DeLonghi

DE'LONGHI S.p.A.

1st HALF YEAR REPORT OF THE BOARD OF DIRECTORS

30 JUNE 2001

Corporate information

Board of Directors

President	GIUSEPPE DE' LONGHI
Vice-President	FABIO DE' LONGHI
Managing Director	STEFANO BERALDO
Director	GIORGIO BRUNETTI
Director	CARLO GARAVAGLIA
Director	COLIN JAMES GORDON
Director	GIORGIO SANDRI

Board of Statutory Auditors

President	GIANLUCA PONZELLINI
Standing members	MASSIMO LANFRANCHI
	GIANCARLO MALERBA
Alternate members	EMILIO ETTORE GNECH
	FRANCESCO NOBILI

Auditor

PricewaterhouseCoopers S.p.A.

1st Half Year Report of the Board of Directors

Main results

The most significant data of the first six months of 2001, calculated on the basis of a comparable area of consolidation, may be reported as follows:

Consolidated revenues totaled 997.7 billion Lire, a 13.5% increase, when compared with the same period last year.

The gross operating margin (profit before interests, taxes, depreciation and amortization) was disclosed as 111.4 billion Lire at 30 June 2001 (11.2% in proportion to net revenues), compared to 93.2 billion Lire at 30 June 2000 (approximately 10.6% in proportion to net revenues); growth thus stands at 19.5%.

The pre-tax results show a profit of 7.8 billion Lire for the period ended 30 June 2001 versus a loss of 18.5 billion Lire in the same period of the previous year.

As regards the financial data in general, it should be noted that the first six months of any year are less favorable in terms of revenues and cannot be compared to the year as a whole; in fact, the revenues earned in the first six months of 2000 represented about 42% of the yearly total (pro forma data as at 31 December 2000) and the highest profitability is historically associated with sales made in the second half of the year.

Main corporate changes and broadening of the area of consolidation

The main event occurring in the first six months of the year was the acquisition of the Kenwood Group, market leader in Great Britain and international specialist in the sector of appliances for food preparation, likewise active in the sector of cleaning and ironing systems; the takeover bid was completed in the month of May and resulted in the acquisition of complete control. Through said acquisition the De'Longhi Group has gained a leadership position in two strategic segments - cooking and food preparation and home cleaning and ironing - and a major opportunity for profitable growth thanks to the important synergies to be derived from access to a manufacturing facility in China, the complementarity of products and an increased buying capacity.

With regard to the data provided in the statements annexed to the semi-annual report, it should be pointed out that the takeover of Kenwood and other acquisitions closed at the end of December 2000 have significantly enlarged the perimeter of consolidation and therefore the balance-sheet data for the period ending in June 2000 are not comparable with the data of June 2001; consequently, in accordance with current rules for financial disclosure, it was decided to compare the balance sheet for the period ended 30 June 2001 with the balance sheet presented in the approved consolidated financial statements as at 31 December 2000.

Financial data are also presented in comparison with the approved income statement for the year ended 31 December 2000, which does not account for the acquisitions; for the sake of comparison, and to allow a fair assessment of performance, the data for the period ended 30 June 2000 have been reconstructed on the basis of a uniform area of consolidation, extended to include Kenwood and companies acquired at the end of December 2000; the financial data thus derived are unaudited. Consequently, the comparative comments provided in this directors' report on performance refer to pro forma financial data for the period ended 30 June 2000.

The household appliance market(*)

In Europe the demand for cooking and food preparation products, house cleaning products and ironing systems increased of 4.5% in the first six months of 2001. The Espresso Coffee Machine and Deep-Fryer markets enjoyed particularly strong growth, 14.5% and 8% respectively.

The sectors mentioned reveal an upward trend in average prices, reflecting a demand that is often oriented toward products of higher value, whereas greater price competitiveness is to be seen among products in the medium-low price range.

The American household appliance market grew by more than 4%; more specifically, cooking and food preparation products saw a 4.2% rise, while average prices showed a downtrend in numerous segments, falling on average between 3 and 4%.

In the air-conditioning sector, an unfavorable season hindered growth in the European market. Italy maintained a more positive trend, though the market dipped slightly in the second quarter; however, prices fell off by about 8%.

(*) Source: Nielsen, GFK, NPDINTELECT, ANIMA, COAER, EUROVENT

Performance

Below we provide a reclassification of financial data. It should be noted that they are pre-tax data and that the figures shown for the year 2000 are based on pro forma data.

	06/2001	**% of sales**	**06/2000 (pro forma data)**	**% of sales**
	(Bill. of Lire)		(Bill. of Lire)	
Net revenues	997.7	100.0%	879.3	100.0%
Consumption	(495.1)	(49.6%)	(405.1)	(46.1%)
Costs for services and other expenses	(238.4)	(23.9%)	(236.7)	(26.9%)
Value added	**264.2**	**26.5%**	**237.5**	**27.0%**
Labor costs	(152.8)	(15.3%)	(144.3)	(16.4%)
Gross operating margin	**111.4**	**11.2%**	**93.2**	**10.6%**
Amortization of consolidation diff.	(16.7)	(1.7%)	(16.5)	(1.9%)
Depreciation and amortization (others)	(47.0)	(4.7%)	(48.4)	(5.5%)
Accruals and write-downs	(8.3)	(0.8%)	(7.3)	(0.8%)
Operating result	**39.4**	**3.9%**	**21.0**	**2.4%**
Financial income (expenses)	(35.9)	(3.6%)	(19.3)	(2.2%)
Extraordinary income (expenses)	5.0	0.5%	(20.0)	(2.3%)
Minority interests	(0.7)	(0.1)%	(0.2)	-
Before-tax result	**7.8**	**0.8%**	**(18.5)**	**(2.1%)**
EBITDA (gross operating margin minus accruals and write-downs)	**103.1**	**10.3%**	**85.9**	**9.8%**

Total revenues

Considering an equal area of consolidation, net revenues were up 118.4 billion Lire (+13.5%) in the first six months of 2001 compared to the same period of the previous year.

Business segments

The group's core business is concentrated in the following main segments:

- Heating
- Air conditioning and treatment
- Cooking and food preparation
- Home cleaning and ironing

The tables below illustrate the trends in sales revenues, broken down by lines of business and geographical regions.

Lines of business

(Millions of Lire)	30 giugno 2000	30 giugno 2001	Difference	Change %
Line of business				
Heating	80,0	107,2	27,2	34,0%
Air conditioning and climate control	292,4	302,4	10,0	3,4%
Cooking and food preparation	373,3	418,1	44,8	12,0%
Home cleaning and ironing	99,2	122,6	23,4	23,6%
Others (*)	34,4	47,4	13,0	37,8%
Total revenues	**879,3**	**997,7**	**118,4**	**13,5%**

(*) The item "Others" includes revenues from the sale of accessories, spare parts, raw materials, semi-finished goods and scraps, as well as revenues from services, contingent assets and capital gains, reimbursement of transport expenses and other sundry income.

Markets

(Millions of Lire)	30 June 2000	30 June 2001	Difference	Change %
Geographical region				
Italy	292,9	309,0	16,1	5,5%
United Kingdom	123,7	143,2	19,5	15,8%
Rest of Europe	245,0	269,9	24,9	10,2%
USA, Canada, Mexico	79,1	103,0	23,9	30,2%
Japan	22,9	26,3	3,4	14,8%
Rest of the world	115,7	146,3	30,6	26,4%
Total revenues	**879,3**	**997,7**	**118,4**	**13,5%**

Heating
The reported increase of 27.2 billion Lire (+34%) is mainly ascribable to the strong growth in the sale of oil radiators above all in the United Kingdom, Japan and the Southern Hemisphere. An upward trend was already visible in the first quarter of the current financial period and may be attributed to an especially favorable late winter season.

Air conditioning and treatment
The 10 billion Lire increase (+ 3.4%) is ascribable to the positive trends in the sale of industrial air-conditioning systems, built-in air conditioners and air treatment systems, which offset the decline in the sales of portable air conditioners as compared to the same period of the previous year. Sales of portable air conditioners were negatively impacted by unfavorable weather conditions in the month of June, which saw temperatures below the seasonal average; this caused the sell-out to come later than expected in the trade sector and thus delayed reordering; however, it should also be pointed out that the sales trend improved toward the end of the season, in late August, as will be illustrated in greater depth in the paragraph commenting the events occurring after the financial period.

Cooking and food preparation
The 44.8 billion Lire increase in revenues (+12%) is attributable in particular to the strong uptrend in the sales of coffee machines in Italy, Japan, the United States and the United Kingdom, of deep-fryers in Europe, the United Kingdom and the United States, of electric ovens in Italy, the United States and Japan and of cooking appliances in general, both in Italy and abroad.

Home cleaning and ironing
Revenues rose by 23.4 billion Lire (+23.6%) as a result of the successful launching of a new line of high-efficiency electric brooms and the positive market response to ironing appliances and the new multi-purpose steam cleaner (Triplosimac). The launching of the new Acquasimac, which vacuums both solids and liquids, has also produced some good early results.
Kenwood made an important contribution to this sizeable increase with the revenues of the subsidiary Ariete enjoying a significant growth.

<u>Consumption of raw, auxiliary and expendable materials</u>
In the first six months of 2001, consumption costs rose by 22.2% compared to the corresponding period of the previous year; their incidence on total revenues increased from 46.1% to 49.6%. This increase reflects the strong growth in home cleaning and ironing products – which are associated with lower industrial margins but have brought excellent results in terms of the final contribution – the increased weight of finished products among the overall mix of goods purchased and the trends in exchange rates, with the dollar climbing against the Lira in the first half of 2001, when our purchases in US dollars prevail over sales; the latter are primarily concentrated in the last two quarters; the average Lira/US$ exchange rates were as follows:

	1st half 2001	1st half 2000
Exch. rate ITL/US$	2,158.47	2,018.47

Finally, we shall note that in the first six months of 2001, sales of portable air conditioners - which bring higher than average margins - decreased in proportion to the sales of other products.

Costs for the provision of services

The costs for the provision of services were 1.4% higher in the first six months of 2001 than in the corresponding period of the previous year; their incidence on total revenues fell from 25.7% to 23%. The above-mentioned increase in the merchandizing of finished products in the first half of 2001 compared to the same period of the previous year further contributed to holding down the costs for services. In the period in question, the Group also maintained its commitment to investing in advertising and promotion in order to boost trade.

Labor costs

Labor costs rose 5.9%, going from a total of 144.3 billion Lire in the first six months of 2000 to 152.8 billion Lire in the corresponding period of 2001. Their incidence on total sales revenues thus dropped from 16.4% in 2000 to 15.3% in the first six months of 2001. The workforce was made up of an average of 5,329 employees.

Operating result

In the period ended 30 June 2001 the reported operating result was 39.4 billion Lire versus 21 billion in the first six months of 2000; expressed as a percentage of total revenues, it amounted to 3.9% in the first six months of 2001 versus 2.4% in the first six months of 2000. The growth in sales in fact allowed fixed costs to be absorbed to a particularly large degree, as advantage was taken of the operating leverage.

Financial expenses (incomes)

Net financial expenses, taking into account gains (losses) on exchange and relative hedging operations as well as adjustments of a financial nature, rose 16.6 billion Lire in the first six months of 2001 compared to the same period in 2000. Their incidence on total revenues went from 2.2% to 3.6% as a result of increased indebtedness, which is in turn mainly ascribable to the acquisitions described hereinbelow, all taking place after 30 June 2000; we shall note, moreover, that the average market interest rates rose by nearly one percentage point. The presence of positive non-recurrent components in the first six months of 2000 further accounts for the difference compared to the same period of 2001.

Before-tax result

The before-tax result is shown as a profit of 7.8 billion Lire in the first six months of 2001 versus a loss of 18.5 billion Lire in the first six months of 2000. This result is ascribable both to the fact that the extraordinary costs expensed in 2000 are no longer present and to the positive performance in core sectors, partly offset by the increase in financial expenses.

Analysis of the financial situation

Below is a summary of balance-sheet – financial data; once again we note that the data as at 31 December 2000 reflect the consolidation of the companies acquired at the end of December 2000 but not the Kenwood Group, acquired at a later time.

	30 June 2001	31 December 2000	Change
	(Bill. of Lire)	(Bill. of Lire)	(Bill. of Lire)
Trade receivables	668	616	52
Inventories	589	371	218
Trade payables	(521)	(358)	(163)
Other	(12)	(17)	5
Net Operating Capital	**724**	**612**	**112**
Long-term assets:			
Intangible fixed assets	853	748	105
Tangible fixed Assets	376	344	32
Long-term investments	16	18	(2)
Long-term liabilities	(74)	(59)	(15)
Net capital invested	**1,895**	**1,663**	**232**
Net equity of minorities	(2)	(1)	(1)
Group net equity	(730)	(469)	(261)
Total non-financial sources	**(732)**	**(470)**	**(262)**
Net financial standing (*)	**(1,163)**	**(1,193)**	**30**

(*) includes the net interest-bearing financial liabilities to Banks and third parties and the residual amount payable, without interest, for the purchase of shares at the end of December 2000 (a total of 158.3 billion Lire).

Net operating capital increased by 112 billion Lire in the first six months of 2001. Considering an equal area of consolidation, the increase amounted to 18 billion Lire – less than the growth in revenues – and mainly reflects an increase in inventories, attributable in turn to the larger inventories relating to heating appliances, which will be sold in subsequent months. The effect of the aforesaid increase is offset by the decrease in trade receivables, due to the collection of amounts receivable for products sold toward the end of the year, when sales are normally at higher-than-average levels.

The ratio of Net Operating Capital to Net Rolling Revenues (12 months), also taking into account the data relative to Kenwood, fell from 37.6% as at 31 December 2000 to 33% as at 30 June 2001.

The 232 billion Lire increase in invested capital is principally ascribable to the effects of the Kenwood takeover, which resulted in an increase in intangible and tangible fixed assets. More specifically, intangible fixed assets grew by 105 billion Lire in the period compared to the year ended 31 December 2000, above all as result of the consolidation difference determined by the consolidation of Kenwood.

The net financial standing, which went from 1,193 billion Lire at the end of the year 2000 to 1,163 billion Lire as at 30 June 2001 - with an improvement of 30 billion Lire - primarily reflects the following extraordinary transactions:

- the acquisition of the Kenwood Group for a total of approximately 234 billion Lire, which includes the relative indebtedness and acquisition costs;
- the 250.6 billion increase in share capital approved by the shareholders during the general meeting held on 18 April 2001, subscribed and fully paid in.

Cash flow may, in any case, be summarized as follows:

	06/2001 **(6 months)**	**2000** **(12 months)**
Internal financing	74	93

Changes in Net Operating Capital	(18)	(43)
Cash flow from investment activities	(37)	(21)
Cash flow from Net Equity movements	252	-
Change in area of consolidation (*)	(244)	(708)
Change in translation difference	3	(1)
Net change in financ. standing	**30**	**(680)**

The increase in the cash flow from investment activities as compared to 2000 is due to the increase in intangible fixed assets resulting from the capitalization of stock exchange listing costs and the 18 billion Lire reduction in the financial receivables reported at 31 December 2000 (consequent upon the collection of a tax credit).

Other information

Introduction of the Euro

In the first six months of 2001, in view of the mandatory adoption of the EURO as the accounting currency starting from 1 January 2002, the Group went ahead with its EURO project, which included an analysis of the impact on operational areas tied to the organizational structure and information systems, the formulation of a conversion and testing plan and training for people involved in the project.
The project also provided for the conversion to take place during the year to ensure that the process was handled in the most efficient manner. It was completed in July 2001; the parent De' Longhi S.p.A and the major subsidiary companies implemented the conversion to the EURO at the beginning of August 2001 and have consequently adopted the EURO as their accounting currency .

Information regarding the stock option plan

In the month of July 2001, the stock option plan approved by the Board of Directors on 12 June 2001 went into effect.
The plan is aimed at a selected group of Italian and foreign executives and managers employed by the Group, whom were granted an overall total of about 6,900,000 options. Said initiative was based on a decision approved by shareholders at the extraordinary general meeting of 18 April 2001; the shareholders authorized the Board of Directors, for a period not to exceed five years, to effectuate a paid increase in capital by issuing a maximum of 7,500,000 ordinary company shares.
Entitlement to part of the options allocated is conditional upon the holders' maintaining their working relationship with the Group; the remaining part, ranging from 40% to 50% of the total, is also conditional on the achievement of some of the objectives defined within the framework of the 2001 – 2003 Strategic Plan.
Any options granted may be exercised by participants in the plan to an extent of 50% starting from 2004; the remaining50% may be exercised in the year 2005 and up to 28.02.2006, within the framework of the periods defined.

Increase in share capital and conversion to the EURO.

During the general meeting held on 18 April 2001, the shareholders approved a share capital increase of 250.6 billion Lire, subscribed and fully paid in; at the same meeting it was decided to convert the capital into EUROs and to combine the shares issued by increasing their par value to 3 EUROs. Following the conversion, the share capital of the parent company amounts 336,000,000 EUROs divided into 112,000,000 ordinary shares with a par value of 3 EUROs each.

Events occurring after the financial period

The Italian Stock Exchange admitted the ordinary shares of De' Longhi S.p.A. to a listing on the Stock Exchange, with ruling n. 1783 dated 2 July 2001. Trading started on 24 July 2001. The operation consisted in a public offering of 37,500,000 ordinary shares in De' Longhi S.p.A. at the value of 3.4 EUROs each; 11,055,000 shares were made available to the public at large and 26,445,000 shares were privately placed with professional investors in Italy and institutional investors abroad, for a total counter-value of 246.9 billion Lire.
Following the aforesaid public offering, the share capital of De' Longhi consists of 149,500,000 shares amounting to a total of 448.5 million EUROs.

As regards sales trends in the air-conditioning sector, following up our previous remarks we may affirm that the season saw a 7.2% growth in revenues at the end of August compared to the same period in 2000, thus showing an improvement in sales compared to what was reported at the end of June 2001.

Prospects/developments foreseeable in the financial period

Based on the information currently at our disposal, taking into account both the Group's business and financial performance in the period ended 30 June 2001 and the higher contribution to revenues historically achieved in the second half of the year, it is reasonable to presume that the results attained over the entire year 2001, in terms of both revenues and profitability, will be in line with expectations and continue to follow the current trend, which thus means an improvement over last year.

As regards the prices of raw materials, they are expected to follow the trend prevailing in the last few months, marked by a significant reduction in the principal raw materials.

Finally, we shall point out that some initial steps have been taken to revise the contract conditions applied by Kenwood's suppliers with respect to finished products. The Group has succeeded in obtaining a significant improvement whose benefits will be felt in the second half of the year.

Treviso, 12 September 2001

On behalf of the Board of Directors
The Managing Director

Annexes to 1st half-year report of the Board of Directors

- Consolidated financial statement
  - Consolidated balance sheet in Millions Lire
  - Consolidated income statement in Millions Lire
  - Consolidated balance sheet in Thousands Euro
  - Consolidated income statement in Thousands Euro
  - Statement of changes in consolidated shareholders' equity
  - Consolidated statement of cash flows
  - Explanatory notes to the half-year consolidated financial statement
  - List of the companies included in the area of consolidation

- De' Longhi S.p.A.
  - Balance sheet in Millions Lire
  - Income statement in Millions Lire
  - Balance sheet in Thousands Euro
  - Income statement in Thousands Euro

(in Millions Lire)

ASSETS	30.06.2001	31.12.2000
A) RECEIVABLES FROM SHAREHOLDERS	**0**	**0**
B) FIXED ASSETS		
I - INTANGIBLE FIXED ASSETS	852.958	748.467
II - TANGIBLE FIXED ASSETS	376.330	344.097
III - FINANCIAL FIXED ASSETS	31.709	22.679
TOTAL FIXED ASSETS	**1.260.997**	**1.115.243**
C) CURRENT ASSETS		
I - INVENTORY	589.370	370.539
II - RECEIVABLES		
1) Trade receivables from customers	668.268	615.735
2) From subsidiaries	0	0
3) From associated companies	23.502	2.529
4) From parent companies	6.390	28.413
5) Other receivables	112.727	115.129
TOTAL RECEIVABLES	810.887	761.806
III - SHORT TERM FINANCIAL ASSETS	3.426	2.004
IV - LIQUID FUNDS	146.787	128.976
TOTAL CURRENT ASSETS	**1.550.470**	**1.263.325**
TOTAL PREPAYMENTS AND ACCRUED INCOME	**28.529**	**23.637**
TOTAL ASSETS	**2.839.996**	**2.402.205**

LIABILITIES	30.06.2001	31.12.2000
A) SHAREHOLDERS' EQUITY		
I - SHARE CAPITAL	650.587	400.000
II - ADDITIONAL PAID-IN CAPITAL	0	0
III - REVALUATION RESERVE		0
IV - LEGAL RESERVE	6.300	4.565
V - RESERVE FOR TREASURY STOCK ON HAND		0
VI - STATUTORY RESERVE		0
VII - OTHER RESERVES	70.032	34.310
VIII - RETAINED EARNINGS	(4.550)	1.937
IX - INCOME (LOSS) FOR THE PERIOD (1)	7.795	27.980
TOTAL GROUP SHAREHOLDERS' EQUITY	**730.164**	**468.792**
X - SHAREHOLDERS' EQUITY - MINORITY INTEREST	880	433
XI - INCOME (LOSS) - MINORITY INTEREST	667	204
TOTAL SHAREHOLDERS' EQUITY	**731.711**	**469.429**
B) PROVISIONS FOR CONTINGENCIES AND OBLIGATIONS	**33.196**	**21.852**
C) STAFF LEAVING INDEMNITY	**41.088**	**37.526**
D) PAYABLES		
1) Debentures	290.440	290.440
3) Bank loans and overdrafts	834.559	533.006
4) Other financing payables	27.400	26.437
5) Advances	5.228	5.453
6) Trade payables	544.097	357.814
7) Notes payable	55	73
8) Payables due to subsidiaries	2.705	2.704
9) Payables due to associated companies	238	1.369
10) Payables due to parent companies	129.954	413.019
11) Payables due to tax authorities	69.226	74.306
12) Social security payables	9.361	9.887
13) Other payables	79.879	130.515
TOTAL PAYABLES	**1.993.142**	**1.845.023**
E) TOTAL ACCRUED LIABILITIES AND DEFERRED INCOME	**40.859**	**28.375**
TOTAL LIABILITIES	**2.108.285**	**1.932.776**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**2.839.996**	**2.402.205**
MEMORANDUM ACCOUNTS	**19.897**	**24.254**

(1) The income for the half-year ending at June 30th 2001 is before taxes.

(in Millions Lire)

INCOME STATEMENT	30.06.2001	31.12.2000
A) INCOME		
1) Net revenues from the sale of goods and services	981.713	1.222.951
2) Changes in work in progress and finished goods (inventory)	91.717	50.254
4) Increases in fixed assets for internal work	2.204	3.937
5) Other income	15.993	27.073
TOTAL VALUE OF PRODUCTION (REVENUES)	**1.091.627**	**1.304.215**
B) EXPENSES		
6) Raw and subsidiary material and goods	613.013	625.633
7) Services	220.407	301.812
8) Leases	8.695	14.241
9) Personnel costs	152.782	173.659
10) Amortization, depreciation and writedowns		
- Amortization and depreciation	63.697	60.193
- Writedowns	3.874	6.868
11) Changes in stock of raw materials and consumables	(23.945)	(16.188)
12) Provision for risks	2.653	7.820
13) Other provisions	1.816	1.342
14) Sundry operating expenses	9.260	8.543
TOTAL PRODUCTION COSTS (EXPENSES)	**1.052.252**	**1.183.923**
DIFFERENCE BETWEEN REVENUES AND EXPENSES (A-B)	**39.375**	**120.292**
C) FINANCIAL INCOME AND EXPENSES		
15) Income from equity investments	123	8.481
16) Other financial income	42.122	58.316
17) Interest and other financial expenses	(76.652)	(97.579)
TOTAL FINANCIAL INCOME AND EXPENSES	**(34.407)**	**(30.782)**
D) ADJUSTMENTS TO FINANCIAL ASSETS		
18) Revaluations of equity investments	0	53
19) Writedowns of equity investments	(1.527)	(1)
TOTAL ADJUSTMENTS TO FINANCIAL ASSETS	**(1.527)**	**52**
E) EXTRAORDINARY INCOME AND EXPENSES		
20) Income	11.295	3.613
21) Expenses	(6.274)	(23.548)
TOTAL EXTRAORDINARY INCOME AND EXPENSES	**5.021**	**(19.935)**
INCOME (LOSS) BEFORE TAXES	**8.462**	**69.627**
22) Income taxes		(41.443)
23) NET INCOME (LOSS) BEFORE MINORITY INTEREST (1)	**8.462**	**28.184**
23a) (Income) loss attributable to minority interest	(667)	(204)
23b) NET INCOME (LOSS) FOR THE PERIOD (1)	**7.795**	**27.980**

(1) The income for the half-year ending at June 30th 2001 is before taxes.

(in thousands Euro)

ASSETS	30.06.2001	31.12.2000
A) RECEIVABLES FROM SHAREHOLDERS	**0**	**0**
B) FIXED ASSETS		
I - INTANGIBLE FIXED ASSETS	440.517	386.551
II - TANGIBLE FIXED ASSETS	194.358	177.710
III - FINANCIAL FIXED ASSETS	16.377	11.713
TOTAL FIXED ASSETS	**651.252**	**575.974**
C) CURRENT ASSETS		
I - INVENTORY	304.385	191.368
II - RECEIVABLES		
1) Trade receivables from customers	345.131	318.000
2) From subsidiaries	0	0
3) From associated companies	12.137	1.306
4) From parent companies	3.300	14.674
5) Other receivables	58.219	59.459
TOTAL RECEIVABLES	418.787	393.439
III - SHORT TERM FINANCIAL ASSETS	1.769	1.035
IV - LIQUID FUNDS	75.809	66.611
TOTAL CURRENT ASSETS	**800.750**	**652.453**
TOTAL PREPAYMENTS AND ACCRUED INCOME	**14.734**	**12.207**
TOTAL ASSETS	**1.466.736**	**1.240.634**

LIABILITIES	30.06.2001	31.12.2000
A) SHAREHOLDERS' EQUITY		
I - SHARE CAPITAL	336.000	206.583
II - ADDITIONAL PAID-IN CAPITAL	0	0
III - REVALUATION RESERVE		0
IV - LEGAL RESERVE	3.254	2.358
V - RESERVE FOR TREASURY STOCK ON HAND		0
VI - STATUTORY RESERVE		0
VII - OTHER RESERVES	36.168	17.720
VIII - RETAINED EARNINGS	(2.350)	1.000
IX - INCOME (LOSS) FOR THE PERIOD (1)	4.026	14.450
TOTAL GROUP SHAREHOLDERS' EQUITY	**377.098**	**242.111**
X - SHAREHOLDERS' EQUITY - MINORITY INTEREST	454	224
XI - INCOME (LOSS) - MINORITY INTEREST	344	105
TOTAL SHAREHOLDERS' EQUITY	**377.897**	**242.439**
B) PROVISIONS FOR CONTINGENCIES AND OBLIGATIONS	**17.144**	**11.286**
C) STAFF LEAVING INDEMNITY	**21.220**	**19.380**
D) PAYABLES		
1) Debentures	150.000	150.000
3) Bank loans and overdrafts	431.014	275.275
4) Other financing payables	14.151	13.654
5) Advances	2.700	2.816
6) Trade payables	281.003	184.796
7) Notes payable	28	38
8) Payables due to subsidiaries	1.397	1.396
9) Payables due to associated companies	123	707
10) Payables due to parent companies	67.116	213.307
11) Payables due to tax authorities	35.752	38.376
12) Social security payables	4.835	5.106
13) Other payables	41.254	67.405
TOTAL PAYABLES	**1.029.372**	**952.876**
E) TOTAL ACCRUED LIABILITIES AND DEFERRED INCOME	**21.102**	**14.653**
TOTAL LIABILITIES	**1.088.838**	**998.195**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**1.466.736**	**1.240.634**
MEMORANDUM ACCOUNTS	**10.276**	**12.526**

(1) The income for the half-year ending at June 30th 2001 is before taxes.

(in thousands Euro)

INCOME STATEMENT	30.06.2001	31.12.2000
A) INCOME		
1) Net revenues from the sale of goods and services	507.012	631.600
2) Changes in work in progress and finished goods (inventory)	47.368	25.954
4) Increases in fixed assets for internal work	1.138	2.033
5) Other income	8.260	13.982
TOTAL VALUE OF PRODUCTION (REVENUES)	**563.778**	**673.570**
B) EXPENSES		
6) Raw and subsidiary material and goods	316.595	323.112
7) Services	113.831	155.873
8) Leases	4.491	7.355
9) Personnel costs	78.905	89.688
10) Amortization, depreciation and writedowns		
- Amortization and depreciation	32.897	31.088
- Writedowns	2.001	3.547
11) Changes in stock of raw materials and consumables	(12.367)	(8.360)
12) Provision for risks	1.370	4.039
13) Other provisions	938	693
14) Sundry operating expenses	4.782	4.412
TOTAL PRODUCTION COSTS (EXPENSES)	**543.443**	**611.447**
DIFFERENCE BETWEEN REVENUES AND EXPENSES (A-B)	**20.335**	**62.123**
C) FINANCIAL INCOME AND EXPENSES		
15) Income from equity investments	63	4.380
16) Other financial income	21.754	30.118
17) Interest and other financial expenses	(39.587)	(50.395)
TOTAL FINANCIAL INCOME AND EXPENSES	**(17.770)**	**(15.897)**
D) ADJUSTMENTS TO FINANCIAL ASSETS		
18) Revaluations of equity investments	0	27
19) Writedowns of equity investments	(789)	(1)
TOTAL ADJUSTMENTS TO FINANCIAL ASSETS	**(789)**	**26**
E) EXTRAORDINARY INCOME AND EXPENSES		
20) Income	5.833	1.866
21) Expenses	(3.240)	(12.161)
TOTAL EXTRAORDINARY INCOME AND EXPENSES	**2.593**	**(10.294)**
INCOME (LOSS) BEFORE TAXES	**4.370**	**35.958**
22) Income taxes		(21.403)
23) NET INCOME (LOSS) BEFORE MINORITY INTEREST (1)	**4.370**	**14.555**
23a) (Income) loss attributable to minority interest	(344)	(105)
23b) NET INCOME (LOSS) FOR THE PERIOD (1)	**4.026**	**14.450**

(1) The income for the half-year ending at June 30th 2001 is before taxes.

STATEMENT OF CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY

(amounts in Millions Lire)

	Share capital	Legal reserve	Other reserves	Difference in exchange reserve	Retained earnings	Net income (loss)	Total
Balance at 1 January 2001	**400,000**	**4,565**	**34,241**	**69**	**1,937**	**27,980**	**468,792**
Increase in share capital (as approved by the exstraordinary meeting of shareholders called on 18 April 2001)	250,587						250,587
Income 2000		1,735	32,732		(6,487)	(27,980)	0
Currency translation differences				2,990			2,990
Half-year income (before taxes)						7,795	7,795
Balance at 30 June 2001	**600,587**	**6,300**	**66,973**	**3,059**	**(4,550)**	**7,795**	**730,164**

Consolidated statements of cash flows for half-year ended June 30, 2001 and for year ended December 31, 2000
(amounts in Millions Lire)

	30/06/01	31/12/00
Income before taxes (net income for year ended December 31, 2000)	7,795	27,980
Depreciation - Amortization	63,698	60,193
Provisions and writedowns (net of applications)	2,572	4,566
Cash flows provided by operating activities (A)	**74,065**	**92,739**
Changes in assets and liabilities during the period:		
Receivables	61,870	(11,223)
Inventory	(136,837)	(71,464)
Trade payables	82,907	6,797
Other current assets and liabilities	(25,867)	32,475
Cash flows provided by (used in) changes in working capital (B)	**(17,927)**	**(43,415)**
Investing activities		
Net investments in intangible assets	(14,011)	(6,714)
Net investments in tangible assets	(23,142)	(32,450)
Net investments/disposal of financial assets	(234)	18,447
Cash flows used in investing activities (C)	**(37,387)**	**(20,717)**
Increase in share capital	250,587	0
Increase (decrease) in foreign exchange reserve	2,990	(601)
Increase (decrease) in minority interests	910	0
Cash flows provided (used) by changes in shareholders' equity (D)	**254,487**	**(601)**
Net change in the area of consolidation (E)	**(243,640)**	**(707,721)**
Change in net financial position (A+B+C+D+E)	**29,598**	**(679,715)**
Net financial position at the beginning of the period	-1,192,801	-513,086
Cash flow for the period (A+B+C+D+E)	29,598	-679,715
Net financial position at the end of the period (1)	**(1,163,203)**	**(1,192,801)**
Change in extraordinary reserve for substitution tax compensation		-44,077
Change in other payables for substitution tax		44,077

(1) The amount at June 30, 2001 includes net financial payables to banks for 940,105 Millions Lire, to other lenders 64,795 Millions Lire and
the remaining financial indebtness for the companies acquired for 158,303 Millions Lire.

EXPLANATORY NOTES

LAYOUT AND CONTENTS OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements comprise the consolidated balance sheet, consolidated income statement and these explanatory notes. They have been drawn up in accordance with the guidelines provided by Legislative Decree 127/91 and the Civil Code, integrated by the accounting principles set forth by the National Boards of Professional Accountants. The provisions introduced by Legislative Decree N. 58/1998 (Draghi Consolidation Act) and subsequent implementary and complementary measures, as well as CONSOB (Italian Securities and Exchange Commission) recommendations, have also been taken into account.

In conformity with Regulation n. 11971, approved by the CONSOB on 14 April 1999, subsequently modified and integrated with resolution n. 12475 of 6 April 2000, relative to the criteria for drawing up the semi-annual report, it is further noted that:

- the consolidated financial statements and those pertaining to the Parent Company De' Longhi S.p.a., are here presented in condensed form. Only the items preceded by a Roman numeral are shown in the balance sheet, with the exception of receivables and payables which were deemed to warrant a more detailed breakdown, and only the items preceded by Arabic numerals are shown in the income statement, as per art. 81 par. 3;
- the explanatory notes and information regarding performance in different sectors of business and in different geographical areas have been prepared on a consolidated Group basis (art. 81 par. 2);
- pursuant to current regulations (Communication n. DEM/71658 dated 28 September 2000) with regard to companies that are applying the new rules for the first time, the data relative to the first six months of the previous year have been omitted on the grounds that they are not comparable with the 2001 data, given the significant changes occurring in the area of consolidation in 2000 and in the first half of 2001. De' Longhi S.p.a. is subject to the aforesaid provisions as of 24 July 2001, date of its admission to the stock market.

However, in order to provide a clearer picture of the Group's performance, the Directors' semi-annual report includes a reclassified pro forma income statement for the six months ended 30 June 2000, which has been drawn up considering an area of consolidation comparable with that existing at 30 June 2001.

The consolidated financial statements and those pertaining to the Parent Company are presented gross of taxes and adjustments and accruals resulting exclusively from the application of tax laws, as is permitted under art. 3, section 5 of CONSOB regulations for the preparation of semi-annual reports, approved with CONSOB resolution n. 8195 of 30 June 1994 and subsequent modifications.

The consolidated financial statements for the six months ended 30 June 2001 include the financial statements of the Parent Company, De' Longhi S.p.a., and those of subsidiary companies in which the Parent directly or indirectly holds a majority of share capital or of voting stock.

The balance sheet and income statement data are expressed in millions of Lire (or in billions of Lire in the explanatory comments); in compliance with Consob Recommendations (Communication DAC 98083971), consolidated statements translated into Euros have also been attached hereto.

AREA OF CONSOLIDATION

A list of the companies included in the consolidated accounts as at 30 June 2001 (accounted for using the integral method and the equity method) is provided in the annexed schedule, which also shows share capital investments valuated at cost.

Since 31 December 2000, the area of consolidation has undergone a significant change following the acquisition of the Kenwood group. The acquisition took place on 24 May 2001 following a bid to purchase 100% of the shares of Kenwood Appliances Plc, a corporation listed on the London stock Exchange. The cost of the takeover, including accessory expenses, was 148 billion Lire.

Principles and exchange rates adopted in the translation of items expressed in foreign currency into Lire

The financial statements of foreign subsidiaries are translated into Italian Lire as follows:

- assets and liabilities are assessed using the current exchange rates in effect at the closure of the financial period or, in the case of currencies of countries subscribing to the EMU, the permanent exchange rates fixed by the European Commission;
- the items in the income statement are assessed on the basis of the average exchange rates in the six month period;
- net equity items are assessed at the historical exchange rates.

Exchange rate differences deriving from the application of said method are directly accounted for in a specific consolidated equity item, “Translation Difference Reserve”.

The Lira/foreign currency exchange rates applied for the translation of currencies outside the Euro area were:

Currency		Average Six-monthly Exchange Rate (*)	Exchange rate as at 30.06.2001
Danish krone	DKK	252.453	260.097
Australian dollar	AUD	1,125.30	1,157.018
Canadian dollar	CAD	1,406.523	1,497.849
Hong Kong dollar	HKD	277.555	292.74
New Zealand dollar	NZD	908.142	920.062
Singapore dollar	SGD	1,208.500	1,253.168
US dollar	USD	2,158.472	2,283.337
South African rand	RND	273.642	283.362
Ringgit Malaysia	MYR	571.98	600.97
British pound sterling	GBP	3,105.846	3,210.529
Japanese yen	JPG	17.937	18.376
Polish zloty	PLN	534.449	574.629

(*) source: UIC (Italian Exchange Office)

CONSOLIDATION CRITERIA AND ACCOUNTING PRINCIPLES

Apart from the above-mentioned exceptions, the consolidation criteria and accounting principles used in the preparation of the consolidated financial statements at 30 June 2001 are the same as those adopted for the financial period ended 31 December 2000.

NOTES TO THE MAIN BALANCE SHEET AND INCOME STATEMENT ITEMS

The consolidated financial statements at 30 June 2001 reflect the significant change occurring in the makeup of the Group compared to the previous year as a result of the takeover of the Kenwood group, taking effect in the early months of 2001. Consequently, the balance sheet items are not comparable with the data as at 31 December 2000. For this reason, a table is provided below which shows the changes in the main balance-sheet items compared to 31 December 2001, calculated considering a comparable area of consolidation.

[in millions of Lire]	30/06/2001 Consolidated Total (A)	30/06/2001 Impact of Kenwood acquisition (B)	30/06/2001 Comparable area of consolidation (C)=(A-B)	31/12/2000 D	Difference (C-D)
Intangible fixed assets	852,958	114,705	738,253	748,467	(10,214)
Tangible Fixed Assets	376,330	38,025	338,305	344,097	(5,792)
Long-term investments	31,709	(147,931)	179,640	22,679	156,961
Total fixed assets and long-term investments	**1,260,997**	**4,799**	**1,256,198**	**1,115,243**	**140,955**
Inventories	589,370	81,994	507,376	370,539	136,837
Trade receivables	668,268	114,403	553,865	615,735	(61,870)
Receivables from associated-subsidiary– parent companies	29,892	0	29,892	30,942	(1,050)
Receivables from others	112,728	7,366	105,362	115,129	(9,767)
Other short-term/liquid assets	150,212	29,261	120,951	130,980	(10,029)
Total working capital	**1,550,470**	**233,024**	**1,317,446**	**1,263,325**	**54,121**
Accrued income/prepaid exp.	**28,529**	**9,359**	**19,170**	**23,637**	**(4,467)**
Total assets	**2,839,996**	**247,182**	**2,592,814**	**2,402,205**	**190,609**
Net equity	**731,711**	**(1,244)**	**732,955**	**469,429**	**263,526**
Provisions for contingencies and obligations	**33,196**	**10,773**	**22,423**	**21,852**	**571**
Employee leaving indemnity provision	**41,088**	**3,088**	**38,000**	**37,526**	**474**
Bonds and debentures	290,440	0	290,440	290,440	0
Payables to banks	834,559	113,951	720,608	533,006	187,602
Other financial providers	27,400	1,724	25,676	26,437	(761)
Trade payables	544,097	80,960	463,137	357,814	105,323
Advances/other payables	163,749	13,652	150,097	220,234	(70,137)
Payables to subsidiary-associated-parent companies	132,897	0	132,897	417,092	(284,195)
Total payables	**1,993,142**	**210,287**	**1,782,855**	**1,845,023**	**(62,168)**
Accrued expenses/deferred inc.	40,859	24,278	16,581	28,375	(11,794)
Total liabilities	**2,839,996**	**247,182**	**2,592,814**	**2,402,205**	**190,609**

B) FIXED ASSETS

I - INTANGIBLE FIXED ASSETS

The breakdown is as follows:

[in millions of Lire]	30.06.2001 **Net**	31.12.2000 **Net**	**Difference**
Starting-up and expansion costs	11,365	637	10,728
Research, development and advertising costs	457	698	(241)
Patent rights	7,636	6,659	977
Licenses, trademarks and kindred rights	184,786	191,075	(6,289)
Consolidation difference	642,288	545,344	96,944
Other items	6,426	4,054	2,372
Total	**852,958**	**748,467**	**104,491**

The 104.5 billion Lire increase compared to 2000 is mainly ascribable to the change in the items “consolidation difference” and “starting-up and expansion costs”.
The change in the “consolidation difference”, amounting to 96.9 billion Lire, reflects amortization charges of 16.7 billion Lire as well as the consolidation of Kenwood. The consolidation difference resulting from the latter has been determined by comparing the purchase cost with the adjusted net equity as of the purchase date; this difference has been temporarily accounted for under the item “consolidation difference” pending a transfer to individual asset items (mainly trademarks), where possible. In observance of civil laws, the consolidation difference thus calculated, amounting to a total of 113.5 billion Lire, is amortized pro rata over a period of 20 years, based on its estimated future utility.

The “starting-up and expansion costs” have increased by 10.7 billion Lire, above all as a result of the expenses incurred by the Parent Company in order to gain admission to a listing on the Milan Stock Exchange (at 30 June 2001 the expenses accrued amounted to 10.8 billion Lire); this item includes the costs relative to the preparation of a prospectus and other fees tied to the operation, including communication and market reporting fees; the above-mentioned expansion costs were not amortized in the period ended 30 June 2001 since they related to the Parent Company's admission to the stock exchange, which took place subsequently (24 July 2001).

The table below shows the changes occurring in the main intangible fixed asset items during the first six months of 2001:

[in millions of Lire]	Starting-up and expansion costs	Research & Develop. costs	Patent rights	Licenses, trademarks and kindred rights	Consolid. diff.	Others	Total
Net opening balance	637	698	6,659	191,075	545,344	4,054	748,467
Change in the area of consolidation (*)		0		524	113,511	2,728	116,763
Increases	10,864		2,246	264		503	13,877
Amortization	(136)	(237)	(1,277)	(7,082)	(16,647)	(902)	(26,281)
Translation differences and other changes		(4)	8	5	80	43	132
Net closing balance	**11,365**	**457**	**7,636**	**184,786**	**642,288**	**6,426**	**852,958**

(*) The amount is gross of 2,058 million Lire in amortization charges; the net value is thus 114,705 million Lire.

II- TANGIBLE FIXED ASSETS

Tangible fixed assets may be broken down as follows:

[in millions of Lire]	30.06.2001 **Net**	31.12.2000 **Net**	**Difference**
Land and buildings	173,528	176,387	(2,859)
Plant and machinery	124,686	113,743	10,943
Industrial equipment	53,566	40,217	13,349
Others	20,980	11,302	9,678
Fixed assets and advances	3,570	2,448	1,122
Total	**376,330**	**344,097**	**32,233**

The 32.2 billion Lire increase is mainly a result of the broadening of the area of consolidation following the takeover of Kenwood - which accounts for about 38 billion Lire - purchases made during the financial period, amounting to 23.2 billion Lire, and the 28.9 billion Lire in depreciation charges calculated for the financial period.
The item includes assets acquired through leasing, which may be broken down as follows (values net of accumulated depreciation):

	06/2001	2000
Buildings	7,877	8,035
Plant and equipment	15,638	20,324
Other assets	470	279
Total	**23,985**	**28,638**

The table below shows the changes occurring in the main tangible fixed asset items in the first six months of 2001.

[in millions of Lire]	Land and buildings	Plant and machinery	Industrial/ commercial equipment	Other assets	Fixed assets under const. /advances	Total
Net opening balance	176,387	113,743	40,217	11,302	2,448	344,097
Change in the area of consolidation (*)	0	20,790	15,377	10,025	315	46,507
Increases	693	8,995	10,635	2,063	847	23,233
Decreases	(243)	(262)	(46)	(185)	(40)	(776)
Depreciation	(3,627)	(18,581)	(12,675)	(2,533)	0	(37,416)
Translation diff. and other changes	318	1	58	308	0	685
Net closing balance	**173,528**	**124,686**	**53,566**	**20,980**	**3,570**	**376,330**

(*) The amount is gross of 8,482 million Lire in depreciation charges; the net value is 38,025 million Lire.

III- LONG-TERM INVESTMENTS

1- Share capital investments

	06/2001	2000
Share capital investments in subsidiary companies	2,409	2,409
Share capital investments in associated companies	10,318	11,629
Other companies	319	319
Total	**13,046**	**14,357**

Below is a breakdown of investments that have not been consolidated with the integral method:

Financial assets	**Book value**
Subsidiary companies:	
Clim.Re Sa	2,409
Associated companies:	
Omas S.r.l.	665
Effegici S.r.l.	144
Liguria Vita S.p.A.	3,457
Parex Industries Ltd.	0
Shares held through Trust Company	6,052
Total associated companies	**10,318**

In order to gain better control and secure the Group's position in the strategic market of Oceania, at the beginning of May a 49% stake was acquired in Parex Industries Limited, a company that distributes De' Longhi Group products in the New Zealand and Australian markets. In the context of this transaction, a significant portion of the amounts receivable from the distributor were collected, for a total of NZD 13.8 million; moreover, an interest-bearing loan of the same amount was granted, guaranteed by the company's assets, to facilitate the closing of the transaction.

The investment was valuated using the equity method and then adjusted, partly through a provision of 217 million Lire for stock investment risks; the adjustment mainly reflects amortization of goodwill.

The subsidiary Clim.Re Sa, which provides limited insurance services to some Group companies, has not been integrally consolidated as its activities are outside the sphere of the Group's core business. It has been consolidated with the equity method, like the other associated companies.

The investment held through a trust company pertains to a company that produces finished products on behalf of the Group; with respect to said investment, the Group has availed itself of its right under applicable laws (art. 39 Leg. decree 127/91) to omit the name of the subsidiary in order to avoid causing prejudice to the latter or Group companies.

2- Receivables
The amount shown primarily refers to credits for prepaid taxes on Employee Leaving Indemnity and financial receivables of 15.3 billion Lire deriving from a loan provided to the subsidiary Parex Industries Limited; the loan falls due on 31/03/2005 and earns interests in line with market rates (see previous paragraph).

C) WORKING CAPITAL

I- INVENTORIES
The item "inventories", shown net of the inventory devaluation provision, may be broken down as follows:

	06/2001	**2000**
Raw materials	157,473	131,009
Work in progress	55,362	41,234
Finished products	376,535	198,296
Total	**589,370**	**370,539**

The increase in inventories is mainly ascribable to the consolidation of the acquired company, which accounts for about 82 billion Lire, and also reflects the step-up in the production of heating appliances that will be sold in upcoming months. The value of inventories has been adjusted through an inventory devaluation provision of 12.8 billion Lire (8.2 billion Lire for 2000) to account for products and raw materials that turn over slowly or are obsolete and considered no longer strategic for the Group; the increase is due above all to the consolidation of the Kenwood Group.

We further note that a valuation of inventories on the basis of current costs would not result in any significant differences.

II – RECEIVABLES
The breakdown is as follows:

	06/2001	2000
Trade receivables	668,268	615,735
From associated companies	23,502	2,529
From parent companies	6,390	28,413
From others	112,727	115,129
Total	**810,887**	**761,806**

Credits falling due beyond 12 months include 1,218 million Lire in trade receivables and 8.675 million Lire from others.

1- Trade receivables
Trade receivables are shown net of a provision for doubtful debts, amounting to 17 billion Lire, which represents a reasonable estimate of risk, as assessed at the time the financial statements were drawn up, and was prudentially set aside against some credits in litigation and whose collection is in any case dubious.

3- Receivables from associated companies
This item includes commercial credits vis-à-vis the associated companies Omas S.r.l. (4 billion Lire) and Parex Industries Limited (19.5 billion Lire).

4- Receivables from parent companies
The receivables from parent companies may be broken down as follows:

	06/2001	2000
De' Longhi Soparfi	6,347	28,370
De' Longhi Holding	43	43
Total	**6,390**	**28,413**

In the first six months of 2001, approximately 22 billion Lire was collected of the amount receivable from the parent De' Longhi Soparfi at 31 December 2000. The outstanding balance refers to a transfer of securities taking place at the end of December 2000; the contract provides for this amount to be repaid with interest by the end of 2001.

5- Receivables from others
The item "receivables from others" includes:

	06/2001	2000
Receivables from the Revenue	51,271	60,336
Credits for prepaid taxes	38,728	36,279
Advances to personnel and other receivables	15,692	15,071
Advances to suppliers	7,036	3,443
Total receivables from others	**112,727**	**115,129**

The item "Receivables from the Revenue" includes 6.5 billion Lire in credits for direct taxes and 44.8 billion Lire in V.A.T. credits.

The item "Credits for prepaid taxes" refers to the advance taxes which have been calculated on the basis of the temporary differences arising between the book value of assets and liabilities and their corresponding fiscal values and also to the advance taxes related to losses that may be carried forward for tax purposes.

The item “Collectible after 12 months” mainly refers to receivables from the Revenue for refundable taxes.

D) ACCRUED INCOME AND PREPAID EXPENSES
The breakdown is as follows:

	06/2001	2000
Accrued income:		
Interests receivable on hedging transactions	7,004	17,263
Other financial incomes	3,590	2,049
Total	10,594	19,312
Prepaid expenses:		
Advertising and insurance costs	5,597	1,217
Financial expenses	1,604	1,798
Others	10,734	1,310
Total	17,935	4,325
Total accrued income and prepaid expenses	**28,529**	**23,637**

The 4.9 billion Lire increase in “accrued income and prepaid expenses” primarily reflects the changes occurring the area of consolidation and the different times at which some items accrued.

NOTES TO THE MAIN LIABILITY ITEMS

A) NET EQUITY
The changes in net equity items are shown in an annexed schedule; the main items and the changes they underwent are commented below.

I- SHARE CAPITAL
On 18 April 2001 the shareholders convened in a general meeting approved a paid capital increase amounting to 250.6 billion Lire, which was subscribed and fully paid up; at the same meeting it was decided to convert the share capital into Euros and to combine the shares issued by increasing their par value to 3 Euros. Following the conversion, the Parent Company's share capital amounts to 336,000,000 Euros, divided into 112,000,000 ordinary shares with a par value of 3 Euros each.

IV- LEGAL RESERVE
At 31 December 2000 this item amounted to 4.6 billion Lire. The 1.7 billion Lire increase compared to 2000 reflects the amount of 2000 profit appropriated on the shareholders' approval at the general meeting of 18 April 2000.

VII- OTHER RESERVES
Extraordinary reserve
The extraordinary reserve amounts to 67 billion Lire. The 33 billion Lire increase compared to 31 December 2000 is a result of the allocation of the Parent Company's profit for the year 2000.

VIII- Profits (losses) carried forward
This item includes the profits reported by the consolidated companies and the effects of the adjustments made in conformity with accounting and consolidation principles.

X- Net Equity of minority interests
The net equity of minorities is shown as 1,547 million Lire. The table below itemizes the minority interests held and the corresponding values in terms of net equity and operating results.

Company	% minority interest	Net equity	Operating result
Ariagel S.p.a.	10%	448	104
E-Services S.r.l.	49%	681	549
La Supercalor S.p.a.	5%	91	1
Sile Corpi Scaldanti S.r.l.	8.30%	193	41
Radel S.p.a.	2%	208	(34)
Other minority stakes		(74)	6
Total		**1,547**	**667**

A comparison between the net equity and operating result of the Parent Company De'Longhi S.p.A. and the consolidated net equity and operating result is shown below:

	Net equity 06/2001	Net equity 2000	Profit for the period ended 06/2001	Profit for the period ended 2000
Financial statements of the Parent Company	731,684	473,273	7,824	34,467
Diff. between NE of affiliates and book value of shareholdings, operating result of consolidated companies, changes in the area of consolidation and write-off of dividends	4,056	(67)	1,160	5,611
Elimination of intercompany profits	(65,223)	(56,833)	(8,390)	(21,242)
Other adjustments	59,647	52,419	7,201	9,144
Net equity pertaining to the Group	730,164	468,792	7,795	27,980
Share of minorities	1,547	637	667	204
Consolidated financial statements	731,711	469,429	8,462	28,184

B) PROVISIONS FOR CONTINGENCIES AND OBLIGATIONS

The 11.3 billion Lire increase is mainly due to the change in the area of consolidation. The breakdown is as follows:

	06/2001	**2000**
Supplementary customer indemnity provision	7,909	6,405
Product warranty fund	3,264	2,385
Provision for exchange rate fluctuations	775	0
Provision for returned goods	2,962	1,312
Provision for losses on investments	217	0
Provision for future contingencies	14,244	10,450
Other provisions	3,825	1,300
Total	**33,196**	**21,852**

The supplementary customer indemnity provision includes sums set aside against potential risks for the payment of the retirement indemnities that must be paid to agents, subject to the conditions stated in art. 1751 c.c., as applied by the collective Business Agreements in force.

The product warranty fund has been set aside for some consolidated companies on the basis of a prudential estimate of warranty-related costs for products sold as at 30 June 2001.

The provision for losses on investments relates to the write-down of the share capital investment in the associated company Parex Industries Ltd (see comment in the section: "Share capital investments").

Since 31 December 2000, the provision for future contingencies has risen by 3.4 billion Lire. This increase is due above all to the consolidation of Kenwood, which made it necessary, on completion of the takeover, to adjust the net equity of the acquired stake as a prudential measure against the risks tied to some potential liabilities and non-expressed assets.

In previous years the Parent Company and a subsidiary company, Elba S.p.a., received ascertainment reports from the revenue authorities; on the basis of the information currently at our disposal, we have deemed it unnecessary to make any further provisions for tax liabilities.

C) EMPLOYEE LEAVING INDEMNITY

The table below summarizes the movements occurring during the financial period for each category of employees.

	Total
Opening balance 01.01.01	37,526
Sums allocated	5,534
Indemnities paid	(4,905)
Change in Area of Consolidation and others	2,933
Closing Balance 30.06.01	**41,088**

The table below shows the number of employees per category (Group workforce as at 30/06/01 and average 2000):

	30/06/2001	**Average 06/2001**	**31/12/2000** (*)	**Average 2000 (*)**
Workers	3,732	3,643	2,747	2,754
Office personnel	1,631	1,610	1,057	1,058
Managers	78	76	56	55
Total	**5,441**	**5,329**	**3,860**	**3,867**

(*) The figures as at 31/12/2000 do not take into account the acquisition of the Kenwood Group.

D) PAYABLES

Below we comment the changes occurring in the individual balance-sheet items.

1-Debentures and bonds
The amount carried in the financial statements refers to the bond loan listed in the Luxembourg stock exchange, issued by the subsidiary company De' Longhi Pinguino SA in April 2000 for a total of 150 million Euros, which will mature in 2003 and accrues interests with an annual coupon of 5.625%. This loan is not secured by guarantees.

2- Payables to banks
The payables to banks are broken down as follows:

	Within 1 year	From 1 to 5	Over 5	Balance 30/06/01	Balance 31/12/00
Current accounts	80,758	389		81,147	13,471
Short-term loans in Lire or foreign currency	425,278			425,278	173,775
Loans on bills portfolio	16,197			16,197	55,792
Short-term part of long-term loans	24,465			24,465	61,266
Total short-term payables to banks	**546,698**	**389**	**0**	**547,087**	**304,304**
Long-term loans		275,266	12,206	287,472	228,702
Total payables to banks	**546,698**	**275,655**	**12,206**	**834,559**	**533,006**

Part of the payables to banks - a total of 146 billion Lire - is secured by mortgages on tangible property for an amount of 275 billion Lire.

Shares of the company Kenwood Appliances Plc. have been pledged to secure a loan of GBP 79.5 million provided by a pool of banks to the subsidiary De’ Longhi Pinguino SA within the framework of the acquisition of the Kenwood Group.

4- Payables to other financial providers
This item mainly refers to the amounts payable based on the assessment of leasing contracts using the financial method.

6- Trade payables
The balance represents the amounts payable to third parties for the supply of goods and services; this item rose by 186 billion Lire compared to 2000 due to the broadening of the area of consolidation and the growth in trade.

8- Payables to subsidiary companies
This item regards the loan disbursed by the subsidiary Clim.Re, which has not been consolidated with the integral method.

9- Payables to associated companies
The item refers to commercial-related debts vis-à-vis Omas S.r.l.

10- Payables to parent companies
This item refers to the residual non-interest-bearing debt of 129.6 billion Lire payable to De' Longhi Soparfi Sa for the acquisition of shares by the subsidiary De' Longhi Pinguino Sa at the end of December 2000.

13- Other payables
This item may be broken down as follows:

	06/2001	2000
To personnel	39,307	28,332
To third parties for acquisition of shares	28,657	91,586
Others	11,915	10,597
Total Other Payables	**79,879**	**130,515**

The item "To third parties for acquisition of shares" refers to the residual amount payable, without interest, for De' Longhi Pinguino Sa's acquisition of a stake in DL Radiators S.p.a. from Xarroco Marketing Investments Ltda at the end of 2000. The original value of the transaction, relative to 99.9% of DL Radiators S.p.a., was 96.4 billion Lire.

E) ACCRUED EXPENSES AND DEFERRED INCOME
The breakdown is as follows:

Accrued expenses:	06/2001	2000
Interests payable to Banks	3,824	4,694
Expenses for interest rate hedging transactions	4,002	6,939
Interests on bond loan issues	2,887	11,056
Other accrued expenses	20,739	828
Total Accrued Expenses:	31,452	23,517
Total Deferred Income:	9,407	4,858
Total accrued expenses and deferred income	**40,859**	**28,375**

This item rose by 12.4 billion Lire as compared to 31 December 2000, primarily as a result of the change in the area of consolidation and the different rate of accruals for some items.

Financial hedging instruments and other derivative contracts
In order to reduce the financial risks deriving from fluctuations in exchange and interest rates, the Group avails itself of hedging contracts within the limits defined by typical operating requirements.

As regards derivatives in foreign exchange, the breakdown as at 30.06.01 is as follows (currency expressed in millions):

USD	**60**
GBP	**46**
JPY	**2,000**
CAD	**9**
NZD	**17**

The Group uses derivatives in interest rates as a means of setting a ceiling on the cost of servicing debts. As at 30.06.01, its transactions in derivatives amounted to a nominal value of 222 million Euros (ITL 430 billion).

The current derivatives cover a time span that extends up to the first quarter of 2006.

MEMORANDUM ACCOUNTS
The breakdown is as follows:

	06/2001	2000
Property c/o third parties	0	2,408
Other commitments	839	1,711
Guarantees provided to affiliated parties	7,700	7,700
Guarantees provided to third parties	11,358	12,435
Total	**19,897**	**24,254**

The item “Guarantees provided to affiliated parties” includes guarantees amounting to 7.7 billion Lire issued by De’ Longhi S.p.a. in favor of Immobiliare Findomestic S.r.l. to secure a pre-existing leasing contract stipulated by the latter with Basileasing S.p.a.

The item “Guarantees provided to third parties” includes:

- guarantees amounting to 10.1 billion Lire provided by the subsidiary De’ Longhi America Inc. to secure a long-term lease agreement stipulated in 1999 and expiring in 2006;
- other minor guarantees provided to third parties, mainly issued by the subsidiary companies Climaveneta S.p.a. and Climaveneta Deutschland Gmbh.

NOTES TO THE MAIN ITEMS IN THE INCOME STATEMENT

A) VALUE OF PRODUCTION
Below is a breakdown of the revenues earned in the six-month period, including income from sales and services and other income.

Income by geographical region:

	06/2001
Italy	309,042
United States, Canada and Mexico	103,036
Japan	26,247
United Kingdom	143,178
Other European countries	269,932
Rest of the World	146,271
Total	**997,706**

Income by product lines:

	06/2001
Cooking and food preparation	418,098
Heating	107,179
Air conditioning and treatment	302,397
Home cleaning and ironing	122,604
Others (*)	47,428
Total	**997,706**

The item “other income and revenues” mainly comprises customer reimbursements for transport expenses, amounting to 7 billion Lire, insurance indemnities of 5.1 billion Lire and contingent assets totaling approximately 2 billion Lire.

B) PRODUCTION COSTS

7- For services

The item “Services” consists of the following:

	06/2001
Transport	38,244
Advertising	32,995
Outsourcing	28,865
Commissions	19,874
Insurance expenses	18,586
Travel and promotional expenses	11,945
Utilities	10,716
Technical services	9,610
Warehouse expenses and contributions	9,206
Consulting services and other legal and notary fees	8,499
Other services	31,867
Total	**220,407**

10- Amortization, depreciation and write-downs

Cumulative amortization and depreciation amounted to 63.7 billion Lire, broken down as follows:

Amortization of consolidation difference	ITL	16.7 billion
Amortization of Intangible Fixed Assets	ITL	9.6 billion
Depreciation of Tangible Fixed Assets	ITL	37.4 billion
Total	**ITL**	**63.7 billion**

For further details, see the schedules reporting the changes in tangible and intangible fixed assets.

C) FINANCIAL INCOMES AND EXPENSES

The breakdown of financial incomes and expenses is as follows:

Net interests receivable (payable)	(33,708)
Gains (losses) on exchange	4,001
Other financial revenues (costs)	(4,700)
Total	**(34,407)**

The item “Net interests receivable (payable)” accounts for incomes (expenses) pertaining to banks and third parties and the effects of interest rate hedging transactions. The breakdown is as follows:

Interests payable on bond loans	(8,169)
Bank interests receivable (payable)	(25,079)
Other interests	(460)
Total	**(33,708)**

The item “gains (losses) on exchange” accounts for incomes (expenses) tied to commercial and financial transactions, as well as the effects of hedging transactions.

The item “other financial incomes (costs)” mainly pertains to bank charges, interests payable based on the assessment of leasing contracts using the financial method and factoring costs.

D) ADJUSTMENTS IN THE VALUE OF FINANCIAL ASSETS

This item primarily reflects the write-down of share capital investments valuated with the equity method and includes a 1.4 billion write-down of the investment in the associated company Omas S.r.l.; this investment was prudentially written down on the basis of the balance sheet prepared for the period ending 30 June 2001, which is influenced to a significant degree by the seasonal fluctuations typical of companies that manufacture and sell heating appliances: i.e. in the first six months of the year they produce and incur heavy costs, while their revenues are earned in the second half of the year. Consequently, the above-mentioned write-down should be reversed in the second half of the year.

E) EXTRAORDINARY INCOME AND EXPENSES

The breakdown of extraordinary income (expenses) is as follows:

	06/2001
Contingent assets relative to previous financial periods	4,566
Reclassification of operating result prior to the acquisition of the subsidiary Kenwood (net of non-recurrent expenses)	340
Capital gains on sales (net of capital losses)	157
Other extraordinary income (expenses)	(42)
Total	**5,021**

The item "contingent assets" refers to credits for prepaid taxes relative to losses that could carried forward by some subsidiary companies based on reasonable expectations of future taxable incomes in virtue of new business plans.

The reclassification of Kenwood's pre-takeover result is justified by the fact that the Kenwood group was integrally consolidated for the entire six month period concerned; consequently, in accordance with generally accepted accounting principles, the share of profits ascribable to Kenwood prior to its acquisition at the end of February 2001 (period from 1 January to 28 February 2001) has been classified under the item extraordinary income (expenses). The operating result reported thus includes Kenwood's data only for four months. The amount shown is net of non-recurrent expenses that mainly pertain to costs incurred by the subsidiary Kenwood in the first two months of 2001.

Transactions with associated companies and affiliated parties

In observance of the recommendations issued by the Consob (Italian Securities and Exchange Commission), we provide the following information relative to transactions with associated companies and affiliated parties.

The relationship with associated companies is of a commercial nature, consisting mainly in the purchase/sale of components and finished products.

Business transactions with associated companies:	**06/2001**
Sales	21,695
Purchases	(3,541)
Services	(128)
Total	**18,026**

The relationship with affiliated companies is commercial in nature and consists in the purchase/sale of components and finished products and the provision of services.
The related transactions may be broken down as follows:

Business transactions with affiliated companies:	**06/2001**
Sales	1,754
Other revenues	3
Purchases	(13,962)
Services	(1,254)
Total	**(13,459)**

Receivables from and payables to affiliated companies:	
Trade receivables	4,705
Other receivables	99
Trade payables	(10,212)
Other payables	(34,152)
Total	**(39,560)**

Events occurring after the financial period
Subsequent events are commented in the Directors' report.

LIST OF THE COMPANIES INCLUDED IN THE AREA OF CONSOLIDATION AT JUNE 30, 2001

(including shareholdings with interest held more than ten per cent as required by CONSOB recommendation no. 11971 of May 14, 1999)

(Annexed to explanatory notes)

List of the companies included in the area of consolidation line by line

Company name	Registred office	Currency	Share capital	Controlling interest	
				Direct	Indirect
ARIAGEL SPA	Candiolo (TO)	ITL	1,500,000,000	80%	
LA SUPERCALOR SPA	Seregno (MI)	ITL	1,000,000,000	95%	
SIMAC-VETRELLA SPA	Cazzago di Pianiga (VE	EUR	365,000	100%	
DE’ LONGHI PINGUINO S.A.	Luxembourg (L)	EUR	26,500,000	100%	
DL RADIATORS SPA	Treviso	EUR	6,000,000		100%
DE' LONGHI AMERICA INC.	Saddle Brook (U.S.A.)	US$	9,100,000	100%	
DE' LONGHI LTD	Wellingborough (G.B.)	GBP	4,000,000	100%	
DE' LONGHI FRANCE SARL	Asnieres Cedex(F)	FRF	18,000,000	100%	
DE' LONGHI NEDERLAND BV	DB Leiden (NL)	NLG	500,000	100%	
DE’ LONGHI CANADA INC.	Mississauga (CAN)	CAD	1	100%	
E- SERVICES SRL	Treviso	EUR	50,000	51%	
DE’ LONGHI JAPAN Corp	Tokyo (JAP)	JPY	50,000,000		100%
DE’ LONGHI DEUTSCHLAND GMBH	Mainhausen (D)	DEM	4,000,000		100%
RADEL SPA	Moimacco (UD)	ITL	10,000,000,000		98%
DL CLIMA POLSKA Sp.zo.o	Varsavia (P)	PLZ	4,000		100%
Company controlled by a trust compa (1)	Norimberga (D)	DEM	50,000		100%
DE’ LONGHI DIV. CUCINE SPA	Treviso	ITL	29,706,000,000		100%
ELBA SPA	Treviso	ITL	900,000,000		100%
SILE CORPI SCALDANTI SRL	Fossalta di Piave (VE)	ITL	180,000,000		92%
CLIMAVENETA SPA	Bassano G. (VI)	ITL	3,110,000,000		90%
ERGOKLIMA SPA	Pieve d’Alpago (BL)	EUR	520,000		100%
CLIMAVENETA GMBH	Norderstedt (D)	DEM	600,000		70%
MICROMAX SPA	Pieve d’Alpago (BL)	EUR	969,000		100%
KENWOOD APPLIANCES PLC	Havant (G.B)	GBP	4,586,000		100%
KENWOOD MARKS LIMITED	Havant (G.B)	GBP	2		100%
KENWOOD APPL. (HONG KONG) LTD	Hong Kong (Cina)	HK$	73,010,000		100%
TRICOM IND. COMPANY LTD	Hong Kong (Cina)	HK$	4,500,000		100%
KENWOOD LTD	Havant (G.B)	GBP	50,000		100%
KENWOOD INTERNATIONAL LTD	Havant (G.B)	GBP	20,000,000		100%
ARIETE SPA	Prato (FI)	ITL	16,000,000,000		100%
KENWOOD APPL. (SINGAPORE) LTD	Singapore	SG$	500,000		100%
KENWOOD APPL. (MALAYSIA) LTD	Petaling Jaya (Malaysi	MR	3		100%
KENWOOD APPL. (AUSTRALIA) LTD	Sidney (Australia)	AUD	15,000		100%
KENWWOD MANUFACTURING GmbH	Wr Neudorf (A)	ATS	500,000		100%
KENWWOD DENMARK A/S	Knardrup (Denmark)	DKK	1,000,000		100%
KENWOOD APPL. IRELAND LTD	Dublino	IEP	100,000		100%
KENWOOD HOLDINGS S.A.	Rugins (F)	FRF	16,825,000		100%
KENWOOD FRANCE S.A.	Rugins (F)	FRF	500,000		100%
KENWOOD ELEKTROGERATE GmbH	Neu Isenburg (D)	DEM	5,100,000		100%
KENWOOD APPL. LTD	Auckland (New Zealand)	NZD	0		100%
KENWOOD POLSKA Sp.zo.o	Varsavia (P)	PLZ	172,400		100%
KENWOOD HOME APPL. PTY LTD	Blumberg Str. (South Africa)	ZAR	40,000		100%
KENWOOD APPL. INC.	Havant (G.B)	US$	26,000		100%
KENWOOD TRUSTEES LTD	Havant (G.B)	GBP	2		100%
PRECISION ENGINEERING COMP. LTD	Havant (G.B)	GBP	50,000		100%
WAYMASTER LTD	Havant (G.B)	GBP	100,000		100%
PRECISION REINFORCED FIBRES LTD	Havant (G.B)	GBP	100		100%

(1) The interest held through a trust company regards a trading company that engages in the marketing of “heating” products in Germany; with respect to said interest, the Group has availed itself of the right, granted by the applicable law (art. 39 Leg. Decree 127/91), to omit the name of the subsidiary in order to avoid causing damage to the latter or Group companies.

List of the companies consolidated by the equity method:

Company name	Book value	Registred off	Currency	Share capital	Controlling interest	
					Direct	Indirect
Subsidiaries:						
Climre S.A.	2,409	Luxemburg	Flux	50,000,000	4%	96%
Associated companies:						
Omas S.r.l.	665	S. Vittorio di Gualtieri (RE)	ITL	700,000,000		40%
Effegici S.r.l.	144	Gorgo al Monticano (TV)	ITL	470,000,000		25%
Liguria Vita S.p.A.	3,457	Treviso	ITL	12,000,000,000		30%
Parex Industries Ltd.	0	Auckland (NZ)	NZD	7,600,000	49%	
Interest held through a trust company	6,052		ITL	300,000,000		
Total associated companies	**10,318**					