4)*
- options and fair value of derivative financial instruments	*19.2*	*(11.5)*	*27.0*	*30.7*	*(7.8)*

(*) Figures restated to take account of the effects of the demerger which took effect from 1 January 2012.

The net financial position reflects the positive fair value of derivatives and options which at 30 June 2012 amounted to €19.2 million (versus a negative fair value at 30 June 2011 of €11.5 million).

The net current financial position at 30 June 2012 was a positive €116.8 million (versus a positive €118.3 million at 30 June 2011).
As for non-current debt, no new loans were granted in the first half of 2012.
As part of the group's policy to provide complete financial coverage of the Braun acquisition and to have enough financing in place should the credit markets worsen, two new 5-year floating rate loans were signed after the end of the first half for a total of €80 million.
Toward this end a bond, reserved for US institutional investors, is also going to be issued for up to a maximum nominal amount of €70 million.
Excluding the non-banking part of this exposure (i.e. fair value of options and hedging instruments), the financial position would have reported a net positive balance of €56 million at 30 June 2012 (positive €69.3 million at 30 June 2011).

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

(€/million)	**30.06.2012 (6 months)**	**30.06.2011 (*) (6 months)**	**31.12.2011 (*) (12 months)**
Cash flow generated (absorbed) by current operations	52.2	63.4	177.4
Cash flow generated (absorbed) by changes in working capital	(10.9)	(9.7)	(80.5)
Cash flow generated (absorbed) by investment activities	(33.7)	(16.1)	(41.7)
Cash flow generated (absorbed) by operating activities	**7.7**	**37.6**	**55.2**
Payment of dividends	(49.3)	(21.8)	(21.8)
Capital contribution	-	(150.0)	(150.0)
Cash flow generated (absorbed) by changes in fair value and cash flow hedge reserves	(4.7)	(10.2)	28.0
Cash flow generated (absorbed) by other changes in net equity	4.2	(6.2)	(2.4)
Cash flow generated (absorbed) by changes in net equity	**(49.9)**	**(188.2)**	**(146.3)**
Cash flow for the period	**(42.2)**	**(150.7)**	**(91.1)**
Opening net financial position	117.4	208.5	208.5
Closing net financial position	**75.2**	**57.8**	**117.4**

(*) Figures restated to take account of the effects of the demerger which took effect from 1 January 2012.

Cash flow generated by current operations reached €52.2 million in the first half of 2012 (€63.4 million in the first half of 2011).
Net cash flow from operating activities, which reflects the increase in investments referred to above, reached €7.7 million (€37.6 million in the first half of 2011).
Changes in net equity absorbed €49.9 million in the first half of 2012 (versus €38.2 million in the first half of 2011, excluding the capital contribution made as part of the demerger transaction described above), due primarily to a larger dividend distribution.

Human resources

The De'Longhi Group had 5,603 employees at 30 June 2012, detailed as follows:

	30.06.2012	**31.12.2011 (*)**
Blue collar	3,205	3,010
White collar	2,309	2,316
Senior managers	89	89
Total	**5,603**	**5,415**

(*) Figures restated to take account of the effects of the demerger which took effect from 1 January 2012.

The group had an average of 5,760 employees during the first half of 2012, an increase of 488 with respect to the first half of 2011 due, above all, to the greater number of employees at the group's main factories.

Principal risks and uncertainties facing the group

Reference should be made to the Group Annual Report at 31 December 2011.

Corporate governance and ownership structure

Reference should be made to the Group Annual Report at 31 December 2011.

Reconciliation of net equity and profit (loss) for the period

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

(€/thousands)	**Net equity 30.06.2012**	**Profit (loss) after taxes 1st half 2012**
De'Longhi S.p.A. financial statements	**247,148**	**(10,880)**
Share of subsidiaries' equity and results for period attributable to the group, after deducting carrying value of the investments	328,813	52,215
Allocation of goodwill arising on consolidation and related amortization and reversal of goodwill recognized for statutory purposes	36,546	(1,079)
Elimination of intercompany profits	(34,986)	(7,389)
Other adjustments	(2,142)	(313)
Consolidated financial statements	**575,379**	**32,554**
Minority interests	1,996	239
Group portion	**573,383**	**32,315**

Related party transactions

Related party transactions fall within the normal course of business by group companies.
Information on related party transactions is summarized in Appendix 3 to the Explanatory notes.

Subsequent events

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

Outlook for the current year

Despite the persistent world economic slowdown and the economic uncertainties, the group posted good growth in the second quarter of the year. The group continues to have positive prospects for the second part of the year thanks to the continuous growth of the main product lines, its competitive positioning and exposure to the emerging markets.

Treviso, 28 August 2012

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 2012	of which non-recurring	1st half 2011 (*)	of which non-recurring
Revenues from sales and services	1	634,096		578,303	
Other revenues	1	10,271		10,673	
Total consolidated revenues		***644,367***		***588,976***	
Raw and ancillary materials, consumables and goods	2	(362,137)		(336,908)	
Change in inventories of finished products and work in progress	3	73,492		62,379	
Change in inventories of raw and ancillary materials, consumables and goods	3	2,325		8,029	
Materials consumed		***(286,320)***		***(266,500)***	
Payroll costs	4 -7	(88,184)	(267)	(78,236)	(22)
Services and other operating expenses	5 - 7	(185,444)	(6,917)	(165,910)	(1,402)
Provisions	6 - 7	(10,171)	(733)	(7,653)	(78)
Amortization, depreciation and impairment	8	(16,088)		(14,153)	
EBIT		**58,160**	**(7,917)**	**56,524**	**(1,502)**
Financial income (expenses)	9	(14,245)		(9,135)	
PROFIT (LOSS) BEFORE TAXES		**43,915**		**47,389**	
Income taxes	10	(11,361)		(16,739)	
NET PROFIT (LOSS) FROM *continuing operations*		**32,554**		**30,650**	
Risultato netto delle *discontinued operation*		-		3,691	
CONSOLIDATED PROFIT (LOSS) AFTER TAXES		**32,554**		**34,341**	
Profit (loss) pertaining to minority interests	26	239		317	
PROFIT (LOSS) PERTAINING TO THE GROUP		**32,315**		**34,024**	
EARNINGS PER SHARE (in Euro)					
- basic		**€ 0.22**		**€ 0.23**	
- diluted		**€ 0.22**		**€ 0.23**	

(*) In accordance with IFRS 5, the figures for the first half 2011 have been restated to expose separately the businesses transferred to DeLclima Group on 1 January 2012 under the Demerger.
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 2012	1st half 2011 (*)
Consolidated profit (loss) after taxes		32,554	34,341
Other components of comprehensive income			
Change in fair value of cash flow hedges and financial assets available for sale	26	(4,750)	(10,215)
Tax effect on change in fair value of cash flow hedges and financial assets available for sale	26	1,040	2,814
Differences from translating foreign companies' financial statements into Euro	26	8,558	(12,860)
Other components of comprehensive income from *discontinued operations*		-	(937)
Total comprehensive income (loss)		**37,402**	**13,143**
Total comprehensive income attributable to:			
Owners of the parent		37,163	12,826
Minority interests		239	317

(*) In accordance with IFRS 5, the figures for the first half 2011 have been restated to expose separately the businesses transferred to DeLclima Group on 1 January 2012 under the Demerger.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

ASSETS (€/000)	Notes	30.06.2012	31.12.2011
NON-CURRENT ASSETS			
INTANGIBLE ASSETS		174,394	175,825
- Goodwill	11	41,591	41,591
- Other intangible assets	12	132,803	134,234
PROPERTY, PLANT AND EQUIPMENT		129,320	109,051
- Land, property, plant and machinery	13	62,482	50,414
- Other tangible assets	14	66,838	58,637
EQUITY INVESTMENTS AND OTHER FINANCIAL ASSETS		3,866	5,352
- Equity investments (in other companies)	15	715	673
- Receivables	16	2,473	3,387
- Other non-current financial assets	17	678	1,292
DEFERRED TAX ASSETS	18	42,488	32,821
TOTAL NON-CURRENT ASSETS		350,068	323,049
CURRENT ASSETS			
INVENTORIES	19	358,542	277,984
TRADE RECEIVABLES	20	215,811	349,490
CURRENT TAX ASSETS	21	32,025	18,379
OTHER RECEIVABLES	22	32,434	17,675
CURRENT FINANCIAL RECEIVABLES AND ASSETS	23	25,577	33,740
CASH AND CASH EQUIVALENTS	24	207,865	195,722
TOTAL CURRENT ASSETS		872,254	892,990
ASSETS RELATED TO DISCONTINUED OPERATIONS		-	500,929
Elimination of financial receivables due from DISCONTINUED OPERATION		-	(16,968)
TOTAL ASSETS		**1,222,322**	**1,700,000**

NET EQUITY AND LIABILITIES (€/000)		30.06.2012	31.12.2011
NET EQUITY			
GROUP PORTION OF NET EQUITY		573,383	859,040
- Share capital	25	224,250	448,500
- Reserves	26	316,818	320,292
- Profit (loss) pertaining to the group		32,315	90,248
MINORITY INTERESTS	26	1,996	4,237
TOTAL NET EQUITY		575,379	863,277
NON-CURRENT LIABILITIES			
FINANCIAL PAYABLES		42,366	53,452
- Bank loans and borrowings (long-term portion)	27	36,708	46,802
- Other financial payables (long-term portion)	28	5,658	6,650
DEFERRED TAX LIABILITIES	18	11,977	9,690
NON-CURRENT PROVISIONS FOR CONTINGENCIES AND OTHER CHARGES		70,276	77,038
- Employee benefits	29	12,323	15,502
- Other provisions	30	57,953	61,536
TOTAL NON-CURRENT LIABILITIES		124,619	140,180
CURRENT LIABILITIES			
TRADE PAYABLES		319,184	330,766
FINANCIAL PAYABLES		116,620	60,957
- Bank loans and borrowings (short-term portion)	27	95,505	40,347
- Other financial payables (short-term portion)	28	21,115	20,610
CURRENT TAX LIABILITIES	31	41,511	51,510
OTHER PAYABLES	32	45,009	46,028
TOTAL CURRENT LIABILITIES		522,324	489,261
LIABILITIES RELATED TO DISCONTINUED OPERATIONS		-	224,250
Elimination of financial debt payable to DISCONTINUED OPERATION		-	(16,968)
TOTAL NET EQUITY AND LIABILITIES		**1,222,322**	**1,700,000**

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 2012	1st half 2011 (*)
Profit (loss) pertaining to the group		32,315	30,341
Income taxes for the period		11,361	16,739
Amortization and depreciation		16,088	14,153
Net change in provisions		(7,515)	2,144
Cash flow generated (absorbed) by current operations from discontinued operation		-	12,567
Cash flow generated (absorbed) by current operations (A)		**52,249**	**75,944**
Change in assets and liabilities for the period:			
Trade receivables		146,459	95,685
Inventories		(76,418)	(70,585)
Trade payables		(24,797)	(4,402)
Other current assets and liabilities		(40,566)	(20,030)
Payment of income taxes		(15,549)	(10,345)
Cash flow generated (absorbed) by movements in working capital from discontinued operation		-	(7,185)
Cash flow generated (absorbed) by movements in working capital (B)		**(10,871)**	**(16,862)**
Cash flow generated (absorbed) by current operations and movements in working capital (A+B)		**41,378**	**59,082**
Investment activities:			
Investments in intangible assets		(3,751)	(3,289)
Other cash flows for intangible assets		23	(10)
Investments in property, plant and equipment		(30,147)	(12,507)
Other cash flows for property, plant and equipment		153	349
Net investments in equity investments and other financial assets		63	(685)
Cash flow generated (absorbed) by ordinary investment activities from discontinued operation		-	(9,063)
Cash flow generated (absorbed) by ordinary investment activities (C)		**(33,659)**	**(25,205)**
Non-recurring cash flow from discontinued operation (D)		**-**	**(2,198)**
Dividends paid		(49,335)	(21,827)
Change in currency translation reserve		6,076	(6,520)
Increase (decrease) in minority interests in capital and reserves		12	309
Capital contribution to the Professional division		-	(150,000)
New loans		123	13,702
Payment of interests on loans		(922)	(1,139)
Repayment of loans and other net changes in sources of finance		48,470	42,009
Cash flow generated (absorbed) by changes in net equity and by financing activities from discontinued operation		-	98,268
Cash flow generated (absorbed) by changes in net equity and by financing activities (E)		**4,424**	**(25,198)**
Cash flow for the period (A+B+C+D+E)		**12,143**	**6,481**
Opening cash and cash equivalents	24	**195,722**	**193,515**
Increase (decrease) in cash and cash equivalents (A+B+C+D+E)		12,143	6,481
Closing cash and cash equivalents	24	**207,865**	**199,996**

(*)Figures restated to take account of the effects of the demerger which took effect from 1 January 2012.
Appendix 2 presents the statement of cash flows at 30 June 2012 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 2010	**448,500**	**325**	**8,464**	**59,893**	**(1,819)**	**(10,825)**	**179,468**	**74,915**	**758,921**	**1,651**	**760,572**
Allocation of 2009 result as per AGM resolution of 21 April 2010											
- 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					(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**
Balance at 31 December 2011	**448,500**	**325**	**9,693**	**61,425**	**18,433**	**621**	**229,795**	**90,248**	**859,040**	**4,237**	**863,277**
Demerger	(224,250)	(162)	(4,847)	(31,946)	(60)	(2,255)	(9,964)		(273,484)	(2,253)	(275,737)
Balance at 1st January 2012	**224,250**	**162**	**4,846**	**29,479**	**18,373**	**(1,634)**	**219,831**	**90,248**	**585,555**	**1,984**	**587,539**
Allocation of 2011 result as per AGM resolution of 24 April 2012											
- distribution of dividends				(12,857)			(36,478)		(49,335)		(49,335)
- allocation to reserves			1,802				88,446	(90,248)	-		-
Other changes in minority interests										(227)	(227)
Movements from transactions with shareholders	**-**	**-**	**1,802**	**(12,857)**	**-**	**-**	**51,968**	**(90,248)**	**(49,335)**	**(227)**	**(49,562)**
Profit (loss) after taxes								32,315	32,315	239	32,554
Other components of comprehensive income					(3,710)	8,558			4,848		4,848
Comprehensive income (loss)	**-**	**-**	**-**	**-**	**(3,710)**	**8,558**	**-**	**32,315**	**37,163**	**239**	**37,402**
Balance at 30 June 2012	**224,250**	**162**	**6,648**	**16,622**	**14,663**	**6,924**	**271,799**	**32,315**	**573,383**	**1,996**	**575,379**

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 partial, proportionate demerger of the Professional division's activities from De'Longhi S.p.A. to its wholly-owned subsidiary DeLclima S.p.A. which took effect from 1 January 2012 resulted in the creation of two distinct groups, De'Longhi S.p.A. and DeLclima S.p.A.; trading in the shares of DeLclima S.p.A. commenced on 2 January 2012 on the screen-traded market managed by Borsa Italiana S.p.A., with the two companies operating as two separate groups, each focused on their own business.

The half-year report at 30 June 2012, therefore, reports the activities of the former Household and Corporate divisions, which have become a single operating division since 1 January 2012; for the sake of consistent comparison, corresponding restated figures are presented at 30 June 2011 which take account of the effects of the aforesaid demerger.

The comparison figures at 31 December 2011 refer to the assets and liabilities defined as "continuing operations" in the financial statements at 31 December excluding, therefore, the assets and liabilities transferred to the DeLclima Group as a result of the demerger transaction on 1 January 2012.

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 2012 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 2012.

The present report is presented in thousands of euro, unless otherwise indicated.

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 for the period ended 30 June 2012 was authorized by the Board of Directors on 28 August 2012.

International financial reporting standards and/or interpretations adopted

The half-year condensed consolidated financial statements, drafted in accordance with IAS 34 – *Interim Financial Reporting,* were prepared using the same accounting principals used to prepare the consolidated financial statements at 31 December 2011, with the exception of what is described below.

New amendments and accounting standards applied by the group for the first time

On 7 October 2010, the IASB published several amendments to IFRS 7 – *Financial Instruments: Disclosures*, adopted by the European Commission in November 2011, to be applied by the Group effective 1 January 2012. These amendments seek to allow users of financial statements to improve their understanding of exposures to risks associated with transfers of financial assets. The adoption of this amendment did not have a significant impact on the information provided in this half-year report.

International financial reporting standards and/or interpretations not yet applicable

In June 2012 the la European Commission adopted amendments to IAS 1 - *Presentation of Items of Other Comprehensive Income (OCI)* and to IAS 19 - *Employee Benefits*.
The objective of the amendment to IAS 1 is to make the presentation of the increasing number of items of other comprehensive income clearer. As to the amendments to IAS 19, they should help users of financial statements better understand how defined benefit plans affect an entity's financial position, financial performance and cash flows.
The amendments are applicable as from the commencement date of the first financial year starting on or after 1 July 2012; the group did not opt for early application.

International financial reporting standards and/or interpretations not yet applicable and not yet endorsed by the European Union

At the date of the present financial statements, new standards have also been issued but cannot be applied because the endorsement process by the European Union has not yet been completed.

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.

At the same time revised versions were issued of IAS 27 - *Separate financial statements* and IAS 28 - *Investments in associates and joint ventures*.

Also issued was IFRS 13 – *Fair value measurement*, which provides guidance on how to determine fair value.

In 2009 IASB published a first version of IFRS 9 – *Financial Instruments,* which was subsequently amended and represents the first phase of the project to substitute IAS 39 in its entirety. The standard, which will be applied retrospectively beginning 1 January 2015, introduces new criteria for the recognition and measurement of financial assets and liabilities.

Amendments were also published to IAS 12 - *Income taxes* and to IFRS 1- *First-time adoption of International Financial Reporting Standards,* to IFRS 7 – *Financial Instruments: Disclosures* and to IAS 32 – *Financial Instruments: Presentation* and a series of improvements to other IFRS - *Improvement to IFRS's – 2009-2011*.

The following exchange rates have been used:

Currency		30.06.2012		30.06.2011		% change		31.12.2011
		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	1.25900	1.29678	1.44530	1.40311	(12.9%)	(7.6%)	1.29390
British pound	GBP	0.80680	0.82249	0.90255	0.86804	(10.6%)	(5.2%)	0.83530
Hong Kong dollar	HKD	9.76580	10.06433	11.24750	10.91985	(13.2%)	(7.8%)	10.05100
Chinese renminbi (yuan)	CNY	8.00110	8.19181	9.34160	9.17551	(14.3%)	(10.7%)	8.15880
Australian dollar	AUD	1.23390	1.25604	1.34850	1.35799	(8.5%)	(7.5%)	1.27230
Canadian dollar	CAD	1.28710	1.30409	1.39510	1.37026	(7.7%)	(4.8%)	1.32150
Japanese yen	JPY	100.13000	103.36682	116.25000	115.02967	(13.9%)	(10.1%)	100.20000
Malaysian ringgit	MYR	3.99600	4.00264	4.36260	4.25465	(8.4%)	(5.9%)	4.10550
New Zealand dollar	NZD	1.57460	1.61292	1.74680	1.80431	(9.9%)	(10.6%)	1.67370
Polish zloty	PLN	4.24880	4.24428	3.99030	3.95176	6.5%	7.4%	4.45800
South African rand	ZAR	10.36690	10.29485	9.85690	9.68513	5.2%	6.3%	10.48300
Singapore dollar	SGD	1.59740	1.63910	1.77610	1.76535	(10.1%)	(7.2%)	1.68190
Russian rouble	RUB	41.37000	39.69780	40.40000	40.14488	2.4%	(1.1%)	41.76500
Turkish lira	TRY	2.28340	2.33599	2.35000	2.20639	(2.8%)	5.9%	2.44320
Czech koruna	CZK	25.64000	25.16847	24.34500	24.34772	5.3%	3.4%	25.78700
Swiss franc	CHF	1.20300	1.20476	1.20710	1.27043	(0.3%)	(5.2%)	1.21560
Brazilian real	BRL	2.57880	2.41510	2.26010	2.28711	14.1%	5.6%	2.41590
Croatian kuna	HRK	7.51780	7.54209	7.40180	7.39711	1.6%	2.0%	7.53700
Ukrainian hryvnia	UAH	10.17480	10.40608	11.53530	11.17557	(11.8%)	(6.9%)	10.36920
Indian Rupee	INR	70.12000	67.61013	64.56200	63.13153	8.6%	7.1%	68.71300
Romanian Leu	RON	4.45130	4.39040	4.24350	4.17976	4.9%	5.0%	4.32330
South Korean won	KRW	1,441.00000	1,480.62333	1,543.19000	1,544.56167	(6.6%)	(4.1%)	1,498.69000

(*) Source: Bank of Italy

CHANGE IN THE SCOPE OF CONSOLIDATION

With the exception of the above mentioned demerger transaction, no changes took place in the scope of consolidation in the first half of 2012.

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

The comparison figures for the first half of 2011 were restated, in accordance with IFRS 5, to exclude the businesses which were transferred to the DeLclima Group effective 1 January 2012.

1. REVENUES

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

	1st half 2012	%	1st half 2011	%	Change	% change
Western Europe	340,124	52.8%	339,483	57.6%	641	0.2%
Eastern Europe	67,509	10.5%	56,103	9.5%	11,406	20.3%
EUROPE	**407,633**	**63.3%**	**395,586**	**67.2%**	**12,047**	**3.0%**
MEIA	**42,733**	**6.6%**	**40,459**	**6.9%**	**2,274**	**5.6%**
APA	**194,001**	**30.1%**	**152,931**	**26.0%**	**41,070**	**26.9%**
Total revenues	**644,367**	**100.0%**	**588,976**	**100.0%**	**55,391**	**9.4%**

More details about revenues by operating segment can be found in *note 37. Operating segments.*

"Other revenues" are broken down as follows:

	1st half 2012	1st half 2011	Change
Out-of-period gains	2,238	2,365	(127)
Freight reimbursement	2,179	2,821	(642)
Commercial rights	763	970	(207)
Damages reimbursed	484	433	51
Other income	4,607	4,084	523
Total	**10,271**	**10,673**	**(402)**

2. RAW AND ANCILLARY MATERIALS, CONSUMABLES AND GOODS

The breakdown is as follows:

	1st half 2012	1st half 2011	Change
Raw materials	27,499	41,581	(14,082)
Parts	128,161	112,874	15,287
Finished products	201,746	178,485	23,261
Other purchases	4,731	3,968	763
Total	**362,137**	**336,908**	**25,229**

3. CHANGE IN INVENTORIES

The breakdown is as follows:

	1st half 2012	1st half 2011	Change
Change in inventories of finished products and work in progress	73,492	62,379	11,113
Change in inventories of raw and ancillary materials, consumables and goods	2,325	8,029	(5,704)

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 €25,775 thousand in production-related payroll (€21,112 thousand at 30 June 2011).
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 €267 thousand in non-recurring costs at 30 June 2012.

The following table analyzes the composition of the group's workforce at 30 June 2012:

	30.06.2012	31.12.2011
Blue collar	3,205	3,010
White collar	2,309	2,316
Senior managers	89	89
Total	**5,603**	**5,415**

5. SERVICES AND OTHER OPERATING EXPENSES

These are detailed as follows:

	1st half 2012	1st half 2011	Change
Advertising and promotional expenses	53,644	49,388	4,256
Transport (for purchases and sales)	29,792	29,458	334
Rentals and leasing	13,569	12,225	1,344
Consulting services	13,042	6,455	6,587
Subcontracted work	10,646	8,968	1,678
Storage and warehousing	7,918	7,156	762
Travel	6,693	6,272	421
Technical support	5,900	7,056	(1,156)
Commissions	4,295	4,708	(413)
Power	3,096	2,524	572
Insurance	2,154	2,379	(225)
Postage and telephones	1,961	1,769	192
Maintenance	1,320	1,310	10
Emoluments of directors and statutory auditors	1,197	1,195	2
Other sundry services	13,053	10,288	2,765
Total services	**168,280**	**151,151**	**17,129**
Sundry taxes	13,945	10,997	2,948
Out-of-period expenses	1,188	1,728	(540)
Other	2,031	2,034	(3)
Total other operating expenses	**17,164**	**14,759**	**2,405**
Total services and other operating expenses	**185,444**	**165,910**	**19,534**

"Rentals and leasing" at 30 June 2012 consist of premises rental (€11,293 thousand), operating lease payments (€520 thousand), royalties (€586 thousand) and equipment hire (€1,170 thousand).

At 30 June 2011 "Services and other operating expenses" include €6,917 thousand in non-recurring costs mainly in connection with the Braun transaction.

6. CONTINGENCY AND OTHER PROVISIONS

These include €9,258 thousand in provisions at 30 June 2012 and allowances for doubtful accounts of €913 thousand .
Please refer to note 30 - Non-current provisions for contingencies and other charges.

The item includes €733 thousand in non-recurring provisions relating mostly to the restructuring of a subsidiary.

7. OTHER NON-RECURRING EXPENSES

"Other non-recurring expenses" of €7,917 thousand at 30 June 2012 are classified directly in the income statement line items to which they refer (€6,917 thousand in services and other operating expenses, €733 thousand in contingency and other provisions, and €267 thousand in payroll costs).

The breakdown is as follows:

	1st half 2012	1st half 2011	Change
Expenses linked to the Braun transaction	6,200	-	6,200
Reorganization costs - commercial activities/restructuring	1,005	611	394
Other non-recurring expenses	712	891	(179)
Total non-recurring expenses	**7,917**	**1,502**	**6,415**

8. AMORTIZATION AND DEPRECIATION

These are detailed as follows:

	1st half 2012	1st half 2011	Change
Amortization of intangible assets	5,291	4,781	510
Depreciation of property, plant and equipment	10,797	9,372	1,425
Total amortization and depreciation	**16,088**	**14,153**	**1,935**

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 2012	1st half 2011	Change
Income from equity investments	10	6	4
Financial income (expenses) from equity investments	**10**	**6**	**4**
Exchange differences and gains (losses) on hedges	**(3,393)**	**247**	**(3,640)**
Net interest expense and other bank charges	(3,942)	(2,548)	(1,394)
Financial discounts	(5,946)	(5,636)	(310)
Other financial income (expenses)	(974)	(1,204)	230
Other net financial income (expenses)	**(10,862)**	**(9,388)**	**(1,474)**
Financial income (expenses)	**(14,245)**	**(9,135)**	**(5,110)**

"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 2012	1st half 2011	Change
Current income taxes:			
- Income taxes	15,406	18,342	(2,936)
- IRAP (Italian regional business tax)	1,569	1,782	(213)
Deferred (advance) income taxes	(5,614)	(3,385)	(2,229)
Total	**11,361**	**16,739**	**(5,378)**

"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

	30.06.2012		31.12.2011		
	Gross	**Net**	**Gross**	**Net**	**Change**
Goodwill	48,338	41,591	48,338	41,591	-

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;

The following table shows how goodwill is allocated by CGU (cash generating unit):

Cash-generating unit	Goodwill at 30.06.2012
De'Longhi	24,471
Kenwood	17,120
Total	**41,591**

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.

The impairment test carried out at the end of 2011 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 2012 such as might suggest that the carrying amount of trademarks could have suffered any impairment loss.
Further information can be found in the explanatory notes to the consolidated financial statements at 31 December 2011.

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:

	30.06.2012		31.12.2011		
	Gross	**Net**	**Gross**	**Net**	**Change**
New product development costs	52,636	13,266	49,710	12,565	701
Patents	26,769	1,700	26,429	1,772	(72)
Trademarks and similar rights	184,934	110,659	184,895	112,661	(2,002)
Work in progress and advances	4,693	4,693	4,593	4,593	100
Other	11,179	2,485	11,075	2,643	(158)
Total	**280,211**	**132,803**	**276,702**	**134,234**	**(1,431)**

The following table reports movements in the main asset categories during 2012:

	New product development costs	Patents	Trademarks and similar rights	Work in progress and advances	Other	Total
Net opening balance	**12,565**	**1,772**	**112,661**	**4,593**	**2,643**	**134,234**
Additions	1,105	350	39	2,157	100	3,751
Amortization	(2,323)	(411)	(2,041)	(253)	(263)	(5,291)
Translation differences and other movements (*)	1,919	(11)	-	(1,804)	5	109
Net closing balance	**13,266**	**1,700**	**110,659**	**4,693**	**2,485**	**132,803**

(*) 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 €3,262 thousand in development costs as intangible assets during the first half of 2012, of which €1,105 thousand in "New product development costs" for projects already completed at 30 June 2012, and €2,157 thousand in "Work in progress and advances" for projects still in progress.
The group has incurred some €15.1 million in research and development costs during the first half of 2012 (€13.8 million in the first half of 2011).

"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 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 awareness, 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 2011 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 2012 such as might suggest that the carrying amount of trademarks could have suffered any impairment loss.

13. LAND, PROPERTY, PLANT AND MACHINERY

These are analyzed as follows:

	30.06.2012		31.12.2011		
	Gross	**Net**	**Gross**	**Net**	**Change**
Land and buildings	36,211	26,906	22,219	14,237	12,669
Plant and machinery	104,013	35,576	102,427	36,177	(601)
Total	**140,224**	**62,482**	**124,646**	**50,414**	**12,068**

The following table reports movements during 2012:

	Land and buildings	Plant and machinery	Total
Net opening balance	**14,237**	**36,177**	**50,414**
Additions	13,454	1,023	14,477
Depreciation	(982)	(1,869)	(2,851)
Translation differences and other movements	197	245	442
Net closing balance	**26,906**	**35,576**	**62,482**

The additions to "Land and buildings" mainly refer to the purchase of a new facility in Romania, which will be used for high-growth product lines, and the investment made in Russia to open a logistics warehouse.

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

	30.06.2012	31.12.2011	Change
Plant and equipment	5,817	6,076	(259)
Other	143	181	(38)
Total	**5,960**	**6,257**	**(297)**

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:

	30.06.2012		31.12.2011		
	Gross	**Net**	**Gross**	**Net**	**Change**
Industrial and commercial equipment	198,274	30,853	192,309	31,498	(645)
Other	44,062	13,733	41,852	13,448	285
Work in progress and advances	22,252	22,252	13,691	13,691	8,561
Total	**264,588**	**66,838**	**247,852**	**58,637**	**8,201**

The following table reports movements during 2012:

	Industrial and commercial equipment	**Other**	**Work in progress and advances**	**Total**
Net opening balance	**31,498**	**13,448**	**13,691**	**58,637**
Additions	4,715	2,306	8,649	15,670
Disposals	(14)	(76)	(11)	(101)
Depreciation	(5,790)	(2,156)	-	(7,946)
Translation differences and other movements	444	211	(77)	578
Net closing balance	**30,853**	**13,733**	**22,252**	**66,838**

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 primarily to expenditure on the construction of a new manufacturing facility for a Chinese subsidiary which will provide the group with a more modern and better functioning structure making it possible to more efficiently meet the increasing demand for product.

15. EQUITY INVESTMENTS

The balance at 30 June 2012 reflects €715 thousand in equity investments in other companies, accounted for as available-for-sale financial assets.

16. NON-CURRENT RECEIVABLES

The balance at 30 June 2012 comprises €2,386 thousand in security deposits (€2,334 at 31 December 2011) and €87 thousand in other non-current receivables (€1,053 thousand at 31 December 2011).

17. OTHER NON-CURRENT FINANCIAL ASSETS

This item reflects €549 thousand for the positive fair value of derivatives (€1,167 thousand at 31 December 2011) and €129 thousand in bonds held by subsidiaries (€125 thousand at 31 December 2011).

18. DEFERRED TAX ASSETS AND DEFERRED TAX LIABILITIES

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

	30.06.2012	31.12.2011	Change
Deferred tax assets	42,488	32,821	9,667
Deferred tax liabilities	(11,977)	(9,690)	(2,287)
Net asset balance	**30,511**	**23,131**	**7,380**

"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:

	30.06.2012	31.12.2011	Change
Temporary differences	18,934	14,561	4,373
Tax losses	11,577	8,570	3,007
Net asset balance	**30,511**	**23,131**	**7,380**

The change in the net asset balance also reflects an increase of €1,040 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:

	30.06.2012	31.12.2011	Change
Raw, ancillary and consumable materials	42,267	38,287	3,980
Work in progress and semi-finished products	19,581	14,455	5,126
Finished products and goods	324,340	252,599	71,741
Inventory writedown allowance	(27,646)	(27,357)	(289)
Total	**358,542**	**277,984**	**80,558**

The value of inventories is stated after deducting an allowance for obsolete or slow-moving goods totalling €27,646 thousand (€27,357 thousand at 31 December 2011), in relation to products and raw materials no longer deemed to be of strategic interest.

20. TRADE RECEIVABLES

These are detailed as follows:

	30.06.2012	31.12.2011	Change
Trade receivables			
- due within 12 months	230,779	364,551	(133,772)
- due beyond 12 months	18	5	13
Allowance for doubtful accounts	(14,986)	(15,066)	80
Total trade receivables	**215,811**	**349,490**	**(133,679)**

Trade receivables are stated net of an allowance for doubtful accounts of €14,986 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:

	31.12.2011	Increases	Utilization	Translation differences and other movements	30.06.2012
Allowance for doubtful accounts	15,066	913	(1,011)	18	14,986

The group has received €581 thousand in guarantees and €6,100 thousand in letters of patronage from customers as collateral against trade balances.

21. CURRENT TAX ASSETS

These are detailed as follows:

	30.06.2012	31.12.2011	Change
VAT	23,577	12,773	10,804
Tax payments on account	3,840	2,388	1,452
Tax refunds requested	2,191	1,785	406
Direct taxes	1,114	484	630
Other tax receivables	1,303	949	354
Total current tax assets	**32,025**	**18,379**	**13,646**

There are no current tax assets due beyond 12 months (at 31 December 2011 this item amounted to €12 thousand).

This item includes a VAT credit relative to the acquisitions of the production facilities referred to above and to the elevated number of acquisitions made in the period which will be refunded in the second half of 2012.

22. OTHER RECEIVABLES

"Other receivables" are analyzed as follows:

	30.06.2012	31.12.2011	Change
Advances to suppliers	19,074	5,627	13,447
Prepaid insurance costs	973	492	481
Employees	449	384	65
Other	11,938	11,172	766
Total other receivables	**32,434**	**17,675**	**14,759**

Other receivables include €78 thousand in amounts due beyond 12 months.

23. CURRENT FINANCIAL RECEIVABLES AND ASSETS

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

	30.06.2012	31.12.2011	Change
Fair value of derivatives	21,013	28,626	(7,613)
Other financial receivables	4,564	5,114	(550)
Total current financial receivables and assets	**25,577**	**33,740**	**(8,163)**

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.

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 €335.6 million in cash on current accounts held at the same bank. These cash balances form part of the international cash pooling system and are offset by €336.3 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 2012 include €16,775 thousand in current accounts of certain subsidiaries that are restricted having been given as collateral.

COMMENTS ON THE STATEMENT OF FINANCIAL POSITION: NET EQUITY AND LIABILITIES

NET EQUITY

Net equity is made up as follows:

	30.06.2012	31.12.2011	Change
Group portion	573,383	859,040	(285,657)
Minority interests	1,996	4,237	(2,241)
Total net equity	**575,379**	**863,277**	**(287,898)**

The primary objective of the group's capital management is to maintain a solid credit rating and adequate capital ratios in order to support its business and maximize value for shareholders.

Changes in net equity are reported as part of the financial statements; comments on the main components and their changes are provided below.

Following the demerger which took effect on 1 January 2012, De'Longhi S.p.A.'s net equity was reduced by €261,205 thousand (€224,250 thousand of which relating to share capital) while DeLclima S.p.A.'s net equity was increased by the same amount; this amount corresponds to the carrying amount of De'Longhi S.p.A.'s equity investment in De'Longhi Professional S.A.. The value of the consolidated net equity involved in the demerger was €273,484 thousand at 31 December 2011.
As a result, the shareholders of De'Longhi S.p.A. have been allotted, without payment of consideration, an equal number of same class shares in DeLclima S.p.A. as those held in De'Longhi S.p.A.

The annual general meeting (AGM) of De'Longhi S.p.A. held on 24 April 2012 approved a dividend totalling €49,335 thousand, which was paid in full during the half.

25. SHARE CAPITAL

Share capital is made up of 149,500,000 ordinary shares of par value €1.5 each, for a total of €224,250 thousand.

26. RESERVES

These are analyzed as follows:

	30.06.2012	31.12.2011	Change
Share premium reserve	162	325	(163)
Legal reserve	6,648	9,693	(3,045)
Other reserves			
- Extraordinary reserve	16,622	61,425	(44,803)
- Fair value and cash flow hedge reserve	14,663	18,433	(3,770)
- Currency translation reserve	6,924	621	6,303
- Profit (loss) carried forward	271,799	229,795	42,004
Total reserves	**316,818**	**320,292**	**(3,474)**

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 at 31 December 2011 reserve was €325 thousand; following the demerger to DeLclima S.p.A. the share premium reserve was reduced to €162 thousand.

The "Legal reserve" had a balance of €9,693 thousand at 31 December 2011. The change is attributable for €4,847 thousand to the demerger transaction and for €1,802 thousand to the allocation of profit for 2011, as approved by the above AGM of De'Longhi S.p.A. on 24 April 2012.

The "Extraordinary reserve" fell by a total of €44,803 thousand; this change is explained for €31,946 thousand by the demerger transaction and for €12,857 thousand by the payment of the dividend approved by the AGM.

The "Fair value and cash flow hedge reserve" reports a positive balance of €14,633 thousand, net of €5,572 thousand in tax.
The reduction in this reserve recorded in the first half of 2012 of €3,770 thousand is attributable for €4,750 to the fair value of the cash flow hedge and the available-for-sale financial assets (net of €1,040 thousand in tax) and for €60 thousand to the demerger transaction.

"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, which amount to €1,996 (including the profit for the period of €239 thousand), refer to the minority interest (49%) held in E-Services S.r.l..

Minority interests in net equity fell by a total of €2,241 thousand with respect to 31 December 2011; this change is attributable for €2,253 thousand to the demerger, for €239 thousand to the profit for the period and for €227 thousand to the payment of dividends to minorities.

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:

	Net equity 30.06.2012	**Profit (loss) after taxes 1st half 2012**
De'Longhi S.p.A. financial statements	**247,148**	**(10,880)**
Share of subsidiaries' equity and results for period attributable to the group, after deducting carrying value of the investments	328,813	52,215
Allocation of goodwill arising on consolidation and related amortization and reversal of goodwill recognized for statutory accounting purposes	36,546	(1,079)
Elimination of intercompany profits	(34,986)	(7,389)
Other adjustments	(2,142)	(313)
Consolidated financial statements	**575,379**	**32,554**
Minority interests	1,996	239
Group portion	**573,383**	**32,315**

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 30.06.2012	Within one year	One to five years	Beyond five years	Balance 31.12.2011	Change
Overdrafts	2,440			2,440	162			162	2,278
Short-term loans in euro or foreign currency	73,400			73,400	19,942			19,942	53,458
Long-term loans (current portion)	19,665			19,665	20,243			20,243	(578)
Total short-term bank loans and borrowings	**95,505**	**-**	**-**	**95,505**	**40,347**	**-**	**-**	**40,347**	**55,158**
Long-term loans	-	36,443	265	36,708	-	43,013	3,789	46,802	(10,094)
Total bank loans and borrowings	**95,505**	**36,443**	**265**	**132,213**	**40,347**	**43,013**	**3,789**	**87,149**	**45,064**

Long-term loans comprise the following:

Loans (including short-term portion)	Saldo 30.06.2012	Saldo 31.12.2011
Centrobanca – Banca Popolare di Vicenza	29,857	29,875
Banca Popolare di Sondrio	8,426	11,648
Banca Popolare Friuladria	7,198	8,645
Banca Popolare di Vicenza	4,990	4,995
Banca di Cividale	3,332	4,376
Banca di Treviso	2,570	3,195
KBC Bank	-	4,166
IMI Legge 46	-	145
Total long-term loans	**56,373**	**67,045**

No new loans were granted during the first half of 2012.

The loans from Banca Popolare Friuladria, Centrobanca-Banca di Credito Finanziario e Mobiliare S.p.A. and Banca Popolare di Vicenza S.C.p.A., call for the observance of financial covenants (the ratio between net financial position and net equity and between net financial position and consolidated EBITDA), compliance with which is verified on an annual basis. These covenants have been observed at 31 December 2011.
No other loans are subject to financial covenants.

All the loans carry floating-rate interest, meaning that interest is based on a benchmark rate (usually 1 or 3-month Libor/Euribor) plus a spread, which depends on the nature of the loan and its maturity. As a result, the fair value of loans, obtained by discounting expected future interest payments at current market rates, is not materially different from the value reported in the financial statements. This is based on the fact that forecasts of future interest payments use an interest rate which reflects current market conditions (in terms of benchmark interest rates).

28. OTHER FINANCIAL PAYABLES

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

	30.06.2012	31.12.2011	Change
Payables to lease companies (short-term portion)	999	1,049	(50)
Ministry of Industry loans (short-term portion)	542	536	6
Negative fair value of derivatives	1,404	1,844	(440)
Other short-term financial payables	18,170	17,181	989
Total short-term payables	**21,115**	**20,610**	**505**
Payables to lease companies (one to five years)	3,682	3,646	36
Ministry of Industry loans (one to five years)	497	1,049	(552)
Other financial payables (one to five years)	925	963	(38)
Total long-term payables (one to five years)	**5,104**	**5,658**	**(554)**
Payables to lease companies (beyond five years)	554	992	(438)
Total long-term payables (beyond five years)	**554**	**992**	**(438)**
Total other financial payables	**26,773**	**27,260**	**(487)**

"Other short-term financial payables" primarily refer to balances arising as part of without-recourse factoring of receivables and to payables for the purchase of equity investments.

"Other financial payables (one to five years)" mainly refer to the value of options over distribution rights to De'Longhi products in Greece.

"Negative fair value of derivatives" refers to hedging contracts, whose measurement at 30 June 2012 has resulted in a financial liability. Details of this item are provided below.

Net financial position

Details of the net financial position are as follows:

	30.06.2012	31.12.2011	Change
A. Cash	655	598	57
B. Cash equivalents	207,210	195,124	12,086
C. Securities	-	-	-
D. Total liquidity (A+B+C)	**207,865**	**195,722**	**12,143**
E. Current financial receivables	**25,577**	**33,740**	**(8,163)**
Of which:			
Fair value of derivatives	*21,013*	*28,626*	*(7,613)*
F. Current bank loans and borrowings	(75,840)	(20,104)	(55,736)
G. Current portion of non-current debt	(19,665)	(20,243)	578
H. Other current financial payables	(21,115)	(20,610)	(505)
Of which:			
Fair value of derivatives	*(1,404)*	*(1,884)*	*480*
I. Current financial debt (F+G+H)	**(116,620)**	**(60,957)**	**(55,663)**
J. Net current financial receivables (payables) (E+D+I)	**116,822**	**168,505**	**(51,683)**
Non-current financial assets (*)	765	2,345	(1,580)
Of which:			
Fair value of derivatives	*549*	*1,167*	*(618)*
K. Non-current bank loans and borrowings	(36,708)	(46,802)	10,094
L. Bonds	-	-	-
M. Other non-current payables	(5,658)	(6,649)	991
Of which:			
Fair value of derivatives and options	*(925)*	*(925)*	-
N. Non-current financial debt (K+L+M)	**(41,601)**	**(51,106)**	**9,505**
Total	**75,221**	**117,399**	**(42,178)**

(*) This amount differs from that reported in the statement of financial position because it includes of €87 thousand classified in "Receivables" (€1.053 thousand at 31 December 2011).

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 2012 is detailed as follows:

	Fair value (€/000)		
	Current financial assets	**Non-current financial assets**	**Other financial payables (short-term portion)**
Hedges of 2012-2014 budget	20,641	549	413
Hedges against foreign currency receivables and payables	372	-	991
Total *fair value*	**21,013**	**549**	**1,404**

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

29. EMPLOYEE BENEFITS

These are analyzed as follows:

	30.06.2012	31.12.2011	Change
Provision for severance indemnities	8,869	8,842	27
Defined benefit plans	1,954	3,760	(1,806)
Short-term benefits	1,500	2,900	(1,400)
Total employee benefits	**12,323**	**15,502**	**(3,179)**

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:

Net cost charged to income	**30.06.2012**
Current service cost	57
Interest cost on defined benefit obligations	204
Total	**261**

Change in present value of obligations	
Present value at 1 January 2012	**8,842**
Current service cost	57
Utilization of provision	(234)
Interest cost on obligations	204
Reclassification to *Discontinued Operation*	-
Present value at 30 June 2012	**8,869**

Defined benefit plans:

Movements in the period are as follows:

Net cost charged to income	30.06.2012
Current service cost	217
Return on plan assets	(855)
Actuarial losses (gain)	74
Interest cost on obligations	872
Total	**308**

Change in present value of obligations	
Present value at 1 January 2012	**3,760**
Net cost charged to income	308
Benefits paid	(2,438)
Translation difference	(36)
Other changes	360
Present value at reporting date	**1,954**

The outstanding liability at 30 June 2012 of €1,954 thousand refers to the subsidiaries De'Longhi Japan Corporation, Kenwood Limited and De'Longhi Deutschland Gmbh.

Short term benefits refer to one-off incentives paid group employees relative to FY 2012.

30. NON-CURRENT PROVISIONS FOR CONTINGENCIES AND OTHER CHARGES

The breakdown is as follows:

	30.06.2012	31.12.2011	Change
Agents' leaving indemnity provision and other retirement provisions	2,149	2,254	(105)
Product warranty provision	26,665	24,852	1,813
Provisions for contingencies and other charges	29,139	34,430	(5,291)
Total non-current provisions for contingencies and other charges	**57,953**	**61,536**	**(3,583)**

Movements are as follows:

	31.12.2011	Utilization	Accrual	Other	30.06.2012
Agents' leaving indemnity provision and other retirement provisions	2,254	(156)	49	2	2,149
Product warranty provision	24,852	(6,595)	8,314	94	26,665
Provisions for contingencies and other charges	34,430	(8,987)	3,675	21	29,139
Total	**61,536**	**(15,738)**	**12,038**	**117**	**57,953**

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 2012. 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 €6,462 thousand for uninsured liabilities arising from product complaints, limited to policy deductibles (€12,355 thousand at 31 December 2011);
- the provision of €1,792 thousand for restructuring and reorganization in Italy and abroad (€1,060 thousand at 31 December 2011);
- provisions of €20,885 thousand by the parent company and certain subsidiaries against various contingencies and liabilities relating to legal and tax disputes.

CURRENT LIABILITIES

31. CURRENT TAX LIABILITIES

These are detailed as follows:

	30.06.2012	31.12.2011	Change
Direct taxes	31,094	27,363	3,731
Indirect taxes	7,119	13,281	(6,162)
Withholdings payable	2,723	3,932	(1,209)
Other taxes	575	6,934	(6,359)
Total current tax liabilities	**41,511**	**51,510**	**(9,999)**

Tax liabilities due beyond 12 months amount to €112 thousand at 30 June 2012.

32. OTHER PAYABLES

These are detailed as follows:

	30.06.2012	31.12.2011	Change
Employees	23,634	22,133	1,501
Social security institutions	4,579	5,508	(929)
Advances	1,226	2,449	(1,223)
Other	15,570	15,938	(368)
Total other payables	**45,009**	**46,028**	**(1,019)**

33. COMMITMENTS

These are detailed as follows:

	30.06.2012	31.12.2011	Changes
Guarantees given to third parties	950	930	20
Other commitments	4,373	3,554	819
Total commitments	**5,323**	**4,484**	**839**

"Other commitments" mainly consist of contractual obligations of the subsidiary De'Longhi America Inc. for €1.9 million and of some chinese subsidiaries for €1.5 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 2012. 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	Livello 1	Livello 2	Livello 3
Derivatives:			
- derivatives with positive fair value	-	21,562	-
- derivatives with negative fair value	-	1,404	-
Available-for-sale financial assets:			
- equity investments	32	-	-
- other non-current financial assets	67	-	-

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:

- 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 company 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.
  On 14 June 2012 the petition for conciliation was accepted for both the assessed company and the company head of the tax group.
  The administration, in light of the law’s objective uncertainty, filed to recover just the tax along with the interest accrued during the period.
  The related expenses were recognized in the half and in prior periods.

- 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 2009 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.

At the end of the reporting period the following inspections were ongoing:

- De’Longhi Appliances S.r.l.: audit for tax year 2009, under the provisions of art. 27, par. 9 -11 of Decree 185/2008 (so-called tax tutorship). begun by the Veneto regional tax office (large taxpayer unit) on 26 March 2012.

- De’Longhi S.p.A.: audit for tax years 2007 to 2010 begun by the Treviso tax police on 10 April 2012 which ended with the issue of a preliminary notice of findings on 17 July 2012.

When preparing the present 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

As required under IFRS 8, following the demerger transaction the group's activities were broken down into three operating segments (Europe, APA, MEIA) based on business region.
Each segment is responsible for all aspects of the group's brands within the different markets it services; the revenues, therefore, generated by each operating segment (based on business region) may not coincide with the market revenues (based on geographic destination) given the sales made by a few group companies outside of their respective geographical areas.
The figures for the first half of 2011, which are not fully comparable insofar as the commercial reorganization of the group was not yet finished in 2011, were restated based on the new breakdown.

Information relating to operating segments is presented below:

Income statement data

			1st half 2012		
	Europe	*APA*	*MEIA*	Eliminations	Consolidated total
Revenues	413,060	191,254	40,053	-	644,367
Intersegment revenues (*)	59,123	202,826	79	(262,028)	-
Total revenues	**472,183**	**394,080**	**40,132**	**(262,028)**	**644,367**
EBITDA	**37,001**	**33,207**	**4,212**	**(172)**	**74,248**
Amortization and depreciation	(12,766)	(3,301)	(21)	-	(16,088)
EBIT	**24,235**	**29,906**	**4,191**	**(172)**	**58,160**
Financial income (expenses)					(14,245)
Profit (loss) before taxes					**43,915**
Income taxes					(11,361)
Profit (loss) after taxes					**32,554**
Profit (loss) pertaining to minority interests					239
Profit (loss) for the period					**32,315**

Statement of financial position

			30 June 2012		
	Europe	*APA*	*MEIA*	Eliminations	Consolidated total
Total assets	769,234	592,591	45,097	(184,600)	1,222,322
Total liabilities	(445,207)	(347,609)	(38,739)	184,612	(646,943)

Income statement data

			1st half 2011		
	Europe	*APA*	*MEIA*	Eliminations	Consolidated total
Revenues	416,823	146,377	25,776	-	588,976
Intersegment revenues (*)	42,408	205,116	-	(247,524)	-
Total revenues	**459,231**	**351,493**	**25,776**	**(247,524)**	**588,976**
EBITDA	**48,617**	**17,424**	**4,513**	**123**	**70,677**
Amortization and depreciation	(11,027)	(3,058)	(68)	-	(14,153)
EBIT	**37,590**	**14,366**	**4,445**	**123**	**56,524**
Financial income (expenses)					(9,135)
Profit (loss) before taxes					**47,389**
Income taxes					(16,739)
Profit (loss) after taxes					**30,650**
Profit (loss) pertaining to minority interests					309
Profit (loss) for the period from continuing operations					**30,341**

(*) Intersegment revenues refer to transactions between operating segments, eliminated on a consolidated basis.

38. SUBSEQUENT EVENTS

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

Treviso, 28 August 2012

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 30.06.2012	
				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.	Barcellona	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%
DE'LONGHI-KENWOOD APPLIANCES (DONG GUAN) CO.LTD.	Qing Xi Town	CNY	HKD 180,905,000		100%
DE'LONGHI HOUSEHOLD S.A.	Luxembourg	EUR	181,730,990.00	100%	
DE'LONGHI JAPAN CORPORATION	Tokyo	JPY	50,000,000.00		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	Mosca	RUB	6,000,000.00		100%
DL TRADING (SHENZEN) COMPANY CO. LTD.	Shenzen	CNY	USD 1,543,000		100%
KENWOOD APPLIANCES LTD.	Havant	GBP	30,586,001.00		100%
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.	Atene	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%
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	Praga	CZK	200,000.00		100%
KENWOOD SWISS AG	Baar	CHF	1,000,000.00		100%
DL HRVATSKA D.O.O.	Zagabria	HRD	20,000.00		100%
DE'LONGHI BRASIL - COMÉRCIO E IMPORTAÇÃO Ltda	São Paulo	BRL	4,842,340.00		100%
DE'LONGHI POLSKA SP. Z.O.O.	Varsavia	PLN	50,000		100%
DE'LONGHI LTD.	Wellingborough	GBP	4,000,000.00		100%
DE'LONGHI APPLIANCES TECHNOLOGY SERVICES (Shenzen) Co. Ltd	Shenzen	USD	175,000.00		100%
DE'LONGHI UKRAINE LLC	Kiev	UAH	549,843.20		100%
DE'LONGHI TRADING (SHANGHAI) CO. LTD	Shanghai	CNY	USD 945,000		100%
DE'LONGHI KENWOOD MEIA F.ZE	Dubai	USD	AED 2,000,000		100%
DE'LONGHI S.R.L. (ROMANIA)	Cluj-Napoca	RON	200.00		100%

DE'LONGHI KENWOOD KOREA LTD	Seoul	KRW	100,000,000.00	100%
ZHONGSHAN NEW AN SHENG ELECTRICAL APPLIANCES CO.LTD	Zhongshan	CNY	USD 14,300,000	100%
DE'LONGHI HOUSEHOLD GMBH	Seligenstadt	EUR	100,000	100%

PROPORTIONATE METHOD:				
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%

OTHER SUBSIDIARIES (IN LIQUIDATION OR DORMANT)

Company name	Registered office	Currency	Share capital
Subsidiary companies: (3)			
Kenwood Appliances Inc.	Wilmington	USD	25,000

(1) Figures at 30 June 2012, 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) Dormant company, whose financial statements are unavailable.

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

(Appendix 2 to the Explanatory Notes)

(€/000)	1st half 2012	1st half 2011 (**)
Profit (loss) pertaining to the group	32,315	30,341
Income taxes for the period	11,361	16,739
Amortization and depreciation	16,088	14,153
Net change in provisions	(7,515)	2,144
Cash flow generated (absorbed) by current operations (A)	**52,249**	**63,377**
Change in assets and liabilities for the period:		
Trade receivables	146,459	95,685
Inventories	(76,418)	(70,585)
Trade payables	(24,797)	(4,402)
Other current assets and liabilities	(40,566)	(20,030)
Payment of income taxes	(15,549)	(10,345)
Cash flow generated (absorbed) by movements in working capital (B)	**(10,871)**	**(9,677)**
Cash flow generated (absorbed) by current operations and movements in working capital (A+B)	**41,378**	**53,700**
Investment activities:		
Investments in intangible assets	(3,751)	(3,289)
Other cash flows for intangible assets	23	(10)
Investments in property, plant and equipment	(30,147)	(12,507)
Other cash flows for property, plant and equipment	153	349
Net investments in equity investments and other financial assets	63	(685)
Cash flow generated (absorbed) by ordinary investment activities (C)	**(33,659)**	**(16,142)**
Fair value e Cash flow hedge reserves	(4,749)	(10,208)
Dividends paid	(49,335)	(21,827)
Change in currency translation reserve	4,175	(6,520)
Increase (decrease) in minority interests in capital and reserves	12	309
Capital contribution to the Professional division	-	(150,000)
Cash flow generated (absorbed) by changes in net equity (E)	**(49,897)**	**(188,246)**
Cash flow for the period (A+B+C+D+E)	**(42,178)**	**(150,688)**
Opening net financial position	**117,399**	**208,510**
Cash flow for the period (A+B+C+D+E)	(42,178)	(150,688)
Closing net financial position	**75,221**	**57,822**

(*) Net financial position represents cash and cash equivalents and other financial receivables less gross financial debt. More details about its composition can be found in the earlier note on *Net financial position*.
(**) Figures restated to take account of the effects of the demerger which took effect from 1 January 2012.

Transactions and balances with related parties

(Appendix 3 to the Explanatory Notes)

(€/000)	1st half 2012	of which with related parties	1st half 2011 (*)	of which with related parties
Revenues from sales and services	634,096	2,645	578,303	2,105
Other revenues	10,271	1,606	10,673	1,679
Total consolidated revenues	***644,367***		***588,976***	
Raw and ancillary materials, consumables and goods	(362,137)	(588)	(336,908)	(946)
Change in inventories of finished products and work in progress	73,492		62,379	
Change in inventories of raw and ancillary materials, consumables and goods	2,325		8,029	
Materials consumed	***(286,320)***		***(266,500)***	
Payroll costs	(88,184)		(78,236)	
Services and other operating expenses	(185,444)	(3,052)	(165,910)	(3,217)
Provisions	(10,171)		(7,653)	
Amortization, depreciation and impairment	(16,088)		(14,153)	
EBIT	**58,160**		**56,524**	
Financial income (expenses)	(14,245)	376	(9,135)	666
PROFIT (LOSS) BEFORE TAXES	**43,915**		**47,389**	
Income taxes	(11,361)		(16,739)	
NET PROFIT (LOSS) FROM continuing operations	**32,554**		**30,650**	

(*) In accordance with IFRS 5, the figures for the first half 2011 have been restated to expose separately the businesses transferred to DeLclima Group on 1 January 2012 under the Demerger.

ASSETS (€/000)	30.06.2012	of which with related parties	31.12.2011	of which with related parties
NON-CURRENT ASSETS				
INTANGIBLE ASSETS	174,394		175,825	
- Goodwill	41,590		41,591	
- Other intangible assets	132,804		134,234	
PROPERTY, PLANT AND EQUIPMENT	129,320		109,051	
- Land, property, plant and machinery	62,482		50,414	
- Other tangible assets	66,838		58,637	
EQUITY INVESTMENTS AND OTHER FINANCIAL ASSETS	3,866		5,352	
- Equity investments (in other companies)	715		673	
- Receivables	2,473	11	3,387	
- Other non-current financial assets	678		1,292	
DEFERRED TAX ASSETS	42,488		32,821	
TOTAL NON-CURRENT ASSETS	350,068		323,049	
CURRENT ASSETS				
INVENTORIES	358,542		277,984	
TRADE RECEIVABLES	215,811	3,107	349,490	18
CURRENT TAX ASSETS	32,025		18,379	
OTHER RECEIVABLES	32,434	7,744	17,675	83
CURRENT FINANCIAL RECEIVABLES AND ASSETS	25,577	862	33,740	
CASH AND CASH EQUIVALENTS	207,865		195,722	
TOTAL CURRENT ASSETS	872,254		892,990	
ASSETS RELATED TO DISCONTINUED OPERATIONS	-		500,929	2
Elimination of financial receivables due from DISCONTINUED OPERATION	-		(16,968)	
TOTAL ASSETS	**1,222,322**		**1,700,000**	

NET EQUITY AND LIABILITIES (€/000)	30.06.2012	of which with related parties	31.12.2011	of which with related parties
NET EQUITY				
GROUP PORTION OF NET EQUITY	573,383		859,040	
- Share capital	224,250		448,500	
- Reserves	316,818		320,292	
- Profit (loss) pertaining to the group	32,315		90,248	
MINORITY INTERESTS	1,996		4,237	
TOTAL NET EQUITY	575,379		863,277	
NON-CURRENT LIABILITIES				
FINANCIAL PAYABLES	42,366		53,452	
- Bank loans and borrowings (long-term portion)	36,708		46,802	
- Other financial payables (long-term portion)	5,658		6,650	
DEFERRED TAX LIABILITIES	11,977		9,690	
NON-CURRENT PROVISIONS FOR CONTINGENCIES AND OTHER CHARGES	70,276		77,038	
- Employee benefits	12,323		15,502	
- Other provisions	57,953		61,536	
TOTAL NON-CURRENT LIABILITIES	124,619		140,180	
CURRENT LIABILITIES				
TRADE PAYABLES	319,184	1,139	330,766	939
FINANCIAL PAYABLES	116,620		60,957	
- Bank loans and borrowings (short-term portion)	95,505	-	40,347	
- Other financial payables (short-term portion)	21,115	1,389	20,610	
CURRENT TAX LIABILITIES	41,511		51,510	
OTHER PAYABLES	45,009	2,763	46,028	
TOTAL CURRENT LIABILITIES	522,324		489,261	
LIABILITIES RELATED TO DISCONTINUED OPERATIONS	-		224,250	(36)
Elimination of financial debt payable to DISCONTINUED OPERATION	-		(16,968)	
TOTAL NET EQUITY AND LIABILITIES	**1,222,322**		**1,700,000**	

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 income and expenses for the first half 2012 and credit/debit balances at 30 June 2012 from related party transactions:

(€/million)	Revenues	Raw material and other costs	Financial income (expenses)	Trade and other receivables	Financial receivables	Trade and other payables	Financial payables
Related parties: (1)							
DeLClima S.p.A.	0.1	-	-	0.3	-	-	-
Chat Union Climaveneta CO LTD	-	-	-	-	0.8	-	1.4
Climaveneta S.p.A.	1.2	0.2	-	6.7	-	0.5	-
DL Radiators S.p.A.	2.8	0.4	0.2	3.4	-	2.9	-
R.C. Group S.p.A.	-	-	-	0.4	-	0.2	-
Other companies belonging to DeLclima Group	-	-	0.1	0.1	-	-	-
Gamma S.r.l.	-	2.4	-	0.1	-	-	-
Mokarabia S.p.a.	-	0.2	-	-	-	0.1	-
Max Information S.r.l.	-	0.5	-	-	-	0.1	-
TOTAL RELATED PARTIES	**4.3**	**3.6**	**0.4**	**10.9**	**0.9**	**3.9**	**1.4**

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

Starting from January 2012, following the demerger already mentioned, DeLclima S.p.A. and its subsidiaries became related parties, since controlled by common shareholders.
The income statement and balance sheet balances listed above refer to transactions between De'Longhi Group and DeLclima Group concerning some administrative and financial services provided in the period, in some cases still provided by De'Longhi to DeLclima (payroll, IT services, *administrator* services in the without-recourse factoring of receivables and accounting management for one DeLclima subsidiary).
Still there are some transactions referred to the production/purchase of finished and semi-finished products (mainly from China) then sold to DeLclima Group, under arm's-length terms and conditions.
Receivables and payables towards Climaveneta S.p.A., DL Radiators S.p.A. and RC Group S.p.A. mainly relate to income tax balances filed on a group basis during 2011, that have been settled on the due date on July 2012.

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 2012:

- 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 2012:

- 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, 28 August 2012

Fabio de' Longhi
Vice Chairman and Chief Executive Officer

Stefano Biella
Financial Reporting Officer

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

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

1. We have reviewed the half-year condensed consolidated financial statements, comprising the consolidated statement of financial position, the consolidated income statements, the consolidated statement of comprehensive income, the consolidated statement of changes in net equity and the consolidated statement of cash flows and the related explanatory notes, of De'Longhi S.p.A. and subsidiaries (the "De'Longhi Group") as of June 30, 2012. The Directors of De'Longhi S.p.A. are responsible for the preparation of the half-year 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 half-year 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 half-year condensed consolidated financial statements as we expressed on the annual consolidated financial statements.

   With respect to the consolidated financial statements of the prior year, presented for comparative purposes, reference should be made to our report issued on April 2, 2012. As indicated in the explanatory notes, the Directors restated some comparative data related to the half-year condensed consolidated financial statement of the corresponding period of the prior year, on which we issued our review report on August 29, 2011. We have examined the method used to restate such comparative financial data and the information presented in the explanatory notes in this respect, for the purpose of issuing this report.

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, 2012 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 28, 2012

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

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

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Sede Legale: 00198 Roma - Via Po, 32
Capitale Sociale € 1.402.500,00 i.v.
Iscritta alla S.O. del Registro delle Imprese presso la CC.I.A.A. di Roma
Codice fiscale e numero di iscrizione 00434000584
P.I. 00891231003
Iscritta all'Albo Revisori Contabili al n. 70945 Pubblicato sulla G.U. Suppl. 13 - IV Serie Speciale del 17/2/1998
Iscritta all'Albo Speciale delle società di revisione
Consob al progressivo n. 2 delibera n.10831 del 16/7/1997

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