



**DE' LONGHI CLIMA S.P.A.**

Registered office in Treviso, via Seitz 47  
Share capital: € 120.000,00 fully paid-in  
Treviso Economic and Administrative  
Business Register  
Tax code 06830580962

**DE' LONGHI S.P.A.**

*Registered office* in Treviso, via Seitz 47  
Share capital: € 448.500.000,00 fully paid-in  
Treviso Economic and Administrative  
Business Register  
Tax code 11570840154

## INFORMATION DOCUMENT

prepared in accordance with Article 57 (1.d) of the Regulation adopted by Consob with  
Resolution no. 11971 of 14 May 1999, as subsequently amended

relating to the

### **PARTIAL AND PROPORTIONAL DEMERGER OF DE'LONGHI S.P.A. TO DE'LONGHI CLIMA S.P.A.**

**Sponsor**



**MEDIOBANCA**  
*Banca di Credito Italiano S.p.A.*

22 December 2011

### Disclaimer

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### Important statements

This Information Document contains certain important statements and internal elaborations concerning De’Longhi S.p.A. and De’Longhi Clima S.p.A. and their activities subsequent to completion of the Demerger. These statements are not historical fact and are based on current estimates and projections made by the companies party to the Demerger concerning future events and, by their nature, are subject to inherent risks and uncertainties. They relate to events and depend on circumstances that may or may not occur or exist in the future, and, as such, undue reliance should not be placed on them. Actual results may differ materially from those expressed in such statements as a result of a variety of factors, such as: volatility of commodity prices, changes in general economic conditions, economic growth and other changes in business conditions, changes in government regulation (in Italy or abroad), and many other factors, most of which are outside of the control of the companies party to the Demerger

**SELECTED PRO FORMA CONSOLIDATED DATA FOR THE DEMERGING COMPANY AND BENEFICIARY COMPANY AND PER SHARE DATA**

The Beneficiary Company shall, with regard to the data contained in this section of the Information Document, incorporate information in the prospectus by reference to the De'Longhi Group's Consolidated Financial Statements at 31 December 2010 (the Consolidated Financial Statements) and the De'Longhi Group's Half-Year Interim Financial Statement at 30 June 2011 included in the De'Longhi Group's "Interim Financial Statement at 30 June 2011" (the Consolidated Half-Year Statement"), in accordance with Article 11 of the Prospective Directive and Article 28 of the Regulation 809/2004.

These documents have been published and filed with Consob and can be viewed by the public on the Demerging Company's website ([www.delonghi.com](http://www.delonghi.com)) and that of Borsa Italiana ([www.borsaitaliana.it](http://www.borsaitaliana.it)), as well as at the offices of the Demerging Company.

To assist consultation of the Consolidated Financial Statements 2010 and the Consolidated Half-Year Financial Statements referred to in the Information Document, a table indicating the pages of the main sections of these documents, as published on the website of the demerged company ([www.delonghi.com](http://www.delonghi.com)), is included below.

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<b>HALF-YEAR CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AT 30 JUNE 2011</b>	
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Tables below summarize the consolidated economic and financial data for the De'Longhi Group and the pro forma consolidated data for the Demerging Company and Beneficiary Company as of and for the year ended December 31, 2010 and as of and for the six months ended June, 30 2011, in addition to related per share data as of December 31, 2010 and as of June 30, 2011.

Since the pro forma data are based on assumptions, if the Demerger had taken place on the dates referred to rather than on the effective date, the actual figures may have differed from the pro forma data presented herein. Furthermore, the pro forma data do not constitute a forecast and should not be considered as indication of future earnings for the groups formed by the Demerging Company and the Beneficiary Company as they have been prepared for the sole purpose of providing an illustrative representation of the identifiable and objectively measurable effects of the Demerger.

The selected data set forth in the table below has been extracted from the pro forma data presented in Sections IV and VI of the Information Document and should be read in conjunction with the description of assumptions and methods used for the preparation of the pro forma data and other information contained in those sections.

<b>(in thousands of Euro)</b>	<b>Data as of and for the year ended December 31, 2010</b>		
	<b>Consolidated financial statement of the De'Longhi Group</b>	<b>Consolidated data for the Demerging Company (pro forma)</b>	<b>Consolidated data for the Beneficiary Company (pro forma)</b>
Net revenues	1,625,884	1,281,396	352,614
EBITDA (before non-recurring income/(expenses))	199,088	168,831	30,198
EBIT	147,647	136,225	11,363
Profit (loss) after taxes	75,101	73,676	1,415
	74,915	73,489	1,416
Profit (loss) pertaining to the Group			
Total assets	1,541,193	1,059,189	515,313
Net equity	760,572	489,405	271,337
Group portion of net equity	758,921	487,691	271,400
Liabilities	780,621	569,784	243,976
Cash/ (Net debt)	(4,709)	58,510	(61,665)
<b>Per share data (in Euro)</b>			
Earnings per share	€ 0.50	€ 0.49	€ 0.01
Equity per share (total)	€ 5.09	€ 3.27	€ 1.81

	<b>Data as of and for the six months ended June 30, 2011</b>		
<b>(in thousands of Euro)</b>	<b>Consolidated financial statement of the De'Longhi Group</b>	<b>Consolidated data for the Demerging Company (pro forma)</b>	<b>Consolidated data for the Beneficiary Company (pro forma)</b>
Net revenues	763,070	588,976	178,770
EBITDA (before non-recurring income/(expenses))	88,735	72,902	15,860
EBIT	67,131	57,247	9,911
Profit (loss) after taxes	34,341	30,369	4,069
Profit (loss) pertaining to the Group	34,024	30,060	4,061
Total assets	1,532,414	1,134,259	646,838
Net equity	751,888	478,501	273,673
Group portion of net equity	749,920	476,478	273,728
Liabilities	780,526	655,758	373,165
Cash/ (Net debt)	(12,141)	57,822	(69,988)
<b>Per share data (in Euro)</b>			
Earnings per share	€ 0.23	€ 0.20	€ 0.03
Equity per share (total)	€ 5.03	€ 3.20	€ 1.83

**HISTORICAL SUMMARY CONSOLIDATED AND PER SHARE DATA FOR THE DEMERGING COMPANY AND BENEFICIARY COMPANY AT 30 SEPTEMBER 2011**

The Beneficiary Company shall, with regard to the data contained in this section of the Information Document, incorporate information in the prospectus by reference to the De'Longhi Group's Interim Financial Statement at 30 September 2011 (the "Interim management statement at 30 September 2011"), in accordance with Article 11 of the Prospective Directive and Article 28 of the Regulation 809/2004.

These documents have been published and filed with Consob and can be viewed by the public on the Demerging Company's website ([www.delonghi.com](http://www.delonghi.com)) and that of Borsa Italiana ([www.borsaitaliana.it](http://www.borsaitaliana.it)), as well as at the offices of the Demerging Company.

To assist consultation of the Interim management Statements at 30 september 2011 referred to in the Information Document a table indicating the pages of the main sections of these documents, as published on the website of the demerged company ([www.delonghi.com](http://www.delonghi.com)), is included below.

<b>Interim management statement at 30 September 2011</b>	
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Following is a summary of the full consolidated financial highlights for the De'Longhi Group and the historical data (without pro forma adjustments) of both the Demerging and Beneficiary Company, taken from De'Longhi Group's Interim management report at 30 September 2011 (with reference to the results by operating segment for both *Household* division, which includes also *Corporate* division, and *Professional* division), approved by the Board of Directors on 10 November 2011.

	<b>Data as of and for the nine months ended September 30, 2011</b>		
	<b>Consolidated financial statement of the De'Longhi Group</b>	<b>Consolidated data for the Demerging Company (historical data of Household + Corporate divisions)</b>	<b>Consolidated data for the Beneficiary Company (historical data Professional division)</b>
<b>(in thousands of Euro)</b>			
Net revenues	1,187,107	913,341	281,360
EBITDA (before non-recurring income/(expenses))	155,412	127,859	27,324
EBIT	109,808	102,507	7,073
Profit (loss) after taxes	53,048	56,761	(3,880)
Profit (loss) pertaining to the Group	52,643	56,357	(3,881)
Total assets	1,613,907	1,237,357	631,397
Net equity	802,863	534,689	268,178
Group portion of net equity	801,037	532,806	268,235
Liabilities	811,044	702,668	363,219
Cash/ (Net debt)	(20,956)	41,942	(62,953)
<b>Per share data (in Euro)</b>			
Earnings per share	€ 0.35	€ 0.38	(€ 0.03)
Equity per share (total)	€ 5.37	€ 3.58	€ 1.79

## SUMMARY

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## DEFINITIONS

Below are the main definitions concerning the Demerger used in the Information Document, in addition to those indicated in the document.

<b>BORSA ITALIANA</b>	Borsa Italiana S.p.A., with registered office in Milan, Piazza degli Affari 6.
<b>CLIMAVENETA S.P.A. OR CLIMAVENETA</b>	Climaveneta S.p.A., with registered office in Treviso, Via Seitz 47, Treviso Companies Register no. 02603430139, share capital equal to Euro 10,000,000.00.
<b>CORPORATE GOVERNANCE CODE</b>	Corporate Governance Code for listed companies prepared by the Corporate Governance Committee, promoted by Borsa Italiana and available on the website <a href="http://www.borsaitaliana.it">www.borsaitaliana.it</a> .
<b>CONSOB</b>	Italian Securities and Exchange Commission with registered office in Rome, Via G. B. Martini 3.
<b>DATE OF THE INFORMATION DOCUMENT</b>	The date this Information Document was published.
<b>INITIAL DATE FOR TRADING OF SHARES</b>	Initial date for trading of shares of DeLclima S.p.A. on the MTA organized and managed by Borsa Italiana (Italian Stock Exchange).
<b>DE'LONGHI PROFESSIONAL OR DL PROFESSIONAL</b>	De'Longhi Professional S.A. - with registered office in the Grand Duchy of Luxembourg, Grand Duchy of Luxembourg Companies Register no. B 116737, share capital equal to Euro 30,205,000.00 - direct owner of the entire share capital of Climaveneta S.p.A., RC Group S.p.A. and DL Radiators S.p.A.
<b>PROSPECTUS DIRECTIVE</b>	Directive 2003/71/EC of the European Parliament and of the Council on the prospectus to be published when securities are offered to the public or admitted to trading.
<b>DL RADIATORS S.P.A. OR DL RADIATORS</b>	DL Radiators S.p.A., with registered office in Treviso, Via L. Seitz 47, Treviso Companies Register no. 00730970266, share capital equal to Euro 5,000,000.00.
<b>LEGISLATIVE DECREE 231/2001</b>	Legislative Decree 8 June 2001, no. 231, containing the "Regulation concerning the administrative responsibility of legal persons, companies and associations even without legal personality" which entered into force on 4 July 2001 implementing Article 11 of the Delegated Law no. 300 of 29 September 2000, and subsequent amendments and additions.
<b>INFORMATION DOCUMENT</b>	This Information Document prepared in accordance with Article 57(1.d) of the Issuers' Regulation.

<b>INFORMATION DOCUMENT OF DE'LONGHI</b>	Information Document prepared in accordance with Article 70(4) of the Issuers' Regulation and approved by the Board of Directors of De'Longhi S.p.A. at the meeting held on 21 September 2011.
<b>EBITDA BEFORE NON-RECURRING INCOME/EXPENSES</b>	EBIT of the period gross of amortization, depreciation and impairment and any non-recurring expenses/income.
<b>CORPORATE FUNCTION</b>	group of activities that fall under the so-called "corporate services" represented, in particular, by the activities of centralized management of financial services and derivative operations hedging exchange rate risk, and those activities of supplying ICT services for the companies of the Post Demerger De'Longhi Group and third party clients.
<b>GROUP OR DE'LONGHI GROUP</b>	De' Longhi S.p.A. and its subsidiaries prior to the Demerger pursuant to Article 2359 of the Italian Civil Code and Article 93 of the Consolidated Finance Law, active in the Household Division, the Professional Division, and in the functions related to the Corporate Division.
<b>DE'LONGHI CLIMA GROUP</b>	De' Longhi Clima S.p.A. and its subsidiaries subsequent to the Demerger pursuant to Article 2359 of the Italian Civil Code and Article 93 of the Consolidated Finance Law, active in the Professional Division.
<b>DE'LONGHI GROUP POST DEMERGER</b>	De' Longhi S.p.A. and its subsidiaries subsequent to the Demerger pursuant to Article 2359 of the Italian Civil Code and Article 93 of the Consolidated Finance Law, active in the Household Division and in the Corporate Division.
<b>STOCK EXCHANGE INSTRUCTIONS</b>	The "Instructions accompanying the Rules of the Markets organised and managed by Borsa Italiana", which entered into force on 3 October 2011.
<b>MERCATO TELEMATICO AZIONARIO OR MTA</b>	The Italian Equity Market organized and managed by Borsa Italiana (Italian Stock Exchange).
<b>ORGANIZATIONAL MODEL</b>	Organization and management model adopted pursuant to Legislative Decree 231/2001 (" <i>Regulation concerning the administrative responsibility of legal persons, companies and associations even without legal personality</i> ")
<b>MONTE TITOLI S.P.A.</b>	Monte Titoli S.p.A., with registered office in Milan, Via Andrea Mantegna 6.
<b>RELATED PARTIES</b>	The subjects identified based on the criteria defined by IAS 24 - "Financial statement Disclosures on transactions

with related parties," or the criteria indicated in the Regulation concerning Transactions with Related Parties.

**INTERNATIONAL ACCOUNTING PRINCIPLES  
OR IFRS**

All the International Financial Reporting Standards, the International Accounting Standards (IAS), the interpretations of the International Reporting Interpretations Committee (IFRIC), formerly the Standing Interpretations Committee (SIC) recognized by the European Union pursuant to EU Regulation no. 1606/2002.

**RC GROUP S.p.A. OR RC GROUP**

R.C. Group S.p.A., with registered office in Valle Salimbene (PV), Via Roma 5, Pavia Companies Register no. 01744470186, share capital equal to Euro 10,680,000.00.

**REGULATION 809/2004**

Regulation 809/2004/EC, approved by European Commission on 29 April 2004, implementing Prospectus Directive as regards information contained in prospectuses as well as the format, incorporation by reference and publication of such prospectuses and dissemination of advertisements.

**RULES OF THE STOCK EXCHANGE**

The "Rules of the Markets organised and managed by Borsa Italiana", deliberated by shareholders' meeting of Borsa Italiana on 28 June 2011, approved by Consob with Resolution no. 17904 of 25 August 2011 and entered into force on 3 October 2011.

**ISSUERS' REGULATION**

Implementation Regulation of Legislative Decree no. 58 of 24 February 1998, concerning the issuers' regulation, adopted by Consob with Resolution no. 11971 of 14 May 1999 and subsequent amendments and additions.

**RELATED PARTIES' REGULATION**

The Regulation concerning transactions with related parties adopted by Consob with Resolution no. 17221 of 12 March 2010, and subsequent amendments and additions.

**DEMERGER**

The partial and proportional demerger transaction by De' Longhi S.p.A. to the wholly-owned subsidiary De' Longhi Clima S.p.A., whereby the interest held by the Demerging Company in De'Longhi Professional S.A. will be transferred to the Beneficiary Company.

**SEGMENT OR SECTOR OR DIVISION  
HOUSEHOLD**

The group of activities involving the manufacturing and sales of small household appliances for the preparation of food, cooking, home cleaning and ironing, portable air conditioning and heating.

**SEGMENT OR SECTOR OR DIVISION  
PROFESSIONAL**

The group of activities involving the manufacturing and sales of machinery for air-conditioning systems and ICT industrial process chillers, as well as radiators, currently



performed by the companies Climaveneta, DL Radiators and RC Group and their subsidiaries.

**CORPORATE SECTOR OR DIVISION**

Group of activities that fall under the so-called "corporate services" represented, in particular, by the activities of centralized management of financial services and derivative operations hedging exchange rate risk, and those activities of supplying ICT services for the companies of the Post Demerger De' Longhi Group and third party clients.

**MONTE TITOLI SYSTEM**

The centralized custody system managed by Monte Titoli.

**INDEPENDENT AUDITING FIRM OR  
RECONTA E&Y**

Reconta Ernst & Young S.p.A., with registered office in Via Po 32, Rome.

**THE COMPANY OR BENEFICIARY COMPANY  
OR DL CLIMA OR DE'LONGHI CLIMA S.P.A.**

De' Longhi Clima S.p.A., (renamed "DeLclima S.p.A." beginning from the effective date of the Demerger) with registered office in Treviso, Via Ludovico Seitz 47.

**DEMERGING COMPANY OR  
DE'LONGHI S.P.A. OR DE'LONGHI**

De' Longhi S.p.A., with registered office in Treviso, Via Ludovico Seitz 47.

**CONSOLIDATED FINANCE LAW**

Legislative Decree no. 58 of 14 February 1998 (Consolidated Law of the regulations concerning financial intermediation) and subsequent modifications and additions.

**CONSOLIDATED LAW ON INCOME TAXES**

Presidential Decree no. 917 of 22 December 1986 and subsequent modifications and additions.

## **INTRODUCTION**

De'Longhi S.p.A. published on 26 September 2011 the Information Document of De'Longhi pursuant to Article 70 (4) of the Issuers' Regulation (consistent with the contents envisaged by format 2 of Annex 3B of the Issuers' Regulation) in order to provide shareholders and the market with a complete outline of the partial and proportional demerger transactions of De'Longhi S.p.A. to the wholly-owned De'Longhi Clima S.p.A., whereby the entire shareholding held by the Demerging Company in De'Longhi Professional will be transferred to the Beneficiary Company. The Demerger was approved by Shareholders' meetings of De'Longhi S.p.A. and De'Longhi Clima S.p.A. on 11 October 2011.

The Information Document, which repropose and supplements the Information Document of De'Longhi, has been prepared in accordance with Article 57 (1.d) of the Issuers' Regulation, for the admission to listing on the MTA managed by Borsa Italiana of all Beneficiary Company's shares in order to make available all the information that Consob considers as equivalent to the one of a listing document.

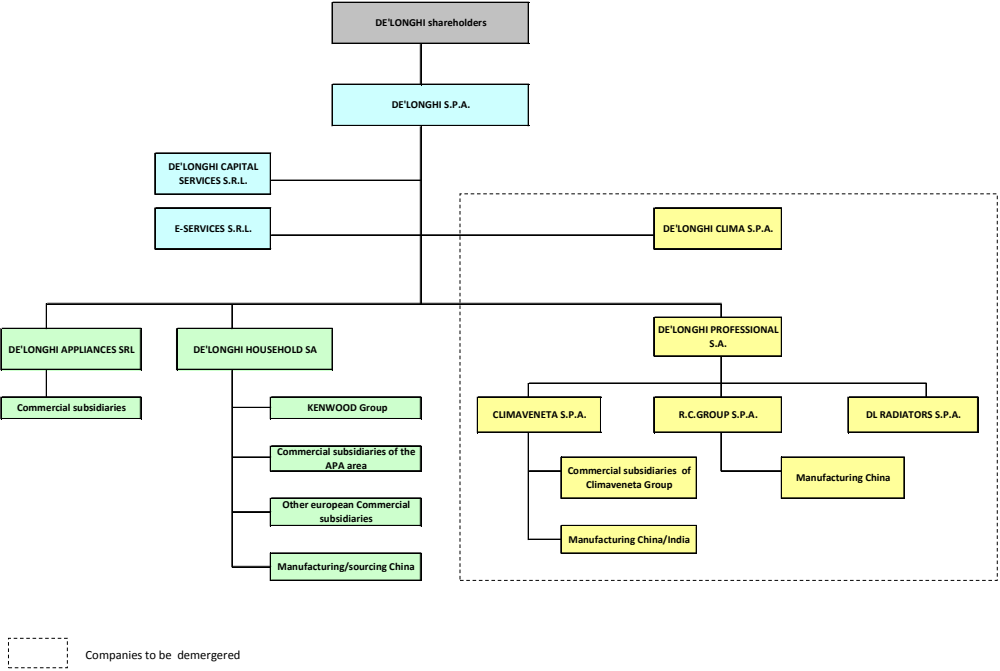
On 19 December 2011 Borsa Italiana authorized the admission for all shares of the Beneficiary Company to listing on the MTA.

On 22 December 2011 Consob decided on the equivalence to a listing prospectus of the information provided by the Information Document pursuant to Article 57 (1.d) of the Issuers' Regulation and authorized its announcement.

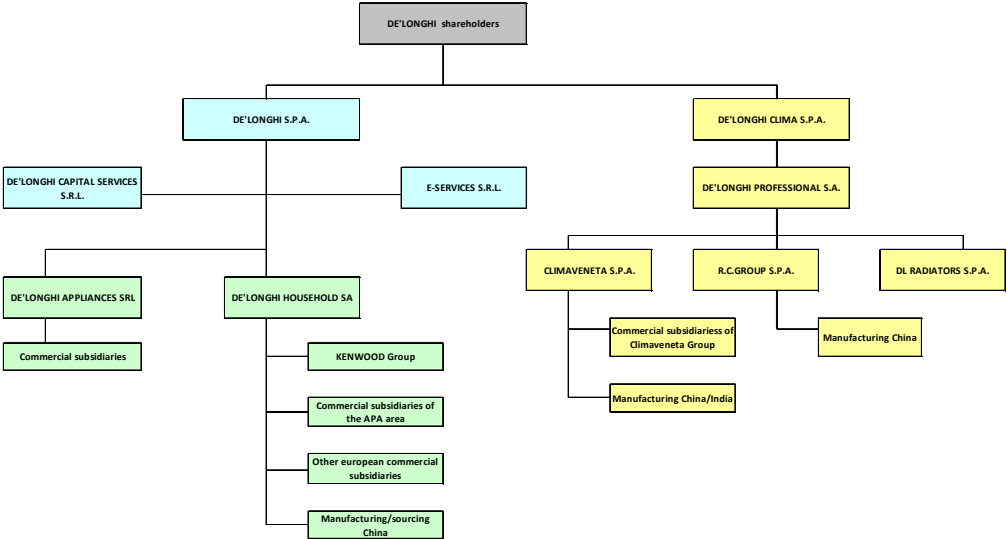
This Information Document was filed to Consob and is available to shareholders and the public at the registered offices of both the Demerging Company and the Beneficiary Company in Treviso, via Seitz 47 and can also be viewed on the internet sites [www.delonghi.com](http://www.delonghi.com) and [www.delonghiclimaspa.com](http://www.delonghiclimaspa.com).

The main purpose of the Demerger is industrial, that is the separation of the activities related to two different business areas in which De'Longhi Group operates, and in particular hiving off the production and commercial activities of air conditioning devices and refrigeration systems directed to ICT (*Information Communication Technology*) processes for industrial purposes, and the radiators (under the Professional Division), from the manufacturing and commercial activities of small household appliances for food preparation and cooking, cleaning and ironing, air conditioning and heaters units (under the Household division).

● CONDENSED ORGANIZATIONAL CHART OF THE DE'LONGHI GROUP PRIOR TO THE DEMERGER



● CONDENSED ORGANIZATIONAL CHART OF THE DE'LONGHI GROUP AND THE DE'LONGHI CLIMA GROUP POST DEMERGER



The main purposes of the Demerger is to allow an independent development of the two separate businesses in which the De'Longhi Group operates, the Household Division (which following the Demerger will also include the Corporate Function) and the Professional Division. The decision to execute the Demerger mainly relates to the consideration that these two divisions lack operational synergies between them; the Professional Division (subject of the Demerger) has features substantially different from those of the Household Division, both in terms of clients and reference market.

Furthermore the Demerger intend to guarantee more transparency for the market and a better information on the strategic, economic and financial expectations for both divisions. It is expected that the Demerger will allow the management to focus on greater flexibility in implementing the strategies for each of the two divisions.

Two distinct groups will result from the Demerger, each focused on its core business and with well-defined targets that can be clearly identified and understood by the market. It is expected that the two groups, when provided with the necessary autonomy and efficiency, will be able to improve their strategic development and, in particular, they will be free to act and to have a specific operational identity which will allow them to fully express their worth.

On one hand, De'Longhi, with the small electrical appliance business, will have the opportunity to express the unexpressed value of the Household Division by focusing and simplifying its activity, and confirming itself as world leader in high-end coffee makers.

On the other, De'Longhi Clima will have the opportunity to strengthen its position among the leading international operators in high energy efficiency products.

At the same time, as a result of the Demerger, each De'Longhi S.p.A.'s shareholder will hold, in place of each existing De'Longhi share, two distinct shares, representing the two different business areas (Household Division - which also includes the activities of the Corporate Function - and the Professional Division) which constitutes the company's business as at today.

As a consequence of the Demerger, each De'Longhi's shareholder will be granted, without consideration, an equal number of shares in the Beneficiary Company as they hold in the Demerging Company at the moment the Demerger takes effect. Therefore the assignment of the shares will take place at the rate of one share in the Beneficiary Company per one share owned in De'Longhi S.p.A.

The time suggested for the transaction envisages that the Demerger shall presumably take effect from 1st January 2012.

### **STATEMENT OF LIABILITY**

De'Longhi Clima S.p.A. and De'Longhi S.p.A. states that, having adopted all reasonable diligence to this end, the information contained in the Information Document is, as far as De'Longhi Clima and De'Longhi S.p.A. is aware, factually accurate and does have any omissions that would alter the sense.

The Information Document corresponds to the form filed with Consob on 22 december 2011 following the issue of the assessment of equivalence with note dated 22 december 2011, protocol no. 11100867.

## **CHAPTER I - WARNINGS**

The following is a brief description of risks and uncertainties related to the transaction detailed in this Information Document that could potentially have a significant impact on the activities of the Beneficiary Company and the group of which it is the parent company. They show, also, a summary of the risks inherent in the Demerger company and the resulting spin-off and an update of risks and uncertainties reported in the consolidated financial statements at 31 December 2010 to which the "*Half year financial report at 30 June 2011 of De'Longhi S.p.A.*" also refers to.

Other risks and uncertainties, which are currently unforeseeable or considered to be unlikely, could also have a significant influence on the operating performance, financial position and future prospects of De'Longhi S.p.A., De'Longhi Clima S.p.A. and their respective groups.

### **1.1. RISKS RELATED TO THE DEMERGER**

#### **1.1.1 Risks associated with the pro forma data**

This Information Document contains pro forma data as of and for the year ended 31 December 2010 and as of and for the six months ended 30 June 2011, prepared to provide investors, in accordance with the applicable reporting standards, with information on the impact of the Demerger on the earnings and financial position of the two groups formed by the Demerging Company and the Beneficiary Company had the Demerger occurred during the period to which these pro forma figures relate. Given that these figures are based on assumptions, it should be noted that if the Demerger had actually taken place on the dates on which the pro forma figures are based rather than the actual transaction date, the historical figures may have differed from the pro forma figures provided. Furthermore, the pro forma figures do not constitute a forecast and should not be considered as indication of future earnings for the groups formed by the Demerging Company and the Beneficiary Company as they have been prepared for the sole purpose of providing an illustrative representation of the identifiable and objectively measurable effects of the Demerger.

Finally, given that the pro forma data and the historical data have a different purpose and that different methodologies have been used to calculate the impacts on the statements of financial position, income and cash flows, the pro forma statements of financial position, income and cash flows should be read and analysed separately from the historical data without attempting to reconcile them.

For further information please refer to Chapters 4 and 6 of the Information Document.

### **1.1.2 Risks associated with the laws governing the Demerger**

Pursuant to Article 2503 of the Italian Civil Code (referred to in Article 2506-*ter* of the Italian Civil Code) and subject to the resolutions passed by the shareholders of the Demerging Company and the Beneficiary Company, the Demerger cannot take effect until sixty days after the last registration required under Article 2502-*bis* of the Italian Civil Code, without prejudice to the forms of protection guaranteed to creditors under the Civil Code. The term referred to in Article 2503 of the Italian Civil Code expired on 13 December without any creditor having made opposition.

Pursuant to Article 2506-*quater* (3) of the Italian Civil Code, from the Effective Date of the Demerger, the Demerging Company and the Beneficiary Company shall be jointly liable for any liabilities of the Demerging Company remaining unsatisfied at the Effective Date of the Demerger, up to the limit of the value of the effective value of the net assets that remain with the Demerging Company or are received by the Beneficiary Company.

However, pursuant to Article 173 (13) of the Consolidated Law on Income Taxes and Article 15 (2) of Legislative Decree 472 of 18 December 1997, regarding just the tax payables and by way of derogation from that provided by the Italian Civil Code, the Beneficiary Company may be liable jointly with the Demerging Company also above the limits of the net assets transferred.

### **1.1.3 Risks associated with the Demerger**

There can be no assurance that the Demerger will not be subject to administrative, technical, industrial, operational, regulatory, political or financial difficulties and, as a consequence, fail to produce the expected benefits.

## **1.2. RISKS FOR THE DE'LONGHI CLIMA GROUP RESULTING FROM THE DEMERGER**

### **1.2.1 Risks associated with the Demerger**

Following the Demerger operation, the activities that will come exclusively under the Beneficiary Company and the other companies which will become part of the De'Longhi Clima Group will be subject to the risks indicated below in this section and those highlighted for the De'Longhi Group ante Demerger in section 1.4 "*Main risks and uncertainties related to the De'Longhi Group's activities.*"

### **1.2.2 Risks associated with the concentration of activities in the business related to the Professional Division**

Under the Demerger, De'Longhi S.p.A. will transfer its interest in DL Professional, the company in the Group which represents the business activities related to the production and sales of machinery for air-conditioning systems and ICT industrial process chillers and radiators (under the Professional Division). Consequently, as of the effective date of the

Demerger, the Beneficiary Company's principal activities will be those related to the this business.

In the aforementioned businesses coming under the Professional Division, sales may vary depending on the general conditions of the economy and trends in demand which, with regard to some types of product, is (i) cyclical for sales related to new installations affected by the real estate property market; (ii) cyclical weakening for sales related to substitutions, particularly air conditioning products. The future earnings of De'Longhi Clima S.p.A. will, therefore, be determined by the financial performance of the aforementioned businesses under the Professional Division and dividends received from its subsidiaries. Therefore, an unfavourable performance of the businesses under the Professional Division could have significantly adverse effects on the business prospects of the De'Longhi Clima Group and on its earnings and/or financial position.

### 1.2.3 Risks associated with the radiator business (Professional Division)

The businesses under the Professional Division refer to machinery for air conditioning and refrigeration as well as radiators. With regard to the latter, it must be mentioned that the related business is affected by the performance of the reference markets which, after the period of growth that they have experienced until 2007, have been hit by significant contractions in sales for subsequent financial periods owing to the economic crisis, and to the strong pressure exerted on prices by countries with lower production costs.

Below is a summary of the performance of revenues and operational earnings (in terms of net industrial margin) of the radiators business in the reference periods and the effect on total sales of the Professional Division. It must be highlighted that the net industrial margin is determined by subtracting the cost of consumption, cost of services and cost of industrial labour from total revenues.

(in thousand of Euro)	30/09/11	% revenues	30/06/11	% revenues	31/12/10	% revenues	31/12/09	% revenues	31/12/08	% revenues
Revenues	71,281	100.0%	37,441	100.0%	101,492	100.0%	97,872	100.0%	122,393	100.0%
% of total Professional Division	25.3%		20.9%		28.8%		29.3%		29.8%	
Gross Profit	16,384	23.0%	8,606	23.0%	22,492	22.6%	24,931	25.5%	25,748	21.0%

It must also be indicated that, following the results of the impairment test based on the new industrial plan, at 30 September 2011, a partial writedown of the goodwill for the radiators business for Euro 11.5 million which was subject to a further writedown for Euro 5.6 million in 2010.

It is expected that demand in the radiator market will remain substantially stable for the next few years thanks to the new segments such as bathroom radiators and design radiators which



will compensate for the reduction of the aluminium electrical radiator market. For steel plate radiators and multi-column radiators demand is also expected to be stable. The Company would like to observe that there is no guarantee that the aforementioned forecasts will actually occur.

#### **1.2.4 Risks associated with the dependence on industrial partners**

In some countries, in which some of the companies that will become part of the De'Longhi Clima Group following the Demerger operate, pursue development programmes, also through joint venture agreements, with local operators, to date in China and India.

The choice to enter into agreements with third party operators is generally motivated by the opportunity to benefit from the experience and consolidated presence of such subjects in the local markets.

Any lack of existing agreements or lack of agreements planned with local partners, and the impossibility to develop new relationships in a short time, at equivalent conditions to the existing ones, could entail the modification and reduction of De'Longhi Clima Group's development objectives in certain areas, with consequent possible adverse effects on the group's earnings and financial situation.

#### **1.2.5 Risks associated with relationships with main suppliers**

De'Longhi Clima Group companies that operate in air conditioning and refrigeration markets depend considerably on existing relationships with specialized producers for key components for the manufacture of its own machines, including the hardware for electronic control.

In spite of the significant number of qualified suppliers operating in the markets of air conditioning and refrigeration and the consequent availability of the products necessary to carry out the business of the De'Longhi Clima Group, we cannot rule out that the non-renewal or the non-fulfilment, for any reason, of the supply contracts stipulated with the companies in the De'Longhi Clima Group may have negative effects on the business and economic, equity and financial situation of the De'Longhi Clima Group

With particular reference to hardware for electronic control, De'Longhi Clima Group companies are supplied by one company that is a leader in its sector.

The non renewal, interruption or lack for whatever reason of the abovementioned supply would therefore mean that the software programmes would need to be rewritten to adapt them to controllers made by other suppliers and this would make the production of machines during such period impossible or at least difficult, with consequent adverse effects on the De'Longhi Clima Group's business, earnings and financial position.

Excepting the above, and with reference to all the other key components, the companies that will be part of the De'Longhi Clima Group operating in said markets are stocked by numerous suppliers with whom they do not have dependency relationships. On this point it

must be specified that the five principal suppliers in these companies at 31 December 2010 recorded an impact equal to 20% on the total purchases ascribable to the Professional Division. It must also be stated that none of the suppliers exceeds a 7% incidence on total purchases of the Professional Division.

#### **1.2.6 Risks associated with the joint liability arising from the Demerger**

With reference to the joint liability arising from the Demerger, please refer to point 1.1.2. of Section 1.1. above.

#### **1.2.7 Risks associated with technological evolution**

The technologies employed in the production of De'Longhi Clima Group machines are in continuous evolution and are subject to constant improvement process for better energy efficiency, use of renewable energy, noise reduction, better reliability and lower costs.

To pursue this aim the Beneficiary Company and Group should continually update their technologies and carry out R&D in order to make their machines even more competitive.

Should De'Longhi Clima Group be unable to adequately develop its products in line with the best technologies available on the market in the sector it operates in, it could have to modify or reduce its development objectives and this could have possible adverse effects on the group's business and its earnings and financial position.

#### **1.2.8 Risks associated with service agreements and marketing of products under licence agreements**

De'Longhi Group's structure includes several companies that provide various services (administrative, fiscal, legal, corporate, payroll/human resources, IT, financial), at market conditions, including other services incidental to the corporate activity, to the different Group sectors including the companies belonging to the De'Longhi Clima Group.

With regard to the companies operating in the Professional Division, it is stated that the costs incurred by them in relation to service agreements accounted for an impact of approximately 4% on the companies' total costs in the first nine months of 2011.

Following the coming into effect of the Demerger, said collaboration will continue with regard to accounting services (limited to the company DL Radiators), tax services, payroll services and IT services. The decision of the Beneficiary Company to continue this collaboration is based on the high level of professionalism with which these services are provided - as proven by the fact that some of these services are also provided to third parties outside the De'Longhi Group - and the competitive conditions applied.

It is expected that after the Demerger this collaboration will be interrupted for the following services (i) legal and corporate assistance; (ii) human resources; (iii) treasury/finance; and

(iv) preparation of the consolidated financial statements. The interruption of this collaboration is expected starting from the Effective Date of the Demerger, but the need to guarantee an adequate transition of competencies could entail the continuation, for some of the aforementioned services, until the date that the De'Longhi Clima interim management report as of 31 March 2012 is approved. In expectation of the interruption of the aforementioned collaboration, the De'Longhi Clima Group is equipping itself with an appropriate organization able to supply such services and will stipulate agreements with third party companies for the supply of the same services.

Failure to rapidly enter into new agreements, at conditions equivalent to existing ones, could have possible adverse effects on the group's business.

With regard to the trademarks, patents and licences that will be used by the De'Longhi Clima Group, it is stated that the Group will market the Radel and De'Longhi brands of heating products, both owned by De'Longhi Appliances S.p.A., a company belonging to the Household Division and which, following the Demerger, will continue to be part of the De'Longhi Group. Use of these trademarks is governed by a non-exclusive licence agreement for Europe and the rest of the world between DL Radiators and De'Longhi Appliances S.p.A. on 7 January 2002 with an initial term set until 31 December 2003 with the possibility of automatic renewal each year. This agreement provides for the recognition of royalties to De'Longhi Appliances S.p.A. on revenues from sales by DL Radiators equal to 1% for the De'Longhi brand and 0.5% for the Radel brand. On 30 September 2011 DL Radiators' revenues deriving from the sale of De'Longhi and Radel brand products was equal to Euro 19.1 million and Euro 11.8 million respectively, which represent approximately 11% of the net consolidated revenues of the Professional Division.

Should the De'Longhi Clima Group not be able to maintain or renew this licence agreement at least on the same conditions as at the Date of the Information Document, its economic and financial situation could be adversely affected.

Lastly, it must be specified that the companies which after the Demerger will be part of the De'Longhi Clima Group operate and will also operate after the Demerger with their own sales structure independent from that of the Demerging Company.

### **1.2.9 Risks associated with De'Longhi Clima Group's debt following Demerger**

The future prospects of De'Longhi Clima Group will also depend on its ability to meet the requirements of maturing debts through flows deriving from operational management, cash on hand, the renewal or re-negotiation of bank credit lines and other sources of financing.

Should Beneficiary Company and its subsidiaries, following the Demerger, be unable to meet its debts (due to the interruption - at the effective date of the Demerger - of existing intercompany financing with the De'Longhi Group, and the failure to renegotiate the aforementioned lines of credit), such circumstances could have an adverse effect on the earnings and financial situation of the Beneficiary Company and of its subsidiary De'Longhi Clima Group.

On this point it must be mentioned that, in order to allow the companies of the De'Longhi Clima Group to be able to meet their debts *(i)* the Beneficiary Company has requested (and obtained) its own lines of credit and an extension of the main existing loans; *(ii)* by the Effective Date of the Demerger, the Demerging Company will sign an agreement with the Beneficiary Company with which it will undertake to supply a line of credit to companies in the De'Longhi Clima Group starting from the Effective Date of the Demerger until 31 December 2012, to be used if necessary, for a maximum amount of Euro 20 million applying an interest rate set at market conditions.

At the Date of the Information Document, in addition to the line of credit granted by the Demerging Company, the amount of the credit lines requested from the banking system is Euro 65 million, of which Euro 30 million has already been granted and in part already used to repay the residual debt towards the De'Longhi Group. The other portion of these loans will be used to cover short-term financing requirements.

With regard to the loan agreements with the Banca Popolare di Verona (a description is provided in Chapter V, section 5.1, point E) of the Information Document) on 14 December 2011 the Beneficiary Company requested and obtained an extension. In particular this extension provides for the postponement of the maturity date until 30 June 2015.

#### **1.2.10 Risks arising from dependence on a limited number of clients**

One of the companies which, following the Demerger, will be part of De'Longhi Clima Group has continuous relationships with numerous clients; the top five of them represented 64% of its net sales and 16% of the consolidated pro forma net sales of De'Longhi Clima Group at 30 september 2011.

Despite the company's constant commitment to consolidating and broadening its trade relationships, the non payment or delayed payment of the amounts due from the above mentioned clients or any interruption in the existing relationships with the same could have adverse effects on the company's business and earnings and, therefore, on De'Longhi Clima Group.

#### **1.2.11 Risks associated with the Company's corporate governance structure**

The Company has taken measures to conform its articles of association and corporate governance to the provisions set out in the Consolidated Finance Law.

In particular, on 11 October 2011 the extraordinary shareholders' meeting approved the Company's new Articles of Association (which will enter into force on the Effective Date of the Demerger) which envisages, among others:

*(i)* that the members of the Board of Directors and those of the Board of Statutory Auditors be nominated based on lists presented by the shareholders so as to guarantee the appointment of at least one director and one statutory auditor by the minority shareholders; and

*(ii)* that the Chairperson of the Board of Statutory Auditors be appointed from among the auditors elected by minorities.

On this point, it must be indicated that:

(i) the Company's Board of Directors in office at the Effective Date of the Demerger was appointed by the shareholders' meeting held on 10 November 2011 and will remain in office until the date of the Ordinary Shareholders' Meeting called to approve the Company's financial statements for the year ending 31 December 2014;

(ii) the Company's Board of Statutory Auditors in office at the Effective Date of the Demerger was appointed by the shareholders' resolution dated 18 July 2011 and will remain in office until the date of the Ordinary Shareholders' Meeting called to approve the Company's financial statements for the year ending 31 December 2013.

It follows that the aforementioned provisions concerning the listing vote will be applied only when it is necessary to replace the Company's Board of Directors and Board of Statutory Auditors.

With the resolution of the Board of Directors on 10 November 2011 and effective from the Effective Date of the Demerger, the Beneficiary Company has equipped itself with a broad and well-structured corporate governance system which envisages, among other things, the appointment of an internal control committee and remuneration committee, and a suitable number of independent directors, the adoption of:

(a) guidelines for "particularly significant" transactions; (b) guidelines for the internal control system; (c) an organizational, management and control model in accordance with Legislative Decree 231/2001; (d) a procedure for the setting up, management and updating of the register pursuant to Article 115-bis of the Consolidated Finance Law; and (e) shareholders' meeting regulations (then submitted for approval to the shareholders' meeting on the same date).

With regard to the adoption of the procedure for transactions with related parties in accordance with Consob Regulation no. 17221/2010 (Transactions with Related Parties Procedure), in light of the fact that, pursuant to Article 4 (3) of said regulation, in the preparation of the aforementioned procedure an important role is given to independent directors, who are asked to express a specific opinion, a draft procedure was approved at the Board meeting on 10 November 2011, postponing its adoption to after the same independent directors enter into office, or rather after the Effective Date of the Demerger, in order to allow the same to actively participate, as required by Consob Regulation 17221/2010, in the approval of the same procedure. On this point, it must be noted that the final approval for the Transactions with Related Parties Procedure will take place without delay as soon as the independent directors take office and evaluate the draft procedure. After its approval and adoption by the board of directors, the Transactions with Related Parties Procedure will be promptly made available on the Company's website at [www.delonghiclimaspa.com](http://www.delonghiclimaspa.com).

The Beneficiary Company, taking into account that it comes under the definition of "*smaller companies*" dictated by Article 3 of the Related Parties Regulation, and as long as it may qualify as such (that is, until, for two consecutive years, neither the assets nor the revenues, as resulting from the latest approved consolidated financial statements, exceed Euro 500

million), it intends to invoke the exception provided under Article 10 of the Related Parties Procedure which allows the application of procedures for transactions of lesser importance also in the event of transactions of greater importance. Owing to this, the Related Parties Procedure contemplates the same procedure of instruction and approval of all transactions with related parties (outside the competence of the shareholders' meeting), without distinguishing between those of greater importance (meaning those whose significance index of the value of the asset or liability is greater than the 5% threshold) and those of lesser importance.

For a detailed description of the contents of the Transactions with Related Parties Procedure, please refer to Chapter V, section 5.4, point 5.4.3 of the Information Document.

**1.2.12 Risks associated with administrative sanctions imposed on members of the board of directors of the Beneficiary Company who will be in office at the Effective Date of the Demerger.**

Some members of the Company's board of directors who will take office on the Effective Date of the Demerger have, in the past, received administrative sanctions imposed by Consob and Banca d'Italia (the Bank of Italy). In particular:

(i) Dr Giuseppe De'Longhi (Chairman) received a pecuniary administrative sanction for a total of Euro 255,000 imposed by Consob with decision no. 17664 dated 16 February 2011 following a preliminary investigation brought against him for a breach of the disclosure requirements relating to insider trading pursuant to Article 114 (7) of the Consolidated Finance Law regarding buying and selling transactions of shares in De'Longhi S.p.A.

(ii) Dr Carlo Gravaglia received, as former auditor of the company Non Performing Loans S.p.A. in Milan (as did the manager, directors and members of the board of statutory auditors in office and formerly in office) a pecuniary administrative sanction of Euro 40,000 imposed by Banca d'Italia (the Bank of Italy) with order no. 488 dated 22 June 2010 for breaches referred to in Article 107 (2) and (3) of Legislative Decree 385/1993 and referred to in the first part, Chapters VI and VIII of the *Supervisory Instructions for Intermediaries registered in the Special Register* contained in the Bank of Italy Circular no. 216/1996. The sanction is the subject of opposition - under Article 145 of Legislative Decree 385/1993 - currently pending before the Court of Appeal of Rome;

(iii) Mr Domenico Guidi, as a member of the board of directors of Centrobanca S.p.A., received (as did the manager, other directors, former directors and members of the board of statutory auditors, though for different amounts) a pecuniary administrative sanction of Euro 18,000 imposed by Banca d'Italia (the Bank of Italy) in order no. 701 dated 15 June 2011, for breaches referred to in: (i) Article 53 (1) (b) and (d) of Legislative Decree 385/1993; (ii) Section IV, Chapter XI of the *Supervisory Instructions for Banks* contained in the Bank of Italy Circular no. 263/2006; (iii) *Supervisory Provisions of 4 March 2008 concerning the organization and corporate governance of banks*.

### **1.3. RISKS FOR DE'LONGHI GROUP POST DEMERGER RESULTING FROM THE DEMERGER**

#### **1.3.1 Risks associated with the Demerger**

Following the Demerger operation, the activities that will remain exclusively under the Demerging Company and the other companies which will become part of the De'Longhi Post Demerger Group will be subject to the risks indicated below in this section and those highlighted for the De'Longhi Group Ante Demerger in section 1.4 "*Main risks and uncertainties related to the De'Longhi Group's activities.*"

#### **1.3.2 Risks associated with the activities of the group formed by the Demerging Company being concentrated in the Household Sector**

Under the Demerger, De'Longhi S.p.A. will transfer its entire interest in DL Professional, the company in the Group which represents the business activities related to the Professional Division, to the Beneficiary Company. Consequently, as of the effective date of the Demerger, De'Longhi S.p.A.'s principal activities will be those related to the production and sales of small household appliances and portable air conditioning (under the Household Division). Compared to the situation prior to the Demerger, the future earnings of De'Longhi S.p.A. will therefore be determined by the financial performance of those businesses and any dividends received from its subsidiaries.

In the business activity under the Household Division, sales to the final client may vary depending on the general conditions of the economy and the final client's propensity for consumption. Furthermore, the sector is subject to constant renewal of the range of models through new launches onto the market. An unfavourable performance of the business under the Household Division could have significantly adverse effects on the business prospects of the Post Demerger De'Longhi Group and on its earnings and/or financial position.

#### **1.3.3 Risks associated with the joint liability arising from the Demerger**

With reference to the joint liability arising from the Demerger, please refer to point 1.1.2 of Section 1.1. above.

## **1.4. MAIN RISKS AND UNCERTAINTIES RELATED TO THE DE'LONGHI GROUP'S ACTIVITIES**

### **1.4.1 Risks associated with the general economic conditions**

The Group's earnings and financial position are influenced by various macro-economic factors, including changes in consumption, the cost of raw materials, interest rates and currency markets.

During the first nine months of 2011 there has been a widespread slowing down of economic activity at global level.

The worsening was more marked in Japan where the earthquake and consequent tsunami, which occurred in the first few months of 2011, have caused a sharp drop in industrial and electrical manufacturing which, except for a small part, has still not been reabsorbed.

Other factors that have contributed to curbing the expansion of demand have been the rise in the price of oil (which had already started by the end of 2010) and the measures taken to re-balance the US federal deficit, which implies the transition from an active stimulus policy to one of fiscal neutrality.

Underlying structural problems afflict advanced economies and hinder, in particular, the prospects of a rapid recovery of the labour market, as highlighted by the results of the latest economic surveys.

The change in world financial markets' perception of the economic conditions could have further negative repercussions on the climate of trust as well as on wealth and, consequently, on the growth of advanced economies. The expectations for public finances continue to cause particular worry, as indicated by Standard & Poor's downgrading of the US sovereign debt rating in August 2011.

The principal risk of a weak growth is represented by the precariousness of the fiscal position of several of the main advanced economies. The absence of credible plans to overhaul public accounts in the medium term could translate into further turbulence for the world financial markets and business.

On the other hand emerging economies should still record robust growth rates, though falling off.

In June, the OECD's Composite Leading Indicator (CLI) continued to decline moderately signifying the possibility of a weakening of industrial production. After increasing in the first two quarters, the Ifo World Economic Climate Indicator decreased over the third quarter. The indicators for North America and Asia have decreased in the third quarter, remaining respectively below and above the long-term averages.

Against this backdrop, the projections formulated by ECB experts, as well as those of the IMF in the September 2011 edition of *World Economic Outlook*, prefigure slowing growth prospects for the second half of 2011 and for 2012 compared to those indicated in previous months, with a growth rate which should remain particularly sluggish in some of the principal advanced economies. (Source: ECB Monthly Bulletin, September 2011).



Additionally, even in the absence of slow growth or recession, other economic circumstances - such as increases in energy prices and fluctuations in the prices of raw materials - could have negative consequences on the markets in which the Group operates, its business prospects, earnings and/or financial position.

#### **1.4.2 Socio-political risks associated with changes in markets and demand, and the Group's presence in emerging markets**

The De'Longhi Group operates in numerous foreign markets for the most part directly as well as through partnership, including joint ventures, in several emerging countries such as China and India. Therefore long since, the Group has acquired the typical features of a multinational and this has inevitably exposed the Group to several risks associated to the local economic and political conditions of the each country in which it operates.

Such risks, in addition to having an impact on consumption in the different markets concerned, may be significant also from the point of view of the concentration of the Group production sites in foreign markets which may be subject to the introduction of limiting or restrictive policies on foreign investment, imports and exports as well as restrictions on capital repatriation.

The occurrence of unfavourable political and economic events in the markets in which the De'Longhi Group operates (and, in particular, in the emerging economies mentioned in paragraph 1.1.1. above) may have adverse economic and financial effects on the Group.

These are systemic risks, common to all companies, therefore the capacity to produce value first depends on the dynamics and size of the reference market and only then on the company's ability to compete for the consolidation/acquisition of market share as large as possible.

The Group, in the person of the chairman of the board of directors, the chief executive officer as well as the divisional and market managers, carries out constant monitoring of market performance to promptly take any opportunities to increase the business and to evaluate the opportunities (and the related potential effects on the Group's earnings) of any risks becoming concrete.

#### **1.4.3 Risks associated with the high level of competition in the sectors in which the De'Longhi Group operates**

The two businesses in which the De'Longhi Group operates - represented by the Household Division and the Professional Division - are featured by a high level of competition.

On the Date of this Information Document the Group competes with other international industrial groups. The reference markets of the products of the two divisions are highly competitive in terms of product quality, innovation, cost, energy saving and also reliability, safety and service.

With reference to the De'Longhi Clima Group, it must be highlighted that the same is, in terms of turnover, one of the top ten operators in Europe in the sectors it operates in.

In particular, with regard to the competitive position of the Professional Division, it must be noted that:

- in the Air conditioning segment the companies operating in the Professional Division, though having attained international standing and significant presence on the Chinese market, certainly have a stronger competitive position in Europe (in particular in Italy, Spain, Germany, UK and France); compared to its main competitors at European level, the Division has a competitive offer in terms of product quality, levels of service and prices;
- in the radiator segment the companies operating in the Professional Division are particularly competitive in Italy, France, UK and Spain. In these markets and in Europe in general, some of the competitors have a particularly strong competitive position in terms of product, brand, service and business relations; with regard to these, the De'Longhi Group offers products of comparable quality at competitive prices.

Should the Group be unable to adapt effectively to external market conditions, this could have an adverse effect on its economic results or its financial position.

#### **1.4.4 Risks associated with De'Longhi Group's ability to continue to innovate its products**

De'Longhi Group's capacity to produce value also depends on the capacity of its companies to offer innovative products, in terms of technology and in line with market trends.

From this perspective, the De'Longhi Group has demonstrated in the past its leadership in technological innovation and in the creation of products that are the latest trend and design, also thanks to a policy of promoting resources dedicated to the development of its own products and its designers, which the Group intends to maintain in the future.

In particular, the failure to develop and offer innovative products, in terms of price, quality and functionality, compared to those of its main competitors, or the delays in bringing strategic new models to the market, may result in reduced market share, and having a material adverse effect on the Group's economic results or financial position.

#### **1.4.5 Risks associated with Patents and Brands**

Bearing in mind the importance of developing innovative products in terms of technology and design (see paragraph 1.4.4 above), the Group pursues a policy of protecting its R&D activity by filing patents for inventions, utility models and designs in the different relevant markets. The same protection is also guaranteed to the Group's brands.

The legal activity to protect the Group's intellectual property rights (patents for inventions, utility models and designs and models as well as brands) is delegated to its legal departments

which constantly monitor and control them worldwide using appropriate consultants in the different countries concerned.

It is not possible to guarantee that the actions undertaken will completely stop imitations of the Group's products by third parties and, above all, it must be noted that the legal systems of different foreign countries (including, China and the United Arab Emirates) do not protect patent rights with the same intensity as European legislation.

However the Group's policy is focused on incurring in the necessary costs to ensure the highest possible level of protection of its patent rights at international level in the markets where the Group operates.

Furthermore, it is not possible to guarantee that the intellectual property rights still at the application stage (and patents for inventions and utility models in particular) will actually be granted as filed, a reduction - occasionally even considerable - of the scope of protection during the technical examination by the competent office, or following any oppositions to the registration and granting of intellectual property rights which may be filed by third parties.

Lastly, although the Demerging Company does not consider that the Group's products violate any intellectual property rights of third parties, it is not possible to rule out other parties successfully asserting the existence of such violations judicially.

#### **1.4.6 Risks associated with management and human resources**

The Group's success largely depends on the ability of its senior executives and the other members of management to effectively manage the Group and individual businesses and on the skills of the personnel that the Group is able to attract and develop.

The principal risks related to the HR area are related to the Group's capacity to attract, develop, motivate, keep and give responsibility to the personnel having the necessary aptitudes, values, specialist and/or managerial competencies with regard to the evolution of the Group's needs.

Any loss of performance in such persons or other key resources without adequate substitution, as well as the incapacity to attract and keep new and qualified resources, could therefore have negative effects on the Group's business prospects, and on its economic results and/or its financial position.

With regard to the capacity to attract valuable resources, it must be pointed out that the main companies in the Group, beside having facilities dedicated to the personnel and characterized by a high level of quality and professionalism, plan initiatives aimed at improving the quality of professional life of its employees and collaborators and at the Group's external image (communication, relations with schools and universities, testimonials, internships etc), in some cases using specialized service companies with proven experience and professionalism.

With regard to the development and motivation of personnel, some of the actions taken by the Group envisage the strengthening of the managerial competencies and more specialist

competencies (business and regulatory) using initiatives involving managers and collaborators from the different company areas.

Furthermore there are reward systems in place for personnel at different organizational levels - from workers in the production plants to top management and key figures - associated with the achievement of short-term and/or medium-term results.

It is therefore essential to develop instruments able to allow individuals' ambitions and aspirations to emerge, so as to promote paths of growth that are shared as much as possible by the company and employees and reduce the risk of de-motivation or loss of qualified resources. On this subject two distinct instruments have recently been developed and implemented: performance appraisal (which has been in use for several years) and a system of internal job posting are being experimented.

In particular, the job posting system makes the most interesting vacant positions visible within the Group's principal companies in order to stimulate internal candidatures in line with requirements and encourage career paths within the same company, as well as between different companies in the Group, both in Italy and abroad.

As far as the personnel employed in the manufacturing sectors is concerned, the Group operates in China and Italy, with the majority employed in China, following the re-balancing of the production structure realized starting from 2004 (previously the factories were based in Europe, with the majority in Italy). The current structure entails some risks associated with the high turnover of Chinese manufacturing personnel, together with the increase in the cost of labour with regard to the significant adjustments the minimum wages decided by the Chinese government.

These risks are managed via:

- organization of the factory work that minimizes the impact of turnover on efficiency and the quality of production;
- the development of incentive systems aimed at personnel loyalty (production bonuses and retention bonuses deferred over time and aimed at factory workers, wage adjustments linked to length of employment within the Group, incentive systems aimed at management);
- investments in training and development of the most qualified internal resources;
- improvement in the living and working conditions within the various plants (canteen, recreational games, areas dedicated to free time, internet access).

#### **1.4.7 Risks associated with changes in the cost of raw materials and relations with suppliers**

The Group's production costs are influenced by the price trends of the principal raw materials, such as steel, plastic and copper.

Most of the purchases are performed in China and the risks are connected with the production made by Chinese subsidiaries that act as suppliers to the Group, the network of

third party suppliers and suppliers of components to the Group's production subsidiaries (for the strategic risks connected with production in China, please refer to paragraph 1.4.2 above).

The Group manages such risks through: (a) a permanent evaluation model of the different suppliers used for managerial decisions and to identify the reliability of each regular supplier in terms of quality and cost of the manufactured products; (b) an evaluation of the risk of fluctuations in the Chinese currency compared to the US dollar, the reference currency (protected by the Group's hedge policies); (c) checks on the economic evaluation of suppliers and, consequently, on the respective reliance on each producer of adequate production volumes; (d) evaluation of services provided by suppliers on the basis of their performance in terms of logistics and speed of their respective deliveries and the consequent decisions adopted each time; (e) inspection activities, prior to the shipment of products by suppliers, to counter any defects in the quality of the products purchased.

Furthermore, regarding the purchases of the principal raw material, the steel, since long the Group used the same suppliers, selected based on trust relationships, and these relationships have, up today, guaranteed the expected production results. Finally, the Group safeguards its reputation against suppliers with regard to the latter's relations with their own employees. On this point it must be mentioned that such precaution is regularly pursued in contractual relationships and furthermore each supplier is provided with the Code of Ethical Conduct which governs the De'Longhi's business.

Nevertheless it cannot be ruled out that any non-performance of the contractual obligations by one or more suppliers who supply the Group's companies may have negative effects on the Group's operation and its economic results and financial position.

Such non-performance could be caused by, among others, (a) problems inherent to its own production capacity that could hinder or delay delivery of the goods ordered; (b) managerial and/or industrial decisions made by the individual suppliers that entail the interruption of the production or the processing of the raw materials, and consequently cause greater difficulty to find such raw materials immediately on the reference market; or (c) considerable delays could occur in the transport and delivery of such raw materials to the Group's companies.

In the first nine months of 2011 the cost of raw materials and components used by the companies in the Professional Division represented 79.7% of the Division's total costs of production (also including the cost of industrial labour component).

The price of these raw materials and components can fluctuate significantly, depending on several factors, including the cyclical economic nature of the markets, supply conditions and other factors beyond the control of the Group which are difficult to predict. The price trend for the above raw materials and components is constantly monitored in order to take those actions necessary to keep the Group competitive.

At the Date of the Information Document, the Group does not have any contracts to hedge the risk from fluctuations in the prices of raw materials.

**1.4.8 Risks associated with product quality and product liability**

The Group's products must observe the different quality standards of the different jurisdictions in which they are distributed.

Above all, there is the risk that the products do not correspond to the qualitative standards as per the regulations in force in the aforementioned jurisdictions. This may legitimise the return of such products and the consequent increased production costs and negative impact on the Group's image could result in damage to the reputation of the same.

Obviously, it should be remembered that the De'Longhi Group's business entails taking on responsibilities which are typical of the producer for damages deriving from faulty products: part of the sales take place in places with legal systems where liability for damages to persons or property caused by products are particularly strict (such as in the US).

On this point, the Group applies severe control standards on its products: it has a quality risk management protocol that includes various activities and procedures that protect the quality of the products. Furthermore, there are facilities dedicated to quality control which is directly carried out at the production units and suppliers' plants.

In addition to this, the Group has insurance covers for product liability that the Demerging Company considers adequate to cover the risk.

Nevertheless with regard to several products made by the Group, the opportunity that manufacturing defects are present or, in some circumstances, the aforementioned insurance covers are inadequate cannot be ruled out. The start of litigation of significant entity concerning product liability, or the discovery of defects in the Group's products, could cause damage to the Group itself with negative consequences for management and the development of its business.

**1.4.9 Risks associated with warehouse size and shipment speed**

Considering the importance that warehouse management and the supply chain hold in the Group's business organization, several risks could be incurred on this issue mainly in relation to Household Division products.

With regard to products of the Household Division the Group is exposed to risks related to warehouse size, connected to the correct forecast of the quantity and assortment of products for subsequent distribution.

In particular, in the event that the Group does not have an adequate quantity of products, it could run the risk of not being able to adequately and promptly meet the demand of its own customers. On the other hand, if the quantity of articles produced is excessive compared to those ordered, the Group could find itself having to face the risk of unsold goods.

A further risk is given by the efficient management of the supply chain which could affect the adequacy of the service rendered to clients.

Currently the Group has a central logistics department that ensures and guarantees a careful and detailed planning and management of all the phases in the supply chain.

As far as the level of service guaranteed to clients, the Group's procedures envisage a service that takes into account the individual requirements of each client.

Should the Group be unable to forecast and/or deal with the aspects that could cause the aforementioned risks, there could be some negative effects on the Group's business prospects and its economic, equity and financial position.

With regard to the Professional Division, the inventories have shown historically higher values in the second and third quarters of the fiscal year and minimum values at the year-end owing to the greater concentration of sales in the last quarter.

#### **1.4.10 Risks associated with changes in interest rates**

The Group holds assets and liabilities that are sensitive to variations in interest rates and which are necessary for the management of the Group's liquidity and financial requirements.

In particular, the De'Longhi Group's principal source of exposure to the risk in question derives from financial debt expressed at variable rates. This risk is managed at central level using the same facilities employed for the management of exchange rate risk. Nevertheless, sudden fluctuations of interest rates could have an adverse effect on the Group's business prospects, earnings and/or financial position.

At the Date of the Information Document, the Group does not have any contracts to hedge such risks.

#### **1.4.11 Risks associated with exchange rate fluctuations**

##### Transaction exchange risk

The De'Longhi Group, in connection with its typical activity, is exposed to the risk of exchange rate fluctuations in currencies different from that in which the commercial and financial transactions are expressed. In order to protect the income statement and balance sheet items from such fluctuations, the Group adopts a hedging policy that uses procedures and instruments suitable for such a purpose and free from speculative connotations.

The hedging activity is carried out at centralized level, based on the information gathered by a structured reporting system, by resources dedicated to it and using instruments and policies in conformity with international accounting standards. The hedging activity's objective is to protect - at the level of each individual company - future costs/revenues forecast in the budget and/or in the long-term plans as well as the commercial and financial credit/debit items.

The main currencies to which the Group is exposed are the US Dollar (the currency in which part of purchase costs for raw materials, components and finished products are expressed in) and the British Pound for sales flows in the British market.

Despite such hedges being in place, sudden fluctuations in exchange rates could have an adverse effect on the Group's business prospects.

Translation exchange risk

The De'Longhi Group holds controlling interest in companies who prepare their financial statements in currencies other than the Euro. The Group is therefore exposed to the translation risk that fluctuations in the exchange rates of some currencies compared to the consolidating currency can bring to the value of the consolidated net worth. The main exposures are monitored, but hedging of such risks does not come under the Group's current policies.

**1.4.12 Risks associated with liquidity and financing requirements**

The liquidity risk - which the Group could incur - represents the risk of not having the necessary financial resources to fulfil payment obligations arising from current activity, investments and maturity of financial instruments.

With regard to the activity of finding financing and hedging risk, the Group's policy is to maintain a portfolio of counterparties of international standing, sufficiently broad.

In order to monitor and manage this risk, the Group adopts specific policies and procedures, including the centralization of financial debt and liquidity management, search on capital market for sources of medium- and long-term financing, short-term credit lines that fully guarantee the needs required by the trend of the working capital and the cash flows.

The Group has bank credit lines available to it for the medium-term, with regard to financing operations currently in existence, and short-term (typically renewable annually) to cover the financing requirements of working capital and other operational needs.

**1.4.13 Risks associated with credit**

The Group is exposed to credit risk deriving from trading relationships and the use of liquidity. It is expected that, also from this perspective, the socio-political risks (or country risks) already highlighted above (see paragraphs 1.4.2 and 1.4.7 above) may be significant here.

Trade credit risk is monitored according to formalized procedures for the selection and evaluation of the client portfolio, for the definition of credit limits, monitoring of expected collection flows and any recoveries, and envisages the taking out of insurance policies with leading insurers and, in some cases, requesting clients for further guarantees, principally in the form of surety bonds.



**1.4.14 Risks associated with seasonal sales**

The De'Longhi Group operates in the sales of portable air conditioning units and radiators- in the Household Division. Such products are typically seasonal by nature and are characterized by a concentration of sales to a limited period during the year.

The seasonal nature of the sales could have an adverse effect on the Group's business prospects and its earnings and financial position.

With reference to the Professional Division, in the years ending 31 December 2009 and 31 December 2010 the business performance was characterized by a greater impact of sales in the last quarter on the total revenue for each year. Based on this sales trend, the Professional Division's working capital and debt have shown lower values at year end compared to those in the first half of the year.

**1.4.15 Risks associated with changes to regulations, and environmental regulation in particular**

The Group is subject, in the various jurisdictions in which it operates, to the provisions of law and other technical, national and international rules, applicable to the types of products commercialized.

Rules concerning the safety and energy consumption of electrical appliances for domestic use and air conditioning systems and the regulations concerning contracts with consumers, faulty products, minimum warranty period, recycling and environmental friendliness are of particular importance.

Although the Demerging Company considers the Group's organization and production comply with the laws in force and, over time, the Group has demonstrated its ability to anticipate regulatory changes during the design phase of new products, the issuing of further regulatory provisions that apply to the Group or its products or rather changes to the rules currently in force in the sectors the Group operates in, also at international level, could force the Group to adopt more strict standards or influence its freedom to act or make strategic decisions in the various business areas.

This could entail adjustment costs for the production facilities or for the product characteristics or even limit the Group's operations with consequent adverse effects on its business and economic, asset and financial position.

In particular, any changes to standards or the regulatory criteria currently in force concerning the environment, or unexpected or exceptional circumstances, could force the Group to bear unforeseen costs. Such costs could therefore have adverse effects on the business and economic, asset and financial position of the Demerging Company and/or Group.

**1.4.16 Risks associated with any possible environmental damage**

The industrial production carried out by the Group in its factories and plants could, in certain cases of serious malfunction or breakdown to said plants, cause damage to third parties, environmental accidents or damage. Such accidents and damage could also occur due to the structural characteristics of some of the production facilities and evaluations and works are under way to ensure compliance with the laws and regulations in force.

Although the Group has adopted the necessary safety measures and observes the applicable rules with regard to the prevention of these types of risks, in the event that environmental accidents or damage occur, the Group could be exposed to liability, even criminal liability, towards the persons or property damaged and towards the competent authorities, and could sustain interruptions to its production with consequent adverse effects on the economic, asset and financial position of the Demerging Company and/or Group.

The Group's companies have taken out insurance policies to cover environmental damage and the limits of liability are considered sufficient by the Group with regard to the estimate of the risk in question, however, it cannot be ruled out that damage may occur whose compensation exceeds the limits of the same policies.

**1.4.17 Risks associated with the plants**

The Group carries out its industrial production at plants which require the issuance of certain administrative permits. For some of the Group's plants, which due to the Demerger will be transferred to the De'Longhi Clima Group, at the Date of the Information Document, formalities are under way for the renewal or issuance of several new permits. The results of the preliminary assessments conducted for this purpose by the competent authorities have revealed the necessity for the Group to carry out compliance works which will be executed within the next few months. Failure to renew or issue any permit may involve various types of legal responsibility and cause adverse effects on the assets of the companies of the De'Longhi Clima Group.

**1.4.18 Risks associated with the administrative responsibility of legal persons**

Legislative Decree 231/2001 introduced into Italian law, in compliance with that provided by EU law, a specific regime of responsibility of organizations for some types of crimes, where "organizations" is understood to mean commercial enterprises, companies, partnerships and associations, including those without legal personality.

To apply this regulation and its amendments and additions, the Group's principal Italian companies have adopted, pursuant to that provided by Article 6 of Legislative Decree 231/2001, the appropriate "Organizational, Management and Control Model" to avoid such responsibility arising and the related Code of Ethical Conduct, intended to be applied by the Group's Italian companies and, where applicable, by foreign subsidiaries, since De'Longhi S.p.A. is liable, pursuant to Article 4 of Legislative Decree 231/2001 also for crimes committed abroad and therefore avoid such liability arising.

Therefore, the company's administrative responsibility pursuant to Legislative Decree 231/2001 would exist, where it could effectively be ascertained following a legal action taken against one of the Group's companies, including its foreign subsidiaries, and it is not possible to rule out, in this case, in addition to the consequent application of the relative sanctions, also negative repercussions on the operation and the economic, asset and financial position of the Company and/or the Group.

With specific reference to the De'Longhi Clima Group, please refer to paragraph 5.4.3 of the Information Document, for the part pertaining to “*Compliance Program pursuant to Legislative Decree 231/2001*” and “*Code of Conduct*”.

## **1.5. RISK FACTORS RELATED TO THE FINANCIAL INSTRUMENTS OFFERED**

### **1.5.1 Risks associated with the liquidity of the Company's shares**

Following completion of the Demerger, all the shares in the Beneficiary Company will be traded on the MTA. Holders of shares will be able to liquidate their investment by selling them on the stock exchange.

However, there is no guarantee that there is, or will remain, a liquid market for the Company's ordinary shares, atypical risk of securities markets.

The Company's ordinary shares may therefore have common and generalized liquidity problems, regardless of the Beneficiary Company and the amount thereof, as the demand for sale may not find adequate and timely availability and be subject to price fluctuations (even significant).

### **1.5.2 Risks associated with the determination of the market price of shares in the Beneficiary Company**

Following the coming into effect of the Demerger, each shareholder in the Demerging Company will be granted, without consideration, an equal number of shares in the Beneficiary Company as they hold in the Demerging Company. Assignment of shares shall therefore take place at the rate of one share in the Beneficiary Company for each share owned in De'Longhi S.p.A.

At that time the shares in both companies involved in the Demerger will be listed on the MTA. The price of shares in the Beneficiary Company will be determined by the performance of the demand/supply ratio which will occur as a result of the admission to trading of these shares.

At the Date of the Information Document it is not possible to determine the price that the market will set for the shares in the Beneficiary Company.

**1.5.3 Risks associated with the non-contestability of the Company**

At the Effective Date of the Demerger, the company will be controlled, pursuant to Article 93 of the Consolidated Finance Law, directly by De'Longhi Soparfi S.A. which will be owner of 75.006% of the share capital of De'Longhi Clima and indirectly by The Long E Trust which controls De'Longhi Soparfi S.A..

Therefore, the decisions of the De'Longhi Clima's Shareholders' Meeting may be determined by De'Longhi Soparfi S.A., which will not exercise direction and coordination activities in De'Longhi Clima in accordance with Articles 2497 and following of the Italian Civil Code.

## **CHAPTER II - INFORMATION ON THE DEMERGER**

### **2.1 OVERVIEW OF THE STRUCTURE AND TERMS OF THE TRANSACTION**

#### **2.1.1 Description of the parties to the transaction**

##### **A) DEMERGING COMPANY**

###### **● Introduction**

De'Longhi S.p.A. is the operating parent company of an international group which operates in market segments united by the concept of wellbeing with regard to products for heating, air conditioning and treatment, food preparation and cooking, home cleaning and ironing.

###### **Origins and business diversification**

Established at the beginning of the last century as an artisan's workshop, in the 1950s De'Longhi S.p.A. began to grow to the size of a small enterprise, focused on the production of components for heating equipment and, subsequently, finished products for other companies. In 1974, the current chairman, Giuseppe De'Longhi, started to commercialize the first branded portable radiators. In this period, there was a turning point: oil-filled radiators. These were created as a solution to the first petrol crisis and they were an immediate success. From this moment on, the company saw its range of products continually extend: from the production of portable radiators it moved to the creation of a complete range of heating devices, manufactured according to precise quality criteria and observing the strictest international health and safety regulations. The highly functional and innovative devices allowed the company to establish itself firmly in European and non-European markets.

Products for food preparation and cooking made their debut in 1985: innovation, production quality and careful attention to the needs of the consumer made these products highly successful and started the development of the same in new markets.

###### **Group formation and international growth**

The development of the business sectors and the continuous increase of the product ranges have led to constant growth in the local market and a significant increase in exports. This exponential growth has allowed De'Longhi S.p.A. to set up a programme of acquisitions of other companies operating in adjoining sectors: heating (Supercalor in 1979); free-standing and built-in domestic appliances (Elba in 1986); air conditioning (Ariagel in 1987); appliances for home cleaning (Vetrella in 1989); ironing systems and food preparation devices (Simac-Micromax in 1995).

Later, in 2000, DL Radiators (company active in the production and sales of terminal units for fixed heating systems) and Climaveneta S.p.A. (company specialized in the realization of large systems for residential and industrial air conditioning and refrigeration) entered the Group for good. This allowed De'Longhi Group to strengthen its position in the climatization sector thanks to the technological, product and commercial protection being extended across the whole sector.

The Group's competitive position is further strengthened in 2001 with the acquisition of the Kenwood Group, an important international brand specialized in products for food preparation and also for home cleaning and ironing, through its subsidiary Ariete, strengthening its own range and the international presence.

In 2006 the De'Longhi Group invested yet further in the Professional Division through the purchase of RC Group S.p.A., which brought highly specialized and well-recognized know-how in high precision air conditioning for data centres and technological environments.

By pursuing an internationalisation policy in distribution, the Group started to open subsidiaries in the principal European and non-European nations, leading to subsidiaries in the US, Canada, France, Netherlands, Germany, UK, Japan, Russia, China, Austria, Australia, Brazil, Spain and Switzerland.

### **Area of international coverage**

In the years following 2000, the De'Longhi Group's expansion was further accelerated after that the production capacity was increased, fostered also by the acquisitions. This strengthened the Group and pushed it towards listing its shares on the stock exchange, which took place in July 2001. After the acquisition of the Kenwood Group in 2001, the De'Longhi Group - in order to perfectly integrate the companies acquired over the years and meet the different and challenging situations at international level - also proceeded to the reorganization of its production activities through their relocation and consequently improving also the efficiency of the supply chain.

The first decade of 2000 also saw the Group intensify its R&D activity, particularly in the sector of coffee machines. In fact, since 2003 De'Longhi has launched a range of automatic coffee machines, followed by a complete range of similar products, including a patented automatic system for making cappuccinos. The success of these products has been immediate both in Europe and elsewhere, and the collaboration with Nespresso - not just at commercial but also industrial level - have reinforced De'Longhi's leadership in the coffee machine sector, making it the number one brand in the category at international level.

Today, De'Longhi Group's activities are divided into three distinct divisions, in particular:

1. the **Household Division** concerns the manufacturing and sales of small household appliances for air conditioning and handling, heating, preparation of food, cooking, home cleaning and ironing distributed principally through the retail channel with the brands De'Longhi, Kenwood and Ariete.
2. the **Professional Division**, however, concerns the manufacture and marketing of machines for air conditioning systems, heating technology, heat pumps and climate control in industrial processes and in data centres and mobile telecommunication, as well as radiators, distributed through the professional channel, using 'business-to-business'. This division operates through the companies Climaveneta, RC Group and DL Radiators;

3. the **Corporate Division** which includes, chiefly, the activity of the parent company De'Longhi S.p.A. and some other subsidiaries that perform corporate services for the Group. On this point it must be specified that, at the Effective Date of the Demerger, this division will take on the corporate function of the Household Division.

For a detailed description of the activities that will be performed by the Demerging Company after the Demerger, please refer to point 2.3.2 in Section 2.3.

● **Name, form of incorporation, registered office and share capital**

De'Longhi S.p.A. has its registered office in Via Ludovico Seitz 47, Treviso, tax code and Companies Register of Treviso no. 11570840154, Treviso Economic and Administrative Business Register no. 224758.

At the Date of the Information Document, the share capital subscribed and fully paid in is equal to Euro 448,500,000.00, represented by a total of 149,500,000 shares with a par value of Euro 3.00 each.

Shareholders' rights are indicated in the Articles of Association, in particular in Articles 5-*bis*, 17 and 18.

Pursuant to Article 5-*bis* of the Articles of Association of De'Longhi S.p.A., the share capital may be increased more than once as allowed by law, also with the issuing of shares with different rights from those already in circulation.

The issuing of new ordinary shares or also shares with different rights from ordinary shares, having the same characteristics as the shares already in circulation, shall not require further approvals from the special meetings of shareholders of the different categories.

The meeting that decides on the capital increase may, in observance of the terms and methods provided by the law, exclude or limit the option rights when the interest of the Company requires it, when the newly issued shares must be freed by contributions in kind, and within the limit of ten percent of the pre-existing share capital pursuant to Art. 2441, subsection 4 of the Italian Civil Code.

The extraordinary shareholders' meeting may delegate to the Board of Directors, pursuant to Art. 2443 of the Italian Civil Code, the faculty to increase the share capital, also with the exclusion of the option rights, observing the methods and within the limits provided by the same Art. 2443 of the Italian Civil Code.

The shares are nominative and indivisible.

Each share shall carry the right to one vote, unless the shareholders' meeting resolves to issue shares without voting rights or with limited voting rights. At the Date of the Information Document the shareholders' meeting has only issued ordinary shares.

Pursuant to Article 17 of the Articles of Association of De'Longhi S.p.A., profit after taxes resulting from the balance sheet shall be allocated as follows:

- to the legal reserve, for a share equal to 5% until the same reaches one fifth of the share capital;
- the remaining profit after taxes shall be placed at the disposal of the Shareholders' Meeting which may allocate them to shareholders or to increasing company reserves, or both.

Dividends that are not claimed within five years from the day that they are collectable shall be reclaimed by the Company. Advances on dividends may be made in accordance with the law.

Article 18 of the Articles of Association of De'Longhi S.p.A. lastly states that, at any time and for any reason whatsoever, the winding up of the Company shall be decided by the shareholders' meeting, which shall establish the liquidation procedures.

No shares granting special rights of control will be issued, there will be no restrictions on voting or transfer of shares and no management or employee stock ownership plans.

#### ● **Changes to the Articles of Association connected with or arising from the Demerger**

##### Introduction

As a result of the Demerger, the share capital and reserves of the Demerging Company will be reduced by an amount equivalent to the net value of the assets and liabilities transferred.

The share capital will be reduced through a proportional reduction in the par value per share.

In order to ensure that the Demerging Company and the Beneficiary Company benefit from the contribution of the human resources that have developed significant experience in both sectors that the De'Longhi Group S.p.A. has operated in until now - namely the Professional and Household Sectors - a new provision will be inserted in De'Longhi S.p.A.'s Articles of Association, contained in Article 13-ter which exempts directors of the Demerging Company from observing the non-competition obligation contained in Article 2390 of the Italian Civil Code. In this way directors will be able to hold such a position in both the Demerging Company and the Beneficiary Company.

In particular, owing to the Demerger, the following amendments to the Demerging Company's Articles of Association shall have effect from the moment the Demerger takes effect.

##### Changes to the Articles of Association connected with or arising from the Demerger

###### *Article 5 – “Share Capital”*

The actual text of Article 5 states; *"The share capital is 448,500,000.00 Euros (four hundred and forty-eight million five hundred thousand), divided into 149,500,000 (one hundred and forty-nine million five hundred thousand) shares each with a par value of 3.00 Euros (three euro) each."*



Pursuant to the Demerger, the Demerging Company's share capital will be reduced by Euro 224,250,000.00 and, therefore, to Euro 224,250,000.00 through the reduction of the par value per share which, from Euro 3.00 at the Date of the Information Document to Euro 1.50.

In particular, following the Demerger, the new Article 5 of the Articles of Association of the Demerging Company shall be amended as follows: "*The share capital is 244,250,000.00 Euros (two hundred and forty-four million two hundred and fifty thousand), divided into 149,500,000 (one hundred and forty-nine million five hundred thousand) shares each with a par value of 1.50 Euro (one euro fifty cents) each.*"

*Article 13-ter - "Exception to the non-competition obligation"*

The new Article 13-ter of the Demerging Company's Articles of Association - which, as illustrated, exempts directors of the Demerging Company from observing the non-competition obligation contained in Article 2390 of the Italian Civil Code - states that: "*Members of the Board of Directors are not subject to the non-competition obligation contained in Article 2390 of the Italian Civil Code.*"

● **Admission to listing**

The De'Longhi S.p.A. shares are listed on the Mercato Telematico Azionario (MTA) organized and managed by Borsa Italiana.

● **Company's duration and financial year**

The duration of the Demerged Company is set until 31 December 2100 and may be extended by a resolution of the extraordinary general shareholders' meeting,

The financial year ends on 31 December each year.

● **Corporate purpose**

De'Longhi S.p.A. has as its purpose: the activities of construction, light engineering and trading, including without limitation, the design, development, manufacture, assembly, purchase, trading and sale of household appliances, electric and electronic appliances, air conditioning systems for civil and/or industrial use, also by contracting out such activities to third parties.

Such activities may be executed both directly and by acquiring interests in other companies operating in the sector; the wholesale and retail trading of the products, subject of the Company's activities referred to in the first paragraph; the management, both in the name of the Company and on behalf of third parties, of retail outlets and stores for the products, subject of the activities referred to in the first paragraph, in Italy and abroad; the execution of

activities related or in any case useful for the pursuit of the corporate purpose, including advertising, IT, telecommunications and multimedia, and generally commercial, financial, real estate, research, training and consultant activities connected with the activities referred to in previous paragraphs; the acquiring of interests in general, not for their transfer, including the acquisition, parent and management of the rights, represented or not represented by shares, over the capital of other companies, and the technical and financial coordination of the entities in which interests have been acquired; the activity of financing, which may only be practiced to parent, subsidiary or affiliated companies pursuant to Art. 2359 of the Italian Civil Code and controlled by the same parent and however part of the group, including the aforementioned activity of financing comprising the issuing of guarantees as a substitute for financing and the underwriting of financial undertakings including operations for the acquisition of credit, issuing guarantees and sureties, opening of documentary credit, acceptance of bills of exchange, endorsements and commitments to grant credit.

The company may also conclude all commercial, financial, industrial, personal and real property operations, grant guarantees, sureties and guarantees in general, also in favour of third parties, and all the operations the company deems essential for the achievement of the corporate purpose.

The corporate purpose strictly excludes the practice of financial operations involving the general public pursuant to Art. 106 of Legislative Decree 385/93, the subscription of savings from the general public and the practice of credit activities and those activities reserved solely to members registered with professional chartered bodies.

#### ● **Shareholder structure**

Pursuant to Article 93 of the Consolidated Finance Law, control is exercised indirectly by The Long E Trust through the subsidiary De'Longhi Soparfi S.A., which holds 75.006% of the shares in De'Longhi.

With regard to The Long E Trust, it must be noted that it is a discretionary and irrevocable trust governed by the laws of Jersey (Channel Islands).

The trust was established in 1996 by Dr Giuseppe De'Longhi - settlor of the trust - which, given the discretionary nature of the trust, has no power over the trustees.

At the Date of the Information Document the trust is administered by the trustees IFM Trust & Corporate Services Limited and IFM Trustee (NZ) Limited which have full discretion in the management of the same and its related assets and liabilities.

According to the Shareholders' Register, at the Date of the Information Document, the communications received and other information available to De'Longhi, there are no other shareholders who possess, either directly or indirectly, shares in the Demerging Company equal to or greater than 2% of the share capital with voting rights.

At the Date of the Information Document, De'Longhi S.p.A. and the other companies in the Group do not hold any shares in De'Longhi.

At the Date of this Information Document De'Longhi shareholders number approximately 3,850 (three thousand eight hundred and fifty).

Since the transaction is a partial and proportional demerger, no variations will be produced in the De'Longhi shareholder structure owing to the Demerger.

● **Corporate bodies and independent auditors**

The Board of Directors appointed by the Shareholders at the General Meeting held on 21 April 2010 for the 2010, 2011 and 2012 financial years, is composed as follows:

<b>Name and Surname</b>	<b>Position</b>
GIUSEPPE DE' LONGHI	Chairman
FABIO DE' LONGHI	Vice-Chairman and Chief Executive Officer
ALBERTO CLÒ <sup>(*)</sup>	Director
RENATO CORRADA <sup>(*)</sup>	Director
SILVIA DE' LONGHI	Director
CARLO GARAVAGLIA	Director
DARIO MELÒ	Director
GIORGIO SANDRI	Director
SILVIO SARTORI	Director
GIOVANNI TAMBURI <sup>(*)</sup>	Director

<sup>(\*)</sup>Independent directors pursuant to the Consolidated Finance Law and the Corporate Governance Code

The Board of Statutory Auditors elected at the same General Meeting of Shareholders held on 21 April 2010 for the 2010, 2011 and 2012 financial years is composed of the following:

<b>Name and Surname</b>	<b>Position</b>
GIANLUCA PONZELLINI	Statutory Auditor - Chairman
MASSIMO LANFRANCHI	Statutory Auditor
GIULIANO SACCARDI	Statutory Auditor
ROBERTO CORTELLAZZO-WIEL	Alternate Auditor
ENRICO PIAN	Alternate Auditor

The independent auditors are Reconta Ernst & Young S.p.A., whose appointment was resolved at the Shareholders' Meeting on 21 April 2010 for the financial years 2010-2018.

The independent auditors issued a clean opinion on the Statutory and Consolidated Financial Statements at 31 December 2010. The independent auditors reports are publicly available from the sources indicated in Section 2.6 of this Information Document.

- **Share-based incentive plans**

At the Date of this Information Document, the Demerging Company does not have any share-based incentive plans with the assignment of ordinary shares in De'Longhi S.p.A. in place.

However, De'Longhi S.p.A. does have a "Phantom Stock Option Plan" (hereafter also the Plan) resolved in 2008, which envisages, for the beneficiaries, recognition of a right to the payment of money, with regard to the growth of the ordinary share value of De'Longhi. For this plan De'Longhi prepared the Information Document, in accordance with Article 84-*bis* of the Issuers' Regulation, prepared in accordance with Annex 3A, Schedule 7 of the Issuers' Regulation, filed with Borsa Italiana and published on the Demerging Company's internet site. During 2008, the Board of Directors of De'Longhi S.p.A. assigned a total of 700,000 Phantom Stock Options to the beneficiaries of the Plan. At 30 June 2011, the number of exercisable options is equal to 500,000. The value assigned is equal to Euro 4.00 and the disbursement in money will be carried out in relation to the increase of the De'Longhi share value. The Plan envisages that the Phantom Stock Options are exercisable (and therefore grant the right to obtain the disbursement above) from 1 May 2010 for 50% and from 1 October 2011 for the remaining 50%, the options must be exercised by and not after 31 December 2012.

On the date of the Information Document the only two beneficiaries have communicated to the Demerging Company that they will take up all the Phantom Stock Options within the effective date of the Demerger.

## **B) BENEFICIARY COMPANY**

- **Introduction**

The Beneficiary Company, established on 29 December 2009 as a limited liability company, was transformed into a joint-stock company on 18 July 2011 expressly to implement the Demerger and, at the Date of the Information Document, its share capital is wholly owned by De'Longhi S.p.A.. Since its incorporation, the Beneficiary Company's only activities have been those directly related to the Demerger and no other activity is expected prior to the effective date of the Demerger.

For a detailed description of the activities that will be performed by the Demerging Company after the Demerger, please refer to point 2.3.3 in Section 2.3, and Chapter V of the Information Document.

- **Name, form of incorporation, registered office and share capital**

De'Longhi Clima S.p.A. has its registered office in Via Ludovico Seitz 47, Treviso, tax code and Companies Register of Treviso no. 06830580962, Treviso Economic and Administrative Business Register no. 352567.

At the Date of the Information Document, the share capital subscribed and fully paid in is equal to Euro 120,000.00, represented by a total of 40,000 shares with a par value of Euro 3.00 each.

- **Changes to the Articles of Association connected with or arising from the Demerger**

Introduction

On 11 October 2011 the Shareholders' Meeting of the Beneficiary Company also resolved to adopt, with effect from the Effective Date of the Demerger, Articles of Association that conform to the requirements for listed companies established by the Consolidated Finance Law and related implementing regulations. The Board of Directors had assessed the opportunity to modify the name of the Beneficiary Company contained in Article 1 of the Articles of Association which will come into force on the Date of the Demerger, from De'Longhi Clima S.p.A. to DeLclima S.p.A., referring the decision on the verifications in progress at the time regarding the feasibility of said modification to the Shareholders' Meeting. The Meeting held on 11 October 2011 to approve the Demerger - having ascertained there is no impact of the change to the name on the rights of shareholders or third parties provided by Article 2502 of the Italian Civil Code - such change was approved: therefore, starting from the moment in which the Demerger becomes effective the Beneficiary Company will be called "DeLclima S.p.A.".

The aforementioned Articles of Association, an integral part of the Demerger Plan annexed to the Information Document, reproduce exactly the Articles of Association of De'Longhi Post Demerger, except for Article 1 ("Name") and Article 5 ("Share Capital") which as consequence of the Demerger will be changed to implement (i) the share capital increase from Euro 120,000,000 to Euro 224,370,000.00 and (ii) the division of the current 40,000 shares with a par value of Euro 3.00 each into 80,000 shares with a par value of Euro 1.50 each.

As a result of the Demerger, the share capital and reserves of the Beneficiary Company will be increased by an amount equivalent to the net value of the assets and liabilities transferred.

The share capital increase will be implemented through the issuance of new shares.

Changes to the Articles of Association connected with or arising from the Demerger

Article 5 – “Share Capital”

The actual text of Article 5 states; *"The share capital is 120,000.00 Euros (one hundred and twenty thousand), divided into 40,000.00 (forty thousand) shares each with a par value of 3.00 Euros (three euro) each."*

As illustrated above, prior to making the decision regarding the Demerger, the Beneficiary Company's shareholders decided to split the shares representing its share capital, substituting each of the former 40,000 shares having a par value of Euro 3.00 each, with 2 shares having a par value of Euro 1.50 each, so that the share capital, before the share capital increase necessary for the Demerger, is equal to the par value of Euro 120,000.00 divided into a total of 80,000 shares having a par value equal to Euro 1.50 each.

Pursuant to the Demerger, the share capital of the Beneficiary Company will increase from Euro 120,000,000 to Euro 224,370,000.00, represented by a total of 149,580,000 shares with a par value of Euro 1.50 each, of which (i) 149,500,000 new shares issued by DL Clima against the capital increase consequent to the Demerger; and (ii) 80,000 with a par value of Euro 1.50 each representing the share capital of the Beneficiary Company at the Date of the Information Document.

Therefore, following the Demerger, Article 5 (“Share Capital”) of the Beneficiary Company's Articles of Association provides that *"The share capital is Euro 224,370,000.00 (two hundred and twenty-four million three hundred and seventy thousand), divided into 149,580,000 (one hundred and forty-nine million five hundred and eighty thousand) shares each with a par value of Euro 1.50 (one Euro fifty cents) each"*.

● **Other amendments to the Articles of Association**

As said, on 11 October 2011 the Shareholders' Meeting of the Beneficiary Company also resolved to adopt, with effect from the Effective Date of the Demerger, Articles of Association that conform to the requirements for listed companies established by the Consolidated Finance Law and related implementing regulations.

The following changes to the Articles of Association come under the compulsory adjustments:

- Article 8 - *"Formalities for the convocation, right to participate and representation"*: regarding the possibility to delegate representation in the meeting also by electronic means, to be communicated to the company by certified e-mail, to the address given in the notice of call (Article 135 novies of the Consolidated Finance Law).
- Articles 11 - *"Administrative Body"* and 19 - *"Board of Statutory Auditors"*: regarding adjustment of the terms of filing and making available the list of candidates for appointment to the Board of Directors and Board of Statutory Auditors; insertion of the legal terms by which the totality of the minimum share quota required to present such lists are determined; introduction in terms of independence of the candidates at numbers

two and seven in the consecutive order of the lists for the appointment of directors, of the necessity that the directors possess the requirements mentioned in Article 147 *ter* of the Consolidated Finance Law.

● **Admission to listing**

On 19 December 2011 Borsa Italiana authorized the admission for all shares of De'Longhi Clima to be listed on the MTA.

Subsequent to the Deed of Demerger being filed with the relevant Companies Register, but prior to the Effective Date of the Demerger, Borsa Italiana will provide formal notification of the initial date for trading of shares in the Beneficiary Company on the MTA.

As of the Date of this Information Document, the Beneficiary Company does not intend to list its shares on any other stock exchange.

● **Company's duration and financial year**

The duration of the Beneficiary Company is set until 31 December 2100 and may be extended by a resolution of the extraordinary general shareholders' meeting,

The financial years shall end on 31 December of each year.

● **Corporate purpose**

De'Longhi Clima S.p.A. has as its purpose: the activities of construction, light engineering and trading, including without limitation, the design, development, manufacture, assembly, purchase, trading and sale of household appliances, electric and electronic appliances, air conditioning systems for civil and/or industrial use, also by contracting out such activities to third parties.

Such activities may be executed both directly and by acquiring interests in other companies operating in the sector; the wholesale and retail trading of the products, subject of the Company's activities referred to in the first paragraph; the management, both in the name of the Company and on behalf of third parties, of retail outlets and stores for the products, subject of the activities referred to in the first paragraph, in Italy and abroad; the execution of activities related or in any case useful for the pursuit of the corporate purpose, including advertising, IT, telecommunications and multimedia, and generally commercial, financial, real estate, research, training and consultant activities connected with the activities referred to in previous paragraphs; the acquiring of interests in general, not for the their transfer, including the acquisition, parent and management of the rights, represented or not represented by shares, over the capital of other companies, and the technical and financial coordination of the entities in which interests have been acquired; the activity of financing, which may only be practiced to parent, subsidiary or affiliated companies pursuant to Art. 2359 of the Italian Civil Code and controlled by the same parent and however part of the

group, including the said activity of financing comprising the issuing of guarantees as a substitute for financing and the underwriting of financial undertakings including operations for the acquisition of credit, issuing guarantees and sureties, opening of documentary credit, acceptance of bills of exchange, endorsements and commitments to grant credit.

The company may also conclude all commercial, financial, industrial, personal and real estate operations, grant guarantees, sureties and guarantees in general, also in favour of third parties, and all the operations the company deems essential for the achievement of the corporate purpose.

The corporate purpose strictly excludes the practice of financial operations involving the general public pursuant to Art. 106 of Legislative Decree 385/93, the subscription of savings from the general public and the practice of credit activities and those activities reserved solely to members registered with professional chartered bodies.

● **Shareholder structure**

At the Date of the Information Document, the Beneficiary Company's share capital is wholly owned by De'Longhi S.p.A..

● **Corporate bodies and independent auditors**

At the Date of the Information Document, the Beneficiary Company's board of directors is composed as follows:

<b>Name and Surname</b>	<b>Position</b>
GIUSEPPE DE' LONGHI	Chairman
CARLO GROSSI	Chief Executive Officer
SILVIA DE' LONGHI	Director

The Company's Shareholders' Meeting on 10 November 2011 approved the appointment as members of the Board of Directors, subject to the coming into effect of the Demerger and with the expiry to coincide with the meeting convened for the approval of the financial statements 2014, of the following persons:

<b>Name and Surname</b>	<b>Position</b>
GIUSEPPE DE' LONGHI	Chairman
CARLO GROSSI	Director
SILVIA DE' LONGHI	Director
LUCA MARIA BETTALE	Director
CARLO GARAVAGLIA	Director
DOMENICO GUIDI	Director
RAMON MARIMON	Director



The board of statutory auditors, appointed for the financial years 2011, 2012 and 2013 by the Shareholders' Meeting on 18 July 2011 (during the transformation of the Beneficiary Company from a limited liability company to a joint-stock company) is composed as follows:

<b>Name and Surname</b>	<b>Position</b>
GIANLUCA PONZELLINI	Statutory Auditor - Chairman
GIULIANO SACCARDI	Statutory Auditor
MICHELE FURLANETTO	Statutory Auditor
ROBERTO CORTELLAZZO-WIEL	Alternate Auditor
MONICA BERNA	Alternate Auditor

On 10 November 2011, as proposed by the Board of Statutory Auditors, the Shareholders' Meeting has appointed Reconta Ernst & Young S.p.A. with offices in Via Po 32, Rome, to perform the statutory audit of the balance sheets and consolidated financial statements of De'Longhi Clima, and the limited audit of the Half-Year Financial Report, for the nine-year period 2011-2019, pursuant to Legislative Decree no. 39/2010 (the so-called "Consolidated Law on the Statutory Auditing of Accounts").

See Subsection 5.4 below for further information on the administrative and control bodies of the Beneficiary Company and on the corporate governance model adopted by the company.

## **2.1.2 Structure, terms and conditions of the transaction**

### **• Legal form, structure, terms and conditions of the Demerger**

The Demerger will be executed in accordance with the requirements of Articles 2506 and following of the Italian Civil Code and in the manner and under the conditions described in the Demerger Plan, which forms an attachment to this Information Document.

In particular, the Demerger, if approved, will consist in the partial and proportional demerger of De'Longhi S.p.A. to De'Longhi Clima S.p.A. and it will be carried out through the transfer by De'Longhi of a portion of its assets and liabilities. The assets and liabilities to be transferred to the Beneficiary Company include the 100% interest held by the Demerging Company in De'Longhi Professional (for a detailed description of the assets and liabilities to be transferred to the Beneficiary Company as part of the Demerger see Chapter II, Section 2.2, point 2.2.1 of this Information Document).

Shareholders' meetings of De'Longhi S.p.A. and De'Longhi Clima S.p.A., held on 11 October 2011, approved the Merger, in accordance with the combined provisions of Articles 2506-ter and 2501-quater of the Italian Civil Code, that was based on: (i) the financial statements for De'Longhi as at 30 June 2011 and (ii) the financial statements for the Beneficiary Company as at 20 July 2011, approved by the respective Boards of Directors on 21 July 2011.

The Demerging Company will transfer the above asset to the Beneficiary Company at book value.

● **Allotment of shares in the Beneficiary Company**

As a consequence of the Demerger, each De'Longhi shareholder will be granted, without consideration, an equal number of shares in the Beneficiary Company as they hold in the Demerging Company. Assignment of shares shall therefore take place at the rate of one share in the Beneficiary Company per one share owned in De'Longhi.

Therefore, no cash adjustment is anticipated.

Shares in the Beneficiary Company will be allotted to those having entitlement, through authorized intermediaries and in dematerialized form, from the effective date of the Demerger, within the period and in the manner to be announced in the appropriate notice.

A prerequisite and essential condition of the Demerger is that the shares in the Beneficiary Company, at the moment of their assignment to shareholders of the Demerging Company, be listed on the MTA.

On 19 December 2011 Borsa Italiana admitted all the classes of shares in De'Longhi Clima S.p.A. to listing on the MTA.

Subsequent to the Deed of Demerger being filed with the relevant Companies Register, but prior to the Effective Date of the Demerger, Borsa Italiana will provide formal notification of the initial date for trading of shares in the Beneficiary Company on the MTA.

● **Opinion of independent experts**

Article 2506-ter (3) of the Italian Civil Code expressly allows for the application of a so-called 'simplified procedure' only in the case of demergers involving proportional allotment to shareholders of shares in a newly constituted entity.

However, a report by independent experts should be considered as superfluous where a demerger does not result in a change in the value of the interests held by shareholders of the companies party to the transaction, making the determination of an exchange ratio in relation to the total values of the respective interests held by those shareholders irrelevant. Such circumstance exists when a partial demerger consists of the transfer of assets to an existing beneficiary company that is wholly owned by the demerging company. This interpretation is also consistent with the opinion expressed by the Milan Council of Notaries (in *Massima* 23 of 18 March 2004, issued by the *Commissione Società del Consiglio Notarile di Milano*).

Since the transaction described in this Information Document relates to a demerger to an existing Beneficiary Company that is wholly owned by the Demerging Company (and will remain such until the effective date of the Demerger) and the allotment of shares will be fully proportional, determination of an exchange ratio in relation to the values of the respective interests held in the companies party to the Demerger is irrelevant.

Therefore, the so-called 'simplified procedure' will apply and no opinion from independent experts in relation to determination of an exchange ratio will be required.

- **Right of withdrawal**

A pre-condition for the Demerger is the listing of the Beneficiary Company's shares on the MTA to ensure liquidity for those shares. The Demerger is, in fact, subject *inter alia* to admission of the Beneficiary Company's shares to listing on the MTA. As such, the pre-conditions necessary for De'Longhi S.p.A. shareholders to exercise the right of withdrawal stipulated under Article 2437-*quinquies* of the Italian Civil Code do not exist.

Neither do the pre-conditions for the right of withdrawal stipulated under Article 2437 of the Italian Civil Code exist. With reference to Article 2437 (1)(a) of the Italian Civil Code in particular, it should be noted that, subsequent to the Demerger, the company purpose of the Demerging Company will remain unchanged and the Beneficiary Company will adopt the same company purpose.

- **Effective Date of the Demerger**

Pursuant to Article 2506-*quater* of the Italian Civil Code, the Demerger shall have effect from the date indicated in the Deed of Demerger, to be subsequent to the date of the last registration of the Deed with the competent Companies Register, considering the conditions stated above. Said Date is expected to be 1 January 2012.

Similarly, shares in the Beneficiary Company allotted to shareholders of the Demerging Company shall bear the right to share in the profits of the Beneficiary Company from 1 January 2012.

- **Accounting treatment for the Demerger and date of application of accounting effects for the companies party to the Demerger**

Pursuant to Article 2501-*ter* (1) point 6 of the Italian Civil Code, referred to in Article 2506-*quater* of the Italian Civil Code, the accounting effects of the Demerger shall apply from the Effective Date and, therefore, the impacts of the Demerger will be recognized in the Beneficiary Company's accounts from that date.

- **Tax impacts of the Demerger for the companies party to the same**

For the purposes of direct taxation and pursuant to Article 173 (1) of the Consolidated Law on Income Taxes, the Demerger is tax neutral and therefore does not constitute either a realized or distributed gain or loss for the Demerging Company's assets and liabilities being transferred.

The Demerging Company's assets and liabilities to be transferred to the Beneficiary Company will keep the same tax values as those recognized in the Demerging Company.

All tax positions of the Demerging Company and related commitments are attributed to the Beneficiary Company and Demerging Company in proportion to the respective portion of equity transferred or retained, except where they specifically related to a transferred asset or liability or group of assets and/or liabilities and, as such, follow these elements to their respective owners.

Tax losses generated by the Demerging Company will be attributed to the Beneficiary Company in proportion to their respective portions of the equity to be transferred or retained, and the provisions shall apply of Article 172 (7) of the Consolidated Law on Income Tax regarding mergers, referred to in Article 172 (10), referring the provisions concerning merging or incorporating companies to the Demerging Company and those concerning the company resulting from the merger or absorbed company to the Beneficiary Company.

In relation to the effects of the Demerger for the shareholders of the Demerging Company, the Demerger is tax neutral and does not constitute either a realized or distributed gain or loss, nor entailing the achievement of revenues. However, with regard to the tax cost of the Demerging Company's shares, this is divided between the shares of the Demerging Company and those of the Beneficiary Company in proportion to the respective portions of equity transferred or retained.

Shareholders of the Demerging Companies who are not resident in Italy should verify their status with the tax advisors in their country of residence.

For everything not expressly indicated for the purposes of income taxes, the provisions contained in Article 173 of the Consolidated Law on Income Taxes apply.

For the purposes of indirect taxation, the demerger transaction is exempt from the application of VAT pursuant to Article 2 (3) (f) of Presidential Decree no. 633 of 26 October 1972 and is subject to fixed stamp duty as per part one of Article 4 (b) of the schedule of tariffs attached to Presidential Decree 131/1986. Fixed mortgage and cadastral duties are due where applicable.

Lastly, it must be observed that, pursuant to Article 173 (13) of the Consolidated Law on Income Taxes and Article 15 (2) of Legislative Decree 472 of 18 December 1997, the Demerging Company and the Beneficiary Company will remain jointly liable for taxes, pecuniary sanctions, interest and any other fiscal payables of the Demerging Company which have not been satisfied at the Effective Date of the Demerger.

### **2.1.3 Shares that will be granted to the shareholders of De'Longhi S.p.A.**

#### **● Description of shares**

As a consequence of the Demerger, De'Longhi shareholders will be granted shares in the Beneficiary Company at the rate of one De'Longhi Clima share per share held in De'Longhi.

Shares in the Beneficiary Company (which are nominative and with a par value in Euro) will be subject to legal and regulatory requirements applicable to trading of listed shares issued by Italian companies, including those relating to the dematerialization of securities.

In accordance with Articles 83-bis and following of the Consolidated Finance Law, shares of the Beneficiary Company shall be held in the central depository system managed by Monte Titoli S.p.A.

● **Description of rights attached to the shares and exercise of those rights**

Shareholders of the Demerging Company will be allotted shares with entitlement to all rights and privileges commencing from the effective date of the Demerger.

Profit after taxes resulting from the balance sheet shall be allocated as follows:

- to the legal reserve, for a share equal to 5% until the same reaches one fifth of the share capital;
- the remaining profit after taxes shall be placed at the disposal of the Shareholders' Meeting which may allocate them to shareholders or to increasing company reserves, or both.

Dividends that are not claimed within five years from the day that they are collectable shall be reclaimed by the Company. Advances on dividends may be made in accordance with the law.

At any time and for any reason whatsoever, the winding up of the Beneficiary Company shall be decided by the shareholders' meeting, which shall establish the liquidation procedures.

No shares granting special rights of control will be issued, there will be no restrictions on voting or transfer of shares and no management or employee stock ownership plans.

● **Restrictions on the transfer of shares**

Shares of the Beneficiary Company will remain freely transferable.

● **Taxation**

Shares in the Beneficiary Company granted to shareholders of the Demerging Company pursuant to the Demerger are to be listed on the Mercato Telematico Azionario and, as such, will be subject to the same tax treatment currently applicable to shares in the Demerging Company.

**2.1.4 Significant interests and control**

**Share structure of De'Longhi S.p.A.**

Pursuant to Article 93 of the Consolidated Finance Law, control is exercised indirectly by The Long E Trust through the subsidiary De'Longhi Soparfi S.A., which holds 75.006% of the shares in De'Longhi.

With regard to The Long E Trust, please refer to point "Shareholder Structure" in section 2.1.1 above.

According to the Shareholders' Register, at the Date of the Information Document, the communications received and other information available to De'Longhi, there are no other shareholders who possess, either directly or indirectly, shares in the Demerging Company equal to or greater than 2% of the share capital with voting rights.

At the Date of the Information Document, De'Longhi S.p.A. and the other companies in the Group do not hold any shares in De'Longhi.

At the Date of the Information Document De'Longhi shareholders number approximately 3,850 (three thousand eight hundred and fifty).

Since the transaction is a partial and proportional demerger, no variations will be produced in the De'Longhi shareholder structure owing to the Demerger.

#### **Share structure of the Beneficiary Company**

At the Date of the Information Document, the Beneficiary Company's share capital is wholly owned by De'Longhi S.p.A.

Pursuant to the Demerger, all shareholders of the Demerging Company will receive shares in the Beneficiary Company in proportion to their existing interests.

As such, assuming no changes in the Demerging Company's shareholder structure in the intervening period, at the effective date of the Demerger a shareholder having an interest of more than 2% in the Beneficiary Company will be The Long E Trust which, via De'Longhi Soparfi S.A., will hold 75.006% of the Beneficiary's Company share capital. Additionally, the Demerging Company will become the owner of 80,000 shares representing the initial share capital of the Beneficiary Company.

#### **2.1.5 Effect of the Demerger on shareholders agreements**

As far as the Demerging Company is aware, no shareholder agreements, as defined under Article 122 of Legislative Decree 58/98, exist in relation to the shares of the companies parties to the transaction and, consequently, the Demerger will have no effect in that respect.

## 2.2 DESCRIPTION OF THE ASSETS AND LIABILITIES TO BE TRANSFERRED TO THE BENEFICIARY COMPANY

### 2.2.1 Assets and liabilities to be transferred

#### A) Introduction

The Demerger will involve the transfer of an asset, detailed in point B) below, to the Beneficiary Company (a pre-existing company that, at the date of the Information Document, is wholly owned by De'Longhi).

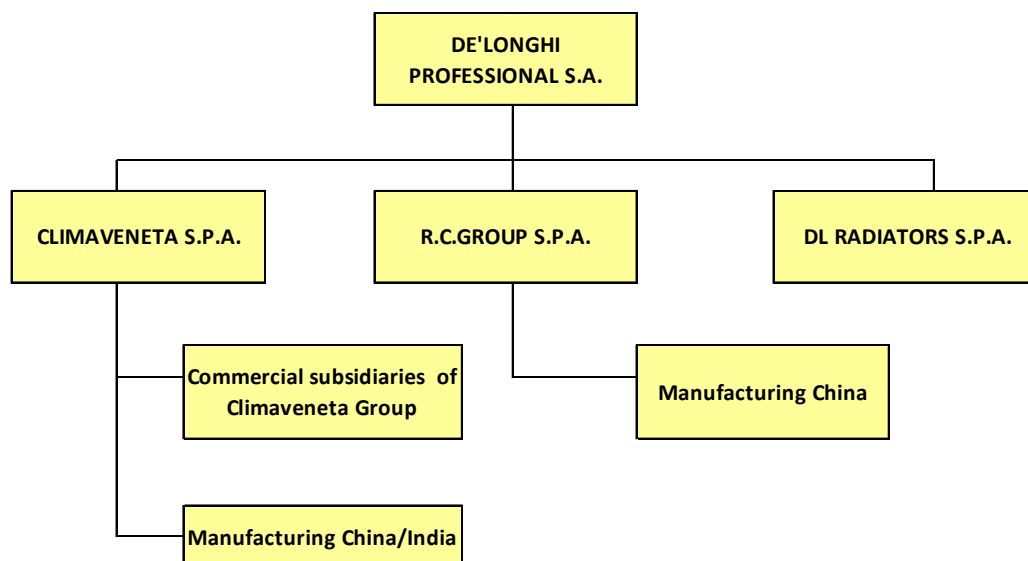
As the Demerger entails a transfer of assets and liabilities to a company that, at the date of the Information Document, is wholly owned by the Demerging Company and will continue to be until the effective date of the Demerger, the Demerger will not result in any change in the value of shares held by shareholders of the Demerging Company and, therefore, the conditions exist - consistent also with the opinion expressed by the Milan Council of Notaries in *Massima* 23 of 18 March 2004, issued by the *Commissione Società del Consiglio Notarile di Milano* - for the exemption pursuant to Article 2506-ter (3) of the Italian Civil Code from the requirement for a report from an independent expert under Article 2501-sexies of the Italian Civil Code.

The Demerger will be based on the financial statements of the Demerging Company at 30 June 2011 and the Beneficiary Company at 20 July 2011 prepared in accordance with Article 2506-ter of the Italian Civil Code (which refers back to Article 2501-quater of the Italian Civil Code). For the purposes of the Demerger, the assets and liabilities indicated above will be transferred at their stated carrying value in the Financial Statements of the Demerging Company at 30 June 2011.

#### B) Assets and liabilities to be transferred to the Beneficiary Company

Pursuant to the Demerger, the whole interest held by De'Longhi in De'Longhi Professional, the non-operating parent company that holds, at the Date of the Information Document, the entire share capital of Climaveneta S.p.A., R.C. Group S.p.A. and DL Radiators S.p.A. will be transferred to the Beneficiary Company.

COMPANY NAME	REGISTERED OFFICE	REGISTRATION NUMBER	SHARE CAPITAL (EURO)	% HELD	NUMBER OF SHARES/QUOTAS HELD	CARRYING VALUE FOR DE'LONGHI S.P.A. AT 30.06. 2011 (EURO)
De'Longhi Professional S.A.	Luxembourg	RC Luxembourg NO. B 116 737	30,205,000	100%	302,050	261,205,300



The net value of the asset to be transferred, amounting to Euro 261,205,300.00 at 30 June 2011, corresponds to the value of the interest in DL Professional recorded in De'Longhi S.p.A.'s books.

The Demerging Company will transfer the above mentioned asset to the Beneficiary Company at book value.

Other assets and liabilities will not be subject to the Demerger: consequently there will not be any attributions of financial debts to the De'Longhi Clima Group, except for those already currently present within the circumference of the Demerger. On this point it must be highlighted that, at the end of June 2011, in order to allow a better financial equilibrium of the De'Longhi Clima Group with regard to its income capacity, a capital contribution of Euro 150 million to De'Longhi Professional with the consequent reduction of De'Longhi Clima Group's net debt.

Any change in the book value of the asset to be transferred, owing to company dynamics that may occur between 30 June 2011 and the effective date of the Demerger, will not entail cash adjustments, and will remain a credit or debt respectively.

The following is a brief description of the companies wholly owned by DL Professional:

- **Climaveneta S.p.A.** is specialized in the manufacture and marketing of large equipment for commercial and industrial climate control; Climaveneta in turn holds (i) 80.88% in the operating company *Climaveneta Polska S.p.Zo.o*; (ii) 100% of the share capital in *Climaveneta Deutschland GmbH*, *Climaveneta France Sas*, *Climaveneta UK Limited*, and 100% control through put/call options in *Climaveneta Climate Technologies Private Limited* and *Top Clima S.L.*, specialized in the distribution of large climate control systems in Germany, France, UK, India and Spain respectively; (iii) 50% of the share capital in *Chat Union Climaveneta Company Limited*, in turn 100% owner of two companies that produce and distribute air conditioners and refrigerators to the Chinese market, *Climaveneta Chat Union Refrigeration Equipment (Shanghai) Co.Ltd.* - that holds a 100% interest in *Chat*



*Union Climaveneta Trading (Shanghai) Co.Ltd.* - and in *Climaveneta Chat Union Trading (Shanghai) Co.Ltd.*;

- **R.C. Group S.p.A.** is active in the production and sales of equipment for the climate control of mobile radio communication stations, precision climate control for computer rooms and land line telephone rooms, liquid chillers and heat pumps. RC Group is in turn the owner of the whole share capital of *Foshan RC Air Conditioning R.E. Co. Ltd.*;

- **DL Radiators S.p.A.** is active in the production and sales of terminal units for fixed heating systems. DL Radiators is in turn the owner of the whole share capital of *De'Longhi Clima Polska S.p.Zo.o.* and another German company controlled through a trust.

### **C) Impact of the Demerger on equity**

As a consequence of the Demerger, the equity of the Demerging Company will be proportionally reduced by Euro 261,205,300.00, through a reduction in share capital of Euro 224,250,000.00 and in reserves of Euro 36,955,300.00. More specifically, the *legal reserve* will be reduced to Euro 4,847,229.00; the *share premium reserve* will be reduced to Euro 162,545.00; the *extraordinary reserve/other reserves* will be reduced to Euro 29,351,399.00 and therefore by Euro 31,945,526.00.

The reduction in share capital due to the Demerger will take place without cancellation of shares in the Demerging Company, but rather through a reduction in par value per De'Longhi share. The par value of Euro 3.00 prior to the Demerger will be reduced to Euro 1.50 pursuant to the Demerger.

The Euro 1.50 per share reduction in the par value of shares in the Demerging Company (corresponding to the pro rata reduction in net assets resulting from the Demerger) will be fully offset by the issue of new shares in the Beneficiary Company, with a par value of Euro 1.50 each, equivalent in number to the shares in the Demerging Company at the date of the Demerger and having identical rights as De'Longhi shares.

Pursuant to the Demerger, the book equity of the Beneficiary Company will be increased by Euro 261,205,300.00, through an increase in the share capital of Euro 224,250,000.00 from the current Euro 120,000.00 to Euro 224,370,000.00 through the issue of 149,500,000 new shares with a par value of Euro 1.50 each.

Furthermore, the equity of the Beneficiary Company will further increase by Euro 36,955,300.00 which will be attributed to the reserves following the reduction in equity of the Demerging Company. More specifically, the *legal reserve* will be increased by Euro 4,847,229.00; the *share premium reserve* will be increased by Euro 162,545.00; the *extraordinary reserve/other reserves* will increase to Euro 31,952,439.00, and therefore by Euro 31,945,526.00.

Following is a summary of the impacts on equity of both the Demerging and Beneficiary Company. In particular, the first column reports values for the equity of the Demerging Company at 30 June 2011. The second and third columns show the composition of those

items for the Beneficiary Company and the Demerging Company, respectively, following completion of the Demerger.

	<b>De'Longhi S.p.A. prior to demerger</b>	<b>De'Longhi Clima S.p.A. post demerger</b>	<b>De'Longhi S.p.A. post demerger</b>
<b>Share Capital</b>	448,500,000.00	*224,370,000.00	224,250,000.00
<b>Legal reserve</b>	9,694,458.00	4,847,229.00	4,847,229.00
<b>Share premium reserve</b>	325,090.00	162,545.00	162,545.00
<b>Extraordinary Reserve/Other Reserves</b>	61,296,925.00	**31,952,439.00	29,351,399.00
<b>Reserve for unrealised foreign currency gains</b>	129,080.00	0	129,080.00
<b>Profits carried forward from the IAS/IFRS transition</b>	12,686,589.00	0	12,686,589.00
<b>Profit (loss) after taxes at 30 June 2011***</b>	4,348,924.00	(3,842.00)	4,348,924.00
<b>TOTAL</b>	<b>536,981,066.00</b>	<b>261,328,371.00</b>	<b>275,775,766.00</b>

\* Including Euro 120,000.00 of the share capital prior to Demerger.

\*\* The amount includes other reserves for Euro 6,913 already present prior to the Demerger.

\*\*\*Profit (loss) after taxes of De'Longhi Clima S.p.A. at 20 July 2011.

It is specified that any changes in the book value of the asset to be transferred, owing to corporate dynamics that may occur between 30 June 2011 and the effective date of the Demerger, will not entail cash adjustments, remaining either a credit or a debt respectively.

## **2.3 RATIONALE AND OBJECTIVES OF THE DEMERGER**

### **2.3.1 Introduction – Operational objectives**

The objective of the Demerger is primarily industrial and consists in the separation of the activities from two main business areas in which the De'Longhi Group currently operates, and in particular the hiving off the production and commercial activities of air conditioning devices and refrigeration systems directed to ICT (*Information Communication Technology*) processes for industrial purposes, and the water-filled radiators (under the Professional Division), from the manufacturing and commercial activities of small household appliances air conditioning and heaters units (under the Household division).

In particular, the principal objective of the Demerger is to allow an independent development of the two separate businesses heading each of the two divisions, which lack operational synergies. The decision to implement the Demerger lies principally in the consideration that the Professional Division (subject of the Demerger) has characteristics which are substantially different to those of the Household Division in terms of clients and reference market and also different profiles of potential investors.

The business under the Household Division concerns the manufacturing and sales of small household appliances for the preparation of food, cooking, home cleaning and ironing, portable air conditioning and heating, distributed through 'business-to-consumer' retail channels, chiefly with the brands De'Longhi, Kenwood and Ariete. Such business is aimed particularly towards a highly competitive but not cyclical market.

The business under the Professional Division, however, concerns the manufacture and marketing of machines for air conditioning systems, heating technology, heat pumps and climate control in industrial processes and in data centres and mobile telecommunication, as well as radiators, distributed 'business-to-business' through the professional channel. The reference market for this business, as opposed to that for the Household Division products, is characterized by more marked cyclical demand and the presence of operators competing on levels of technology and production processes.

Two distinct groups will result from the Demerger, each focused on its core business and with well-defined targets that can be clearly identified and understood by the market. It is expected that the two groups, when provided with the necessary autonomy and efficiency, will have the potential to improve strategic development and, in particular, they will have the freedom of movement and a very precise operational profile which will allow them to fully express their worth which otherwise could be partially unexpressed.

On one hand, De'Longhi, with the small electrical appliance business, will have the opportunity to express the unexpressed value of the Household Division by focusing and simplifying the equity story, and positioning itself as world leader in the production of high-end coffee makers.

On the other, De'Longhi Clima will have the opportunity to position itself among the leading international operators in high energy efficiency products.

As a result of the Demerger, each De'Longhi S.p.A. shareholder will, in place of each existing De'Longhi share, hold two shares, representing the two main business areas (Household Division and Professional Division) which make up the company's activity today.

### **2.3.2 Plans and prospects for the Demerging Company**

According to 2010 internal data, 70% of the Demerging Company's activity is related to revenues from the food preparation product segment (which includes fully automatic coffee machines and the ones using individual capsules to traditional pump-driven machines), while the impact of comfort products (portable air conditioning and heating) has decreased over recent years and represents 14% of the total.

The international presence of the Demerging Company brought the sales on the domestic market (source: 2010 internal data) to 14.4% of the total; mature markets represent approximately 69% of total sales, while sales in emerging markets are 31%; such sales show strong growth over recent years (up 40% compared to 2009).

The Demerging Company, following the strategies begun in recent years which have led to an improvement in all principal economic and financial indicators and achievement of leader positions in business segments showing the highest growth, intends to pursue development policies centred on:

- R&D investments in the coffee machine segment to develop and launch new innovative models on the market, with particular focus on the high-end range, and in promotional and advertising activities to strengthen the Group's leadership worldwide in this segment;
- pursuing strategic business alliances in the high growth segment of coffee machines with individual capsules;
- R&D investments in the other principal product categories that the Group operates in (especially in products for cooking and food preparation);
- R&D investments focused on new product categories which are complementary to those in which the Group operates, leveraging on the Group's proven competence in the segment of small electrical appliances and the capacity to develop high quality products;
- strengthening the business network in emerging countries with high growth (in Eastern Asia, Australia and the Americas, Middle East, India and Africa) to be closer to the markets and take advantage of the opportunities for growth in these important markets; the Group, in order to meet the ever increasing competition in emerging markets, has modified its strategies moving from a global but centralized organization to a single "GLocal" approach for all the brands by transferring operations closer to the markets but keeping its principal activities in the headquarter (product development, R&D and marketing) at the Italian and UK offices. Development will continue in markets where there is currently no direct presence in order to achieve the Group's own business expansion policies;
- the optimisation and full exploitation of the current production platform, which to date, anticipates the production of all the non-premium products in China and high-end

products with regard to coffee machines in Italy, with investment in the factories (the new plant in China, which will substitute the company's main production hub in the area, is currently being realized) and in the plant/equipment to allow the realization of new products.

### 2.3.3 Plans and prospects for the Beneficiary Company

As stated previously, De'Longhi Clima - following the Demerger - will be an industrial holding company of a group leader in the professional climate control business, able to compete successfully with other multinational groups operating in that sector.

With reference to this business sector, the De'Longhi Group companies (which following the Demerger will constitute the new De'Longhi Clima Group) are active in the production and sales of numerous product segments, with particular reference to chillers (refrigerators and heat pumps), radiators (plate, multi column, bathroom, electric, etc) and close control systems (including air conditioning for telecommunications). The products offered by the companies above also include, Air Handling Units (AHUs), terminal units, spare parts, accessories and services (maintenance and after sales).

The De'Longhi Group companies currently operating in the Professional Division have shown a consolidated presence in Europe, where they realize approximately 80% of their revenues. Outside Europe, China has acquired increasing importance in business and production terms and today represents the sixth country for turnover and the fourth for gross margin (source: internal data 2010). Other important countries are Russia and Poland.

Net sales of the Professional Division at 31 December 2010 indicated by geographic area in the table below include Euro 251.1 million of air climatization systems and 101.5 for industrial heating systems.

<b>CONSOLIDATED ANNUAL REPORT AT 31 DECEMBRE 2010</b>	
revenues broken down by geographical area	
<i>PROFESSIONAL DIVISION</i>	
<b>Markets</b>	<i>Amount in thousand of Euro</i> <b>Professional Division</b>
<b>- Mature</b>	
Italy	91,467
United Kingdom	34,103
North America	744
Japan	37
Western Europe	159,190
<b>Total</b>	<b>285,540</b>
<b>- Emerging</b>	
Eastern Europe (*)	21,361
Rest of the world (**)	45,712
<b>Total</b>	<b>67,073</b>
<b>TOTAL Revenues</b>	<b>352,614</b>

(\*) Includes *ex* URSS

(\*\*) Includes Central and South America, Australia and other countries of the Far East

The Company states that De'Longhi Clima's strengths are:

- breadth of product range;
- availability of historical brands with a high level of notoriety and distinctive status with specialized operators;
- production excellence (e.g. lean manufacturing);
- the time-to-market of new products;
- the quality of the business organization;
- control of the distribution in the most important countries and important local partnerships (e.g. China).

Furthermore, as far as the air conditioning products are concerned, the Group boasts:

- products widely installed;
- excellent testing laboratories;
- the capacity to customize the products even on industrial scale (a distinctive characteristic compared to other multinationals).

The principal objectives that the new De'Longhi Clima Group has set itself for the next years are:

- in the air conditioning segment ("Machines for air conditioning and refrigeration"): the strengthening of the European leadership position, further development of the Chinese market that could increasingly represent a key market for the De'Longhi Clima Group thanks to the further exploitation anticipated by its presence in the area from the production and commercial perspective and the growth in new markets (e.g. India, Russia, Eastern Europe);
- in the heating segment ("Radiators"): the improvement of profitability by making operations more efficient;

In continuity with the actions carried out in recent years, the principal competitive levers that management will activate to reach the objectives above will be:

- a) the continuous strengthening of the products offered through technological innovation, improvement of energy efficiency and development of some specific segments (e.g. air handling centres);
- b) continuous investments in R&D and commercial investments, in particular on products with higher added value such as chillers and close control;

- c) commercial protection of markets through the opening of new offices (e.g. United Kingdom and Eastern Europe), the development of local partnerships (e.g. the joint ventures already active in Asia), strengthening of after sales services and a careful selection of distributors in markets that are not served directly;
- d) making operations efficient through the transfer of some production to low cost areas and the extension of lean manufacturing in Italian factories, in particular with regard to the "Radiator" segment, rationalization of products and elimination of unprofitable customers;
- e) business diversification (e.g. strengthening the service business which has high margins and reduced cycle, taking advantage of the IT system installed);
- f) the evaluation of possible internal synergies and development opportunities outside the organization (acquisitions) consistent with its positioning and strategies.

The Company believes that the De'Longhi Clima Group can achieve the strategic growth objectives provided in the industrial plan through some extraordinary investments, the value of which is approximately Euro 4 million which refers chiefly to the completion of the new investment in India carried out with the Indian company ACE Climate Control Technologies Private Limited (please see Section 5.1 of the Information Document, in the part on "Important Agreements" of Climaveneta S.p.A. for a description).

Such investments will be financed with the cash flows generated by the operational management.

## **2.4. OWN FUNDS AND DEBT**

The Beneficiary Company shall, with regard to the data contained in this section of the Information Document, incorporate information in the prospectus by reference to the De'Longhi Group's Consolidated Financial Statements at 31 December 2008, at 31 December 2009, at 31 December 2010 (the Consolidated Financial Statements), the De'Longhi Group's Half-Year Interim Financial Statement at 30 June 2011 included in the De'Longhi Group's "Interim Financial Statement at 30 June 2011" (the Consolidated Half-Year Statement") and the De'Longhi Group's Interim Financial Statement at 30 September 2011 included in the De'Longhi Group's "Interim Financial Statement at 30 September 2011" (the Interim Management Statement"), in accordance with Article 11 of the Prospective Directive and Article 28 of the Regulation 809/2004.

These documents have been published and filed with Consob and can be viewed by the public on the Demerging Company's website ([www.delonghi.com](http://www.delonghi.com)) and that of Borsa Italiana ([www.borsaitaliana.it](http://www.borsaitaliana.it)), as well as at the offices of the Demerging Company.

To assist consultation of the Consolidated Financial Statements the Consolidated Half-Year Financial Statements and the Interim Management Statements at 30 September 2011 referred to in the Information Document, a table indicating the pages of the main sections of these

documents, as published on the website of the demerged company ([www.delonghi.com](http://www.delonghi.com)) is included below:

	Annual reports		
	2008	2009	2010
<i>Report on operations</i>	15	15	15
<i>Consolidated financial statements</i>	39	41	51
Consolidated income statement	41	43	53
Consolidated statement of comprehensive income	-	43	53
Consolidated statement of financial position	42	44	54
Consolidated statement of cash flows	44	46	56
Consolidated statement of changes in net equity	46	48	58
<i>Explanatory notes</i>	49	51	61
<i>External auditors' report on the consolidated financial statements</i>	119	125	133

HALF-YEAR CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AT 30 JUNE 2011	
<i>Interim report on operations</i>	5
<i>Consolidated income statement</i>	16
<i>Consolidated statement of comprehensive income</i>	16
<i>Consolidated statement of financial position</i>	17
<i>Consolidated statement of cash flows</i>	18
<i>Consolidated statement of changes in net equity</i>	19
<i>Explanatory notes</i>	20
<i>External auditors' report on the limited review of the half year condensed consolidated financial statements</i>	54

INTERIM MANAGEMENT STATEMENT AT 30 SEPTEMBER 2011	
<i>Key performance indicators</i>	2
<i>Consolidated income statement</i>	5
<i>Consolidated statement of comprehensive income</i>	5
<i>Consolidated statement of financial position</i>	6
<i>Consolidated statement of cash flows</i>	7
<i>Consolidated statement of changes in net equity</i>	8
<i>Explanatory notes</i>	9



Below is a schedule identifying the sources of financing, the company's own funds and the consolidated net financial debt of the DeLonghi Group.

(in million of Euro)	30 September 2011	30 June 2011	31 December 2010	31 December 2009	31 December 2008
<b>Sources of financing:</b>					
Cash/ (Net debt)	21.0	12.1	4.7	117.1	246.5
Net equity	802.9	751.9	760.6	688.5	662.3
<b>Total sources</b>	<b>823.8</b>	<b>764.0</b>	<b>765.3</b>	<b>805.6</b>	<b>908.7</b>

#### 2.4.1 Own funds

The breakdown of the net equity in the aforementioned periods is as follows:

(in million of Euro)	30 September 2011	30 June 2011	31 December 2010	31 December 2009	31 December 2008
Share capital	448.5	448.5	448.5	448.5	448.5
Reserves	299.9	267.4	235.5	206.0	171.3
Profit (loss) pertaining to the Group	52.6	34.0	74.9	32.3	40.2
<b>Group portion of net equity</b>	<b>801.1</b>	<b>749.9</b>	<b>758.9</b>	<b>686.8</b>	<b>660.0</b>
<b>Minority interests</b>	<b>1.8</b>	<b>2.0</b>	<b>1.7</b>	<b>1.7</b>	<b>2.3</b>
<b>Total net equity</b>	<b>802.9</b>	<b>751.9</b>	<b>760.6</b>	<b>688.5</b>	<b>662.3</b>

#### 2.4.2 Evolution of the financial structure owing to the Demerger

The consolidated cash/(net debt) of the DeLonghi Group at 30 September 2011, at 30 June 2011 and at 31 December 2010 – as indicated in the *Interim Management Report at 30 September 2011*, the *Half-Year Financial Report at 30 June 2011* and the *Consolidated Financial Statements at 31 December 2010* respectively – are broken down as follows:

(in million of Euro)	30 September 2011 (a)	30 June 2011 (b)	31 December 2010 (c)
Cash and cash equivalents	166.2	200.0	193.5
Other financial receivables	33.7	13.0	12.2
Current portion of non-current debt	(42.7)	(40.9)	(40.6)
Current financial debt	(86.4)	(84.6)	(62.2)
<b>Net current financial assets</b>	<b>70.8</b>	<b>87.5</b>	<b>103.0</b>
Non-current financial debt	(91.8)	(99.6)	(107.7)
<b>Cash/ (Net debt)</b>	<b>(21.0)</b>	<b>(12.1)</b>	<b>(4.7)</b>

(a) Please refer to "Interim management statement at 30 September 2011" of De'Longhi Group, page 20

(b) Please refer to "Half-year condensed consolidated financial statements at 30 June 2011" of De'Longhi Group, Explanatory notes § 28, page 38

(c) Please refer to "De'Longhi Group Annual report at 31 December 2010" of De'Longhi Group, Explanatory notes § 28, page 100

Net debt is the parameter measuring the evolution of the De'Longhi Group's financial structure.

The data at 30 September 2011 shows a net debt of Euro 21 million, which has increased by Euro 8.8 million and Euro 16.2 million since 30 June 2011 and 31 December 2010 respectively.

On this point it must be mentioned that the activity of the De'Longhi Group climate was characterized historically by seasonality, with a higher percentage of sales concentrated in the last quarter of the year than the entire year has been characterized by seasonality, and with a consequent level of working capital at the end of September higher than that at the year-end (particularly for the supplies on hand which will be sold during the last quarter of the financial year).

To confirm this, it must be highlighted that the net debt at 30 September 2010 was equal to Euro 112.4 million.

Net debt also includes part of financial items different from bank loans (such as, for example, assessment of options to purchase minority shareholdings and fair value assessment of derivative operations hedging exchange rate risk).

#### Pro forma cash/(net debt)

As indicated in the historic data contained in the "Consolidated Financial Statements at 31 December 2010", the "Half-Year Financial Report at 30 June 2011" and the "Interim Management Report at 30 September 2011" of the De'Longhi Group ("historic data"), and the pro-forma consolidated summary data contained in Chapters IV and VI of this Information Document ("pro forma data"), the division of the consolidated Cash/(Net debt) of the De'Longhi Group at 30 September 2011, at 30 June 2011 and at 31 December 2010

between the De'Longhi Group Post Demerger and the De'Longhi Clima Group is the following:

(in million of Euro)	30 September 2011	30 June 2011	31 December 2010
	(a)		
De'Longhi Group post demerger (historical data)	41.9	57.8	208.5
De'Longhi Group post demerger (pro-forma data)	-	57.8	58.5
De'longhi Clima Group post demerger (historical data)	(63.0)	(70.0)	(211.7)
De'Longhi Clima Group post demerger (pro-forma data)	-	(70.0)	(61.7)
<b>Consolidated financial statement of the De'Longhi Group</b>	<b>(21.0)</b>	<b>(12.1)</b>	<b>(4.7)</b>

(a) Please refer to “*Interim management statement at 30 September 2011*” of De'Longhi Group, page 21

As far as the De'Longhi Group Post Demerger is concerned, the data at 30 September 2011 shows net cash of Euro 41.9 million, which has decreased by Euro 15.9 million and Euro 16.6 million compared with the pro forma data at 30 June 2011 and 31 December 2010 respectively.

On this point it must be mentioned that historically the De'Longhi Group Post Demerger's business has been characterized by seasonality, with a high percentage of sales concentrated in the last quarter of the year and with a consequent level of working capital at the end of September higher than that at the year end (particularly for the supplies on hand which will be sold during the last quarter of the financial year).

As far as the De'Longhi Clima Group is concerned, the data at 30 September 2011 shows net debt of Euro 63 million, which has decreased by Euro 7 million and increased by Euro 1.3 million compared with the pro forma data at 30 June 2011 and 31 December 2010 respectively.

On this point it must be mentioned that, historically, also the De'Longhi Clima Group's business has been characterized by seasonality, with a high percentage of sales concentrated in the last quarter of the year and with a consequent level of working capital at the end of September higher than that at the year-end (particularly for the supplies on hand which will be sold during the last quarter of the financial year).

The net financial position of the De'Longhi Clima Group at 30 September 2010 (Professional Division data) should be equal to Euro 78.3 million of net debt taking into account the capital contribution of Euro 150 million decided in June 2011.

The pro forma data indicated above are not representative of the total amount of net debt and the related division which will take place at the moment the Demerger comes into effect and,

however, the effects of which will be seen in the cash flows of 2011, for the part of said financial year not covered by pro forma data.

The following tables show the pro forma data related to the debt of the De'Longhi Clima Group at 31 December 2010 and at 30 June 2011.

• Net debt of the De'Longhi Clima Group at 31 December 2010

(amount in million ofEuro)	Pro forma data for De'Longhi Clima Group at 31 December 2010
Cash and cash equivalents and current financial receivables	25.2
Financial payables (long-term portion) to third parties	(48.2)
Financial payables (short-term portion) to third parties	(29.0)
Financial payables (short-term portion) to Group parties/ <i>Cash pooling</i>	(9.7)
Cash/ (Net debt) pro-forma 31 December 2010	<b>(61.7)</b>

• Net debt of the De'Longhi Clima Group at 30 June 2011

(amount in million ofEuro)	Pro forma data for De'Longhi Clima Group at 30 June 2011
Cash and cash equivalents and current financial receivables	29.0
Financial payables (long-term portion) to third parties	(38.0)
Financial payables (short-term portion) to third parties	(27.7)
Financial payables (short-term portion) to Group parties/ <i>Cash pooling</i>	(33.3)
Cash/ (Net debt) pro-forma 30 June 2011	<b>(70.0)</b>

## 2.5. STATEMENT REGARDING WORKING CAPITAL

Pursuant to EU Regulation 809/2004 and on the basis of the definition of working capital - as a means through which the De'Longhi Clima Group will obtain the necessary liquid resources to meet the obligations due - contained in the ESMA Recommendations 2011/81 (European Securities and Markets Authority) - the Beneficiary Company considers that, at De'Longhi Clima Group level, the consolidated working capital it shall have at its disposal on the Effective Date of the Demerger is sufficient for the needs of the group, understood as those concerning the twelve months following the Effective Date of the Demerger.

## 2.6 DOCUMENTS AVAILABLE TO THE PUBLIC AND WHERE THEY CAN BE OBTAINED

Pursuant to Article 2501-septies of the Italian Civil Code, referred to in Article 2506-ter of the Italian Civil Code, the following documents are available at the registered offices of the companies participating in the Demerger, at Borsa Italiana, and on the internet site [www.delonghi.com](http://www.delonghi.com):

- the Demerger Plan, approved by the Board of Directors of De'Longhi S.p.A. and De'Longhi Clima S.p.A. on 21 July 2011 and filed with the Companies Register of Treviso on 9 September 2011; together with Articles of Association of De'Longhi S.p.A. and De'Longhi Clima S.p.A. which will enter into force at the Effective Date of the Demerger;
- the reports by the Board of Directors of De'Longhi S.p.A., prepared in accordance with Annex 3A of the Issuers' Regulation, and by the Board of Directors of De'Longhi Clima S.p.A., as required under Article 2506-ter and 2501-quinquies of the Italian Civil Code;
- the annual reports of De'Longhi S.p.A. for 2008, 2009 and 2010, including the statutory and consolidated financial statements and the reports of the Board of Directors, the Board of Statutory Auditors and the independent auditors;
- the financial statements of De'Longhi S.p.A. at 30 June 2011 and DL Clima S.p.A. at 20 July 2011, prepared in accordance with Article 2501-*quater* and 2506-ter of the Italian Civil Code;
- the half-year financial report at 30 June 2011 of De'Longhi S.p.A. Group;
- the interim management statement at 30 September 2011 of De'Longhi S.p.A. Group.

This Information Document is available to shareholders and the public at the registered offices of the Demerging Company and the Beneficiary Company in Treviso, Via L. Seitz 47 and can also be viewed on the internet sites [www.delonghi.com](http://www.delonghi.com) and [www.delonghiclimaspa.com](http://www.delonghiclimaspa.com).

Please refer to the Disclaimer on page 2 of the Information Document.

## **CHAPTER III - SIGNIFICANT EFFECTS OF THE TRANSACTION FOR THE DEMERGING COMPANY**

### **3.1 SIGNIFICANT EFFECTS FOR THE DEMERGING COMPANY**

For a discussion of the economic, and financial impacts of the Demerger on the Demerging Company, please refer to Chapter IV below.

Under the Demerger, De'Longhi S.p.A. will transfer to the Beneficiary Company the interest it currently holds in DL Professional, the parent company that in turn holds the entire share capital of three companies operating in the sectors of air conditioning systems, heating technology, heat pumps and climate control of industrial processes. Consequently, as of the effective date of the Demerger, De'Longhi S.p.A. will have as its principal businesses those regarding the Household Division and Corporate Division. The future financial results of De'Longhi S.p.A. will, therefore, be based solely on the performance of those businesses.

By contrast, the future financial results of the Beneficiary Company will be based on the performance of those activities under the Professional Division only.

Lastly, the Demerger will not alter any key aspects of the activities of the individual sectors of the De'Longhi Group (either those transferred to the Beneficiary Company or those remaining under the Demerging Company), or their products, reference markets, business strategies or human resource management policies.

### **3.2 SIGNIFICANT EFFECTS FOR THE DE'LONGHI GROUP**

De'Longhi Group's structure includes several companies that provide various services (administrative, fiscal, legal, corporate, payroll/human resources, IT, financial), at market conditions, including other services incidental to the corporate activity (such as for example, management of car and telephone services, etc), to the different Group sectors. The collaboration developed over the years, which has led to significant improvements in terms of efficiency, is expected to continue following the Demerger, though limited to some services (mainly IT, payroll and administrative), while will be interrupted for the following services (i) legal and corporate assistance; (ii) human resources; (iii) treasury/finance; and (iv) preparation of the consolidated financial statements. The interruption of this collaboration is expected starting from the Effective Date of the Demerger, but the need to guarantee an adequate transition of competencies could entail the continuation, for the preparation of consolidated financial statements services, until the date that the De'Longhi Clima interim management report as of 31 March 2012 is approved.

With regards to treasury management, the two groups resulting from the Demerger will access capital the capital market independently through their respective centralized treasury operations.

**CHAPTER IV - PRO FORMA CONSOLIDATED FINANCIAL DATA FOR THE DEMERGING COMPANY**

The Beneficiary Company shall, with regard to the data contained in this section of the Information Document, incorporate information in the prospectus by reference to the De'Longhi Group's Consolidated Financial Statements at 31 December 2010 (the Consolidated Financial Statements) and the De'Longhi Group's Half-Year Interim Financial Statement at 30 June 2011 included in the De'Longhi Group's "Interim Financial Statement at 30 June 2011" (the Consolidated Half-Year Statement"), in accordance with Article 11 of the Prospective Directive and Article 28 of the Regulation 809/2004.

These documents have been published and filed with Consob and can be viewed by the public on the Demerging Company's website ([www.delonghi.com](http://www.delonghi.com)) and that of Borsa Italiana ([www.borsaitaliana.it](http://www.borsaitaliana.it)), as well as at the offices of the Demerging Company.

To assist consultation of the Consolidated Financial Statements 2010 and the Consolidated Half-Year Financial Statements referred to in the Information Document, a table indicating the pages of the main sections of these documents, as published on the website of the demerged company ([www.delonghi.com](http://www.delonghi.com)) is included below:

<b>DE'LONGHI GROUP ANNUAL REPORT AT 31 DECEMBER 2010</b>	
<i>Report on operations</i>	15
<i>Consolidated financial statements</i>	51
Consolidated income statement	53
Consolidated statement of comprehensive income	53
Consolidated statement of financial position	54
Consolidated statement of cash flows	56
Consolidated statement of changes in net equity	58
<i>Explanatory notes</i>	61
<i>External auditors' report on the consolidated financial statements</i>	133

<b>HALF-YEAR CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AT 30 JUNE 2011</b>	
<i>Interim report on operations</i>	5
<i>Consolidated income statement</i>	16
<i>Consolidated statement of comprehensive income</i>	16
<i>Consolidated statement of financial position</i>	17
<i>Consolidated statement of cash flows</i>	18
<i>Consolidated statement of changes in net equity</i>	19
<i>Explanatory notes</i>	20
<i>External auditors' report on the limited review of the half-year condensed consolidated financial statements</i>	54

This section contains a presentation of the pro forma consolidated income statement, statements of statements of comprehensive income, financial position and cash flows of the Demerging Company and its subsidiaries (De'Longhi Group Post Demerger) as of and for the year ended 31 December 2010 and as of and for the half-year ended 30 June 2011 (hereafter the "Pro forma Consolidated Financial Information of the De'Longhi Group Post Demerger"). The Pro forma Consolidated Financial Information of the De'Longhi Group Post Demerger at 31 December 2010 and at 30 June 2011 (together with explanatory notes) is the same as presented in the Information Document of De'Longhi, which was published on 26 September 2011.

The Pro Forma Consolidated Financial Information of the De'Longhi Group Post Demerger has been prepared in accordance with Consob Communication DEM/1052803 of 5 July 2001 to illustrate, retroactively, the effects of the Demerger on the historical consolidated financial statements previously presented by the De'Longhi Group. In particular, the sole purpose of the pro forma financial statements is to illustrate the effects of the Demerger on the consolidated statement of financial position as if it had taken place, on 31 December 2010 and on 30 June 2011 respectively and, on the consolidated income statements and on statements of cash flows, as if the Demerger had taken place on 1 January 2010 and 1 January 2011 respectively.

The Demerger will be based on the book values reported in the interim condensed consolidated financial statements as of and for the six months ended 30 June 2011, as approved by the Board of Directors on 21 July 2011.

It should be noted that following the Demerger, the Demerging Company will maintain all its interests related to the Household Division and the Corporate Division which include:

- De'Longhi Appliances S.r.l., the main Italian operating company of the division, which carries out production and sales activities and controls the main sales offices in Europe (i.e. Germany, France, Spain, etc) and in North America;
- De'Longhi Household S.A., a sub-parent company of the division which controls, either directly or indirectly, companies that carry out production or sourcing activities in Hong Kong/China, the commercial branches of the APA area (Asia-Pacific-Americas), Kenwood Group and other European commercial branches. Furthermore this company provides financial and management services for the De'Longhi Group;
- the companies currently identified in the Corporate Division of the De'Longhi Group (which after the Demerger will be included in the Household Division): De'Longhi Capital Services S.r.l., which centrally manages financial services and hedging activity on the exchange rate risk for the group, and E-Services S.r.l., the subsidiary that performs ICT services for companies in the De'Longhi Group and third parties.

The assets and liabilities to be transferred as part of the Demerger, as described in Chapter II, Section 2.2., point 2.2.1 of the Information Document, are represented by the 100% interest held by the Demerging Company in DL Professional (which in turn holds interests in Climaveneta S.p.A., DL Radiators S.p.A. and RC Group S.p.A.).



The purpose of the pro forma consolidated financial statements, the underlying assumptions, the allocation of economic and financial components to De'Longhi Clima Group, the reallocation of intercompany balances, and the pro forma adjustments are analytically described in the following paragraphs 4.1.5 and 4.3.5 of this section.

To correctly interpret the pro forma consolidated financial statements presented herein, the followings should be taken into account:

- (i) since the pro forma figures are based on assumptions, if the Demerger had taken place on the dates referred to for the preparation of these figures, rather than on the effective date, the actual figures may have differed from the pro forma data presented herein;
- (ii) the pro forma adjustments represent the most significant economic and financial effects directly related to the Demerger;
- (iii) the pro forma figures do not constitute a forecast and should not be considered as an indication of the future economic or financial result of De'Longhi Group Post-Demerger;
- (iv) considering the difference between the purposes of the pro forma consolidated financial statements and the historical consolidated financial statements as presented in the annual report and half year report and the different methodology of calculation of the pro forma adjustments on the Consolidated Financial Statements of De'Longhi Group, the pro forma statement of financial position, the pro forma income statement, the pro forma statements of comprehensive income, and of cash flows, should be read and interpreted separately without attempting to establish any accounting relationship between them.

The Pro Form Consolidated Financial Statements of De'Longhi Group Post-Demerger presented in this Information Document have been examined by the audit firm Reconta Ernst & Young S.p.A., which issued its reports on 23 September 2011.

#### **4.1 PRO FORMA CONSOLIDATED INCOME STATEMENT, STATEMENT OF COMPREHENSIVE INCOME, STATEMENT OF FINANCIAL POSITION AND STATEMENT OF CASH FLOW AS OF AND FOR THE YEAR ENDED 31 DECEMBER 2010**

The Pro Forma Consolidated Financial Information of the De'Longhi Group Post-Demerger as of and for the year ended 31 December 2010 is based on the De'Longhi Group Consolidated Financial Statements as of and for the year ended 31 December 2010, prepared in accordance with the IFRS and audited by Reconta Ernst & Young S.p.A., which issued its opinion on 21 March 2011. The Pro forma Consolidated Financial Information of the De'Longhi Group Post Demerger at 31 December 2010 (together with explanatory notes) is the same as presented in the Information Document of De'Longhi, which was published on 26 September 2011.

The pro forma statements contain:

- historical consolidated data extracted from De'Longhi Group's Consolidated Financial Statements as of and for the year ended 31 December 2010;
- the effects on De'Longhi's Consolidated Financial Statements of the deconsolidation of the activities transferred to De'Longhi Clima Group following the Demerger;
- the effects of the reallocation of the amounts in financial position, income statement and cash flows attributable to transactions occurred between companies of the De'Longhi Group Post-Demerger and companies of the De'Longhi Clima Group;
- pro forma adjustments to the aggregate post-demerger figures to reflect the effects of significant transactions related to the Demerger;
- pro forma consolidated figures for De'Longhi Group Post-Demerger.

Unless otherwise indicated, figures are stated in thousands of euro.

#### 4.1.1 De'Longhi Group Post-Demerger - Pro forma Consolidated Income Statement 2010

(amounts in thousands of Euro)	Consolidated financial statement at 31 Dec. 2010 (A)	Less: items allocated to De'Longhi Clima Group (B)	Reinstatement of intercompany items (C)	Total post-demerger (D=A+B+C)	Pro-forma adjustments (E)	Proforma consolidated income statement for Demerging Company (F=D+E)
Revenues from sales and services	1,600,338	(344,044)	3,608	1,259,902		1,259,902
Other revenues	25,546	(7,413)	3,361	21,494		21,494
<b>Total consolidated revenues</b>	<b>1,625,884</b>	<b>(351,457)</b>	<b>6,969</b>	<b>1,281,396</b>	<b>-</b>	<b>1,281,396</b>
Raw and ancillary materials, consumables and goods	(790,373)	184,635	(774)	(606,512)		(606,512)
Change in inventories of finished products and work in progress	20,643	(560)	-	20,083		20,083
Change in inventories of raw and ancillary materials, consumables and goods	(4,011)	5,439	-	1,428		1,428
<b>Materials consumed</b>	<b>(773,741)</b>	<b>189,514</b>	<b>(774)</b>	<b>(585,001)</b>	<b>-</b>	<b>(585,001)</b>
Payroll costs	(203,493)	61,380	-	(142,113)	756	(141,357)
Services and other operating expenses	(421,652)	60,721	(433)	(361,364)		(361,364)
Provisions	(33,892)	6,099	-	(27,793)		(27,793)
Amortization, depreciation and impairment	(45,459)	15,803	-	(29,656)		(29,656)
<b>EBIT</b>	<b>147,647</b>	<b>(17,940)</b>	<b>5,762</b>	<b>135,469</b>	<b>756</b>	<b>136,225</b>
Financial income (expenses)	(36,090)	4,279	7,915	(23,896)	(7,597)	(31,493)
<b>PROFIT (LOSS) BEFORE TAXES</b>	<b>111,557</b>	<b>(13,661)</b>	<b>13,677</b>	<b>111,573</b>	<b>(6,841)</b>	<b>104,732</b>
Income taxes	(36,456)	5,169	-	(31,287)	231	(31,056)
<b>PROFIT (LOSS) AFTER TAXES</b>	<b>75,101</b>	<b>(8,492)</b>	<b>13,677</b>	<b>80,286</b>	<b>(6,610)</b>	<b>73,676</b>
Profit (loss) pertaining to minority interests	186	1	-	187		187
<b>PROFIT (LOSS) PERTAINING TO THE GROUP</b>	<b>74,915</b>	<b>(8,493)</b>	<b>13,677</b>	<b>80,099</b>	<b>(6,610)</b>	<b>73,489</b>
<b>EBITDA</b>	<b>193,106</b>	<b>(33,743)</b>	<b>5,762</b>	<b>165,125</b>	<b>756</b>	<b>165,881</b>
Non-recurring income/(expenses)	(5,982)	3,032	-	(2,950)	-	(2,950)
<b>EBITDA before non-recurring income/(expenses)</b>	<b>199,088</b>	<b>(36,775)</b>	<b>5,762</b>	<b>168,075</b>	<b>756</b>	<b>168,831</b>

#### 4.1.2 De'Longhi Group Post-Demerger - Pro forma Consolidated Statement of Comprehensive Income

(amounts in thousands of Euro)	Consolidated financial statement at 31 Dec. 2010 (A)	Less: items allocated to De'Longhi Clima Group (B)	Reinstatement of intercompany items (C)	Total post-demerger (D=A+B+C)	Pro-forma adjustments (E)	Proforma consolidated statement of comprehensive income for Demerging Company (F=D+E)
<b>Profit (loss) after taxes</b>	<b>75,101</b>	<b>(8,492)</b>	<b>13,677</b>	<b>80,286</b>	<b>(6,610)</b>	<b>73,676</b>
<b>Other components of comprehensive income</b>						
Change in fair value of cash flow hedges	(7,040)	(148)	0	(7,188)		(7,188)
Tax effect of change in fair value of cash flow hedges	1,920	40	0	1,960		1,960
Differences from translating foreign companies' financial statements into Euro	14,239	(710)	0	13,529		13,529
<b>Total comprehensive income (loss)</b>	<b>84,220</b>	<b>(9,310)</b>	<b>13,677</b>	<b>88,587</b>	<b>(6,610)</b>	<b>81,977</b>
<b>Total comprehensive income attributable to:</b>						
Owners of the parent	84,036	(9,312)	13,677	88,401	(6,610)	81,791
Minority interests	184	2	-	186		186

### 4.1.3 De'Longhi Post-Demerger - Pro forma Consolidated Statement of Financial Position at 31 December 2010

ASSETS (amounts in thousands of Euro)	Consolidated financial statement at 31 Dec. 2010 (A)	Less: items allocated to De'Longhi Clima Group (B)	Reinstatement of intercompany items (C)	Total post- demerger (D=A+B+C)	Pro-forma adjustments (E)	Proforma consolidated statement of financial position for Demerging Company (F=D+E)
<b>NON-CURRENT ASSETS</b>						
INTANGIBLE ASSETS	408,615	(229,016)	-	179,599	-	179,599
- Goodwill	228,042	(186,451)	-	41,591	-	41,591
- Other intangible assets	180,573	(42,565)	-	138,008	-	138,008
PROPERTY, PLANT AND EQUIPMENT	186,431	(94,603)	-	91,828	-	91,828
- Land, property, plant and machinery	133,493	(89,571)	-	43,922	-	43,922
- Other tangible assets	52,938	(5,032)	-	47,906	-	47,906
EQUITY INVESTMENTS AND OTHER FINANCIAL ASSETS	2,309	(202)	57	2,164	-	2,164
- Equity investments (in associated companies)	-	-	-	-	-	-
- Equity investments (in other companies)	671	(4)	-	667	-	667
- Receivables	1,512	(198)	57	1,371	-	1,371
- Other non-current financial assets	126	-	-	126	-	126
DEFERRED TAX ASSETS	33,471	(1,346)	-	32,125	(208)	31,917
<b>TOTAL NON-CURRENT ASSETS</b>	<b>630,826</b>	<b>(325,167)</b>	<b>57</b>	<b>305,716</b>	<b>(208)</b>	<b>305,508</b>
<b>CURRENT ASSETS</b>						
INVENTORIES	288,012	(49,322)	-	238,690	-	238,690
TRADE RECEIVABLES	387,937	(102,625)	3,238	288,550	-	288,550
CURRENT TAX ASSETS	13,686	(1,566)	-	12,120	-	12,120
OTHER RECEIVABLES	14,996	(5,344)	6,859	16,511	-	16,511
CURRENT FINANCIAL RECEIVABLES AND ASSETS	12,221	(5,783)	92,617	99,055	-	99,055
CASH AND CASH EQUIVALENTS	193,515	(13,271)	68,511	248,755	(150,000)	98,755
<b>TOTAL CURRENT ASSETS</b>	<b>910,367</b>	<b>(177,911)</b>	<b>171,225</b>	<b>903,681</b>	<b>(150,000)</b>	<b>753,681</b>
<b>TOTAL ASSETS</b>	<b>1,541,193</b>	<b>(503,078)</b>	<b>171,282</b>	<b>1,209,397</b>	<b>(150,208)</b>	<b>1,059,189</b>
<b>NET EQUITY AND LIABILITIES</b> (amounts in thousands of Euro)						
<b>NET EQUITY</b>						
GROUP PORTION OF NET EQUITY	758,921	(135,398)	13,620	637,143	(149,452)	487,691
MINORITY INTERESTS	1,651	63	-	1,714	-	1,714
<b>TOTAL NET EQUITY</b>	<b>760,572</b>	<b>(135,335)</b>	<b>13,620</b>	<b>638,857</b>	<b>(149,452)</b>	<b>489,405</b>
<b>NON-CURRENT LIABILITIES</b>						
FINANCIAL PAYABLES	107,934	(48,217)	-	59,717	-	59,717
- Bank loans and borrowings (long-term portion)	89,416	(34,281)	-	55,135	-	55,135
- Other financial payables (long-term portion)	18,518	(13,936)	-	4,582	-	4,582
DEFERRED TAX LIABILITIES	19,393	(16,323)	-	3,070	-	3,070
NON-CURRENT PROVISIONS FOR CONTINGENCIES AND OT	72,787	(15,031)	-	57,756	(756)	57,000
- Employee benefits	25,907	(6,467)	-	19,440	(756)	18,684
- Other provisions	46,880	(8,564)	-	38,316	-	38,316
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>200,114</b>	<b>(79,571)</b>	<b>-</b>	<b>120,543</b>	<b>(756)</b>	<b>119,787</b>
<b>CURRENT LIABILITIES</b>						
TRADE PAYABLES	374,184	(91,795)	912	283,301	-	283,301
FINANCIAL PAYABLES	102,755	(97,510)	74,640	79,885	-	79,885
- Bank loans and borrowings (short-term portion)	81,353	(94,698)	68,511	55,166	-	55,166
- Other financial payables (short-term portion)	21,402	(2,812)	6,129	24,719	-	24,719
CURRENT TAX LIABILITIES	44,659	(3,982)	-	40,677	-	40,677
OTHER PAYABLES	58,909	(16,835)	4,060	46,134	-	46,134
<b>TOTAL CURRENT LIABILITIES</b>	<b>580,507</b>	<b>(210,122)</b>	<b>79,612</b>	<b>449,997</b>	<b>-</b>	<b>449,997</b>
<b>TOTAL NET EQUITY AND LIABILITIES</b>	<b>1,541,193</b>	<b>(425,028)</b>	<b>93,232</b>	<b>1,209,397</b>	<b>(150,208)</b>	<b>1,059,189</b>
<b>CASH/ (NET DEBT)</b>	<b>(4,709)</b>	<b>126,674</b>	<b>86,545</b>	<b>208,510</b>	<b>(150,000)</b>	<b>58,510</b>
of which:						
- Cash and other financial assets	205,980	(19,053)	161,185	348,112	(150,000)	198,112
- Current financial debt	(102,755)	97,510	(74,640)	(79,885)	-	(79,885)
- Non-current financial debt	(107,934)	48,217	-	(59,717)	-	(59,717)

#### 4.1.4 De'Longhi Group Post-Demerger - Pro forma Consolidated Statement of Cash Flow 2010

(amounts in thousands of Euro)	Consolidated financial statement at 31 Dec. 2010 (A)	Less: items allocated to De'Longhi Clima Group (B)	Reinstatement of intercompany items (C)	Total post-demerger (D=A+B+C)	Pro-forma adjustments (E)	Proforma consolidated statement of cash flow for Demerging Company
Profit (loss) pertaining to the group	74,915	(8,493)	13,677	80,099	(6,610)	73,489
Income taxes for the period	36,456	(5,169)	-	31,287	(231)	31,056
Amortization, depreciation and impairment	45,459	(15,803)	-	29,656	-	29,656
Net change in provisions	11,140	(1,213)	3	9,930	(756)	9,174
<b>Cash flow generated (absorbed) by current operations (A)</b>	<b>167,970</b>	<b>(30,678)</b>	<b>13,680</b>	<b>150,972</b>	<b>(7,597)</b>	<b>143,375</b>
<b>Change in assets and liabilities for the period:</b>						
Trade receivables	(18,593)	8,333	510	(9,750)	-	(9,750)
Inventories	(16,570)	(4,944)	1	(21,513)	-	(21,513)
Trade payables	58,883	(13,729)	658	45,812	-	45,812
Other current assets and liabilities	10,401	3,777	(1,971)	12,207	-	12,207
Payment of income taxes	(24,632)	2,096	-	(22,536)	-	(22,536)
<b>Cash flow generated (absorbed) by movements in working capital (B)</b>	<b>9,489</b>	<b>(4,467)</b>	<b>(802)</b>	<b>4,220</b>	<b>-</b>	<b>4,220</b>
<b>Cash flow generated (absorbed) by current operations and movements in working capital (A+B)</b>	<b>177,459</b>	<b>(35,145)</b>	<b>12,878</b>	<b>155,192</b>	<b>(7,597)</b>	<b>147,595</b>
<b>Investment activities:</b>						
Investments in intangible assets	(13,458)	3,514	-	(9,944)	-	(9,944)
Other cash flows for intangible assets	(2,157)	2,150	-	(7)	-	(7)
Investments in property, plant and equipment	(33,186)	6,614	-	(26,572)	-	(26,572)
Other cash flows for property, plant and equipment	2,819	(1,517)	-	1,302	-	1,302
Net investments in equity investments and other financial assets	587	38	-	625	-	625
<b>Cash flow generated (absorbed) by ordinary investment activities (C)</b>	<b>(45,395)</b>	<b>10,799</b>	<b>-</b>	<b>(34,596)</b>	<b>-</b>	<b>(34,596)</b>
Changes in consolidation area	-	(1,588)	-	(1,588)	-	(1,588)
<b>Non-recurring cash flow (D)</b>	<b>-</b>	<b>(1,588)</b>	<b>-</b>	<b>(1,588)</b>	<b>-</b>	<b>(1,588)</b>
Dividends paid	(11,960)	-	-	(11,960)	-	(11,960)
Change in currency translation reserve	10,426	(407)	(17)	10,002	-	10,002
Increase (decrease) in minority interests in capital and reserves	(28)	4	-	(24)	-	(24)
New loans	67,163	(7,340)	-	59,823	-	59,823
Repayment of loans and other net changes in sources of finance	(128,104)	29,765	(9,943)	(108,282)	-	(108,282)
<b>Cash flow generated (absorbed) by changes in net equity and by financing activities (E)</b>	<b>(62,503)</b>	<b>22,022</b>	<b>(9,960)</b>	<b>(50,441)</b>	<b>-</b>	<b>(50,441)</b>
<b>Cash flow for the period (A+B+C+D+E)</b>	<b>69,561</b>	<b>(3,912)</b>	<b>2,918</b>	<b>68,567</b>	<b>(7,597)</b>	<b>60,970</b>
<b>Opening cash and cash equivalents</b>	<b>123,954</b>	<b>(9,359)</b>	<b>65,594</b>	<b>180,189</b>	<b>(150,000)</b>	<b>30,189</b>
Increase (decrease) in cash and cash equivalents (A+B+C+D+E)	69,561	(3,912)	2,918	68,567	(7,597)	60,970
Pro-forma adjustments not affecting the closing cash and cash equivalents	-	-	-	-	7,597	7,597
<b>Closing cash and cash equivalents</b>	<b>193,515</b>	<b>(13,271)</b>	<b>68,511</b>	<b>248,755</b>	<b>(150,000)</b>	<b>98,755</b>
<b>Opening cash/ (net debt)</b>	<b>(117,091)</b>	<b>137,774</b>	<b>89,158</b>	<b>109,841</b>	<b>(150,000)</b>	<b>(40,159)</b>
Cash flow for the period in terms of net financial position	112,382	(11,100)	(2,613)	98,669	(7,597)	91,072
Pro-forma adjustments not affecting the closing cash/ (net debt)	-	-	-	-	7,597	7,597
<b>Closing cash/ (net debt)</b>	<b>(4,709)</b>	<b>126,674</b>	<b>86,545</b>	<b>208,510</b>	<b>(150,000)</b>	<b>58,510</b>

#### **4.1.5 De'Longhi Group Post-Demerger – Explanatory notes to the pro forma Consolidated Financial Statements at 31 December 2010**

The accounting principles and evaluation criteria used in the preparation of the pro forma information are the same as those applied to the De'Longhi Group Consolidated Financial Statements as of and for the year ended 31 December 2010, to which reference is made.

In particular, as the Demerger is considered a transaction of 'business combination involving entities or businesses under common control' and, as such, it is outside the scope of application of IFRS 3 and IFRIC 17. Accordingly, assets and liabilities of De'Longhi Group Post-Demerger are stated in the Pro Forma Consolidated Financial Information at the carrying amount reported in the consolidated financial statements.

Apart from the Beneficiary Company, De'Longhi Clima S.p.A., the Demerger involves entities already included in the scope of consolidation of the De'Longhi Group at 31 December 2010. As such, there is no change between the scope of consolidation applied for the De'Longhi Group Consolidated Financial Statements at 31 December 2010 and the sum of the scopes of consolidation of the Demerging Company and the Beneficiary Company considered for the preparation of the Pro Forma Consolidated Financial Information of the De'Longhi Group Post Demerger.

In particular, the scope of consolidation of the Demerging Company is equivalent to the aggregate of the scopes of consolidation of the Corporate Division and the Household Division reported for the purposes of providing information by operating segment in the consolidated financial statements as of and for the year ended 31 December 2010. Therefore, the financial information of De'Longhi Group Post-Demerger before pro-forma adjustments, shown in the 'Total Post Demerger (D)' columns correspond to the sum of the data of the Household and Corporate Divisions, net of the related intercompany relationships, already highlighted in *Note 40: Information by operating sector* in the notes to the Consolidated Financial Statements at 31 December 2010.

- **Principal assumptions used in preparation of the Pro Forma Consolidated Financial Statements of the De'Longhi Group Post-Demerger**

Pursuant to the Demerger, De'Longhi S.p.A. will grant a portion of its assets to the Beneficiary Company, represented in particular by the 100% interest held by the Demerging Company in De'Longhi Professional.

Against this asset transfer, the Beneficiary Company will grant, without consideration, each De'Longhi S.p.A. shareholder an equal number of its own newly issued shares as they already hold in the Demerging Company.

De'Longhi Clima S.p.A. requested the authorities and competent bodies the admission to listing of its shares on the MTA; said admission to the listing is a prerequisite and essential condition for the Demerger. In addition to the applicable provisions of the Italian Civil Code, execution of the Deed of Demerger is therefore conditional upon obtaining the necessary Borsa Italiana and Consob approvals.

The reference date adopted in the preparation of the Pro Forma Consolidated Financial Statements of the De'Longhi Group Post Demerger for the simulation of the effects of deconsolidation arising from the Demerger does not therefore correspond to the actual financial year the Demerger will be completed in. At this date the Consolidated Financial Statements of the De'Longhi Group Post Demerger and of the De'Longhi Clima Group will be prepared (presumably in 2012).

As previously indicated in Chapter II, Section 2.2, point 2.2.1 of this Information Document, it is specified that the book value in the parent company of the asset to be transferred will remain unchanged, since any variations due to the corporate dynamics that may occur by the effective date of the Demerger, will not entail any cash adjustments and the asset transferred will remain either a credit or a debt respectively.

To determine retrospectively the effects of the Demerger the following base assumptions have been adopted, also taking into account the indications contained in the Consob Communication DEM/1052803 of 5 July 2001:

- the financial information and pro forma consolidated information have been prepared based on the Consolidated Financial Statements of the De'Longhi Group as of and for the year ended 31 December 2010 and integrated with the appropriate pro forma adjustments representing the effects of the Demerger and the preliminary corporate transactions;
- the pro forma adjustments have been calculated according to the general rule under which the transactions involving assets and liabilities are assumed to have taken place at the reference date of the Demerger, while, with reference to the income statements and statement of cash flows, the transactions are assumed to have taken place at the start of the period such information refers to. Therefore, the effects of transactions carried out and expected after 31 December 2010, except those related to transactions strictly connected to the Demerger, have not been considered, in observance of the rules for preparing pro forma data provided by the aforementioned Consob Communication DEM/1052803 of 5 July 2001.

- **Components of profit and loss, assets and liabilities and cash flow transferred to the De'Longhi Clima Group**

The column contains the effects on the consolidated data of the Demerger, through the granting by De'Longhi S.p.A. of a portion of its assets and liabilities, represented by the activities concerning the production and sales of machinery for air conditioning systems and ICT industrial process chillers and radiators (under the Professional Division).

- **Reinstatement of intercompany items**

The column includes the reallocation of amounts related to assets and liabilities, in addition to components of income statement and of cash flows, attributable to transactions carried out between companies of the group controlled by the Demerging Company and the companies

in the group controlled by the Beneficiary Company, given that subsequent to the Demerger such transactions no longer qualify as intercompany transactions and, therefore, should not be eliminated.

In particular, these relationships are mainly arisen from the followings:

- a. revenues/receivables for the supply of administrative, ICT, corporate, tax and HR management services by the companies of the De'Longhi Group, which will remain within the De'Longhi Group Post Demerger, to the companies that will come under the De'Longhi Clima Group;
- b. revenues/receivables for the transfer by companies in the Household Division of finished products for fixed air conditioning systems and semi-processed products for heating;
- c. costs/payables for the purchase by some commercial subsidiaries of products for air conditioning and heating from Climaveneta S.p.A. and DL Radiators S.p.A. respectively;
- d. income from dividends distributed by the company De'Longhi Professional to De'Longhi S.p.A. (eliminated in any case during the pro forma adjustments);
- e. financial income/receivables mainly related to interests receivable on cash pooling balances and recharges for centralized management of financial services and treasury services and derivative operations hedging exchange rate risk;
- f. intragroup balances (receivable/payable) related to the group's cash pooling agreement by De'Longhi Capital Services S.r.l. to Climaveneta S.p.A., DL Radiators S.p.A. and RC Group S.p.A.;
- g. receivables/payables for the group's domestic tax consolidation and payment of VAT;
- h. cash and cash equivalents deposited in relation to the group's cash pooling agreement;
- i. receivables and payables from derivatives stipulated by De'Longhi Capital Services S.r.l. with companies that will be part of the De'Longhi Clima Group.

For additional details on figures of transactions between De'Longhi Group Post Demerger and De'Longhi Clima Group, see paragraph 6.6 of the Information Document.

#### ● **Pro-forma adjustments**

The column contains the pro forma adjustments applied to the aggregate post Demerger figures of the De'Longhi Group Post Demerger, to reflect the effects of significant transactions related to the Demerger, as described below.



### Recapitalization of De'Longhi Professional

On 30 June 2011 De'Longhi S.p.A. resolved and paid a capital contribution for Euro 150 million to the subsidiary De'Longhi Professional, to re-balance the financial position of the Household Division and Professional Division and to eliminate the financial relationships existing between the two divisions, decreasing the negative financial position of the Professional Division. Following the contribution, De'Longhi Professional and its subsidiaries will discharge infragroup financial debts within the Group cash pooling. This amount has therefore been used to reimburse a significant part of the De'Longhi Clima Group's debt. To this end it is specified that the aforementioned reimbursement has substantially reduced the financial debt against the companies in the De'Longhi Group Post Demerger.

This is a preliminary operation which is strictly functional to the Demerger; the effects of the recapitalization and the consequent variation of the financial debt in the De'Longhi Group Post Demerger have also been reflected in the pro forma data as of and for the year ended 31 December 2010.

As far as the De'Longhi Group Post Demerger is concerned, the pro forma adjustment of Euro 150 million has been made in the financial position, reducing the cash and cash equivalents, and a corresponding reduction in the net equity.

Regarding the income statement and statement of cash flows, assuming that such operation took place on 1 January 2010, the related pro forma adjustment retroactively reflects greater interest expenses for the De'Longhi Group Post Demerger for Euro 1,597 thousand for the 2010 period (determined according to an average annual rate 1.06%, in line with the average rate recognised in the period on the De'Longhi Group's cash pooling balances).

### Dividends

During the 2010 financial year, De'Longhi Professional resolved to distribute dividends in amount of Euro 6,000 thousand to the parent companies De'Longhi S.p.A. and De'Longhi Household S.A., paid during the period.

The pro forma adjustments to the data in the income statement and statement of cash flows reflect the reversal of the earnings connected to such distribution, which would not have been realised if the Demerger took place on 1 January 2010.

### Employee benefits

During 2008, De'Longhi S.p.A.'s general meeting approved a Phantom Stock Option Plan which entitles beneficiaries to cash payments based on the growth of the company's ordinary share price.

For this plan De'Longhi S.p.A. prepared the Information Document, in accordance with Article 84-*bis* of the Issuers' Regulation, prepared in accordance with Annex 3A, Schedule 7

of the Issuers' Regulation, filed with Borsa Italiana and published on the Demerging Company's internet site.

The cost of such instruments and the related liabilities are shown in the appropriate consolidated financial statements, throughout the maturation period, recalculating the fair value of the options for each balance sheet date.

At 31 December 2010 the total number of exercisable options is equal to 500,000 and the relevant cost for the adoption of this plan is equal to Euro 1,890 thousand. Since, with regard to the Phantom Stock Option Plan, a portion of the options (200,000 in number) are under the Professional Division, having as the beneficiary the chief executive officer of Climaveneta S.p.A. (company which form part of De'Longhi Clima Group), a pro forma adjustment of Euro 756 thousand, reflecting the reduction of the payroll costs and employee benefits correlated to the related quota, was made to the data of the De'longhi Group Post Demerger.

Additionally it must be remembered that on the date of the Information Document the only two beneficiaries have communicated to the Demerging Company that they will take up all the Phantom Stock Options within the effective date of the Demerger.

#### Income taxes

The tax effects of the above pro forma adjustments have been calculated, where applicable, using the theoretical tax rates applicable at 31 December 2010.

For the purposes of the Pro Forma Consolidated Financial Statements of the De'Longhi Group Post Demerger, the Italian subsidiaries to be transferred to the group headed by the Beneficiary Company have been removed from the De'Longhi Group's domestic tax consolidation (with effect from 1 January 2010), and a new theoretical domestic tax consolidation has been established with the Beneficiary Company as the parent. Based on current circumstances, it is expected that, the recoverable amount of deferred tax assets, net of deferred tax liabilities resulting after the relevant amounts are allocated to the De'Longhi Clima Group, will remain unchanged as a result of the Demerger and in the event of a new domestic tax consolidation.

#### Other effects arising from the Demerger

- The pro forma adjustments do not include Demerger-related expenses as these are not recurrent and not yet completely defined.
- Possible benefits deriving from the reduction of the Demerging Company's activity at corporate level have not been subjected to pro forma adjustments, since they are not yet quantifiable and in any case are not considered material.
- All transfers of goods and services between De'Longhi Group companies are already subject to contractual agreements stipulated at standard market conditions. Therefore the Demerger is not expected to produce any significant effects attributable to changes

in the conduct and settlement of transactions between De'Longhi Group companies and, consequently, no such effects are reflected in the pro forma adjustments.

## 4.2 PRO FORMA CONSOLIDATED PER SHARE DATA AT 31 DECEMBER 2010

### 4.2.1 Historical and pro forma data per share for the Demerging Company and the Group it controls

The historical data of the De'Longhi Group as of and for the year ended 31 December 2010 and the pro forma data per share of the De'Longhi Group Post Demerger at 31 December 2010 are shown below.

It must be remembered that at 31 December 2010 De'Longhi S.p.A.'s share capital, fully paid-in, is represented by 149,500,000 ordinary shares and the company does not possess its own shares in its portfolio.

	<u>Consolidated historical data</u> (Consolidated financial statement of the De'Longhi Group at 31 December 2010)	<u>Pro forma data for the Demerging Company</u> (Pro forma data for Post Demerger De'Longhi Group at 31 December 2010)
Ordinary shares issued at year end	149,500,000	149,500,000
Weighted average of the ordinary shares outstanding for the period	149,500,000	149,500,000
<b>Per share data (in Euro)</b>		
Net earnings per share	€ 0.50	€ 0.49
Net equity per share	€ 5.09	€ 3.27
Dividend per share	€ 0.146	-
Cash flow per share (in terms of cash and cash equivalents)	€ 0.47	€ 0.41
Cash flow per share - in terms of cash/net debt	€ 0.75	€ 0.61

### 4.2.2 Comment on significant differences between pro forma and historical per share data

- **Net earnings per share**

This per share ration is calculated based on the net result for De'Longhi S.p.A. shareholders. The exclusion of the net result of the Group subject to Demerger and the effects of the pro forma adjustments described above have resulted in a pro forma net result per share for the Demerging Company which is substantially in line with the historical consolidated data.

- **Net equity per share**

This per share indicator is calculated based on the ratio between net equity and the number of shares.

The pro forma per share figure for the Demerging Company is lower than the historical consolidated data due to the allocation of a portion of equity to the De'Longhi Clima Group and due to the pro forma adjustments already described above.

- **Cash flow per share**

This per share indicator is calculated based on the ratio between the cash flow for the financial period, both in terms of cash and cash equivalents as well as cash/(net debt), and the number of shares.

#### **4.3 PRO FORMA CONSOLIDATED INCOME STATEMENT, STATEMENT OF COMPREHENSIVE INCOME, STATEMENT OF FINANCIAL POSITION AND STATEMENT OF CASH FLOW AS OF AND FOR THE SIX MONTHS ENDED 30 JUNE 2011**

The Pro Forma Consolidated Financial Information for De'Longhi Group Post-Demerger as of and for the six months ended 30 June 2011 is based on the De'Longhi Group Consolidated Condensed Half-year Statements at 30 June 2011, prepared in accordance with the IFRS and subject to a limited review by Reconta Ernst & Young S.p.A., which issued its report on 29 August 2011. The Pro forma Consolidated Financial Information of the De'Longhi Group Post Demerger at 30 June 2011 (together with explanatory notes) is the same as presented in the Information Document of De'Longhi, which was published on 26 September 2011.

The pro forma statements contain:

- historical data taken from De'Longhi Group's Consolidated Condensed Half-Year Statements as of and for the six months ended 30 June 2011;
- the effects on De'Longhi's Consolidated Condensed Half-Year Statements of deconsolidation of the activities transferred to De'Longhi Clima Group following the Demerger;
- the effects of the reallocation of amounts related to assets and liabilities, in addition to components of income statement and statement of cash flows, attributable to transactions carried out between companies of De'Longhi Group Post-Demerger and companies of the De'Longhi Clima Group;
- pro forma adjustments to the aggregate post-demerger figures to reflect the effects of significant transactions related to the Demerger;
- Pro forma consolidated figures for De'Longhi Group Post-Demerger.

Unless otherwise indicated, figures are stated in thousands of euro.

### 4.3.1 De'Longhi Group Post Demerger - Pro forma Consolidated Income Statement - 1st half of 2011

(amounts in thousands of Euro)	Interim condensed consolidated financial statement at 30 June 2011 (A)	Less: items allocated to De'Longhi Climate Group (B)	Reinstatement of intercompany items (C)	Total post-demerger (D=A+B+C)	Pro-forma adjustments (E)	Proforma consolidated income statement for Demerging Company (F=D+E)
Revenues from sales and services	750,244	(173,972)	2,031	578,303		578,303
Other revenues	12,826	(3,793)	1,640	10,673		10,673
<b>Total consolidated revenues</b>	<b>763,070</b>	<b>(177,765)</b>	<b>3,671</b>	<b>588,976</b>	-	<b>588,976</b>
Raw and ancillary materials, consumables and goods	(442,787)	106,719	(840)	(336,908)		(336,908)
Change in inventories of finished products and work in progress	72,930	(10,551)	-	62,379		62,379
Change in inventories of raw and ancillary materials, consumables and goods	11,357	(3,328)	-	8,029		8,029
<b>Materials consumed</b>	<b>(358,500)</b>	<b>92,840</b>	<b>(840)</b>	<b>(266,500)</b>	-	<b>(266,500)</b>
Payroll costs	(111,857)	33,621	-	(78,236)	723	(77,513)
Services and other operating expenses	(196,181)	30,437	(166)	(165,910)		(165,910)
Provisions	(10,299)	2,646	-	(7,653)		(7,653)
Amortization, depreciation and impairment	(19,102)	4,949	-	(14,153)		(14,153)
<b>EBIT</b>	<b>67,131</b>	<b>(13,272)</b>	<b>2,665</b>	<b>56,524</b>	<b>723</b>	<b>57,247</b>
Financial income (expenses)	(12,367)	2,335	897	(9,135)	(1,111)	(10,246)
<b>PROFIT (LOSS) BEFORE TAXES</b>	<b>54,764</b>	<b>(10,937)</b>	<b>3,562</b>	<b>47,389</b>	<b>(388)</b>	<b>47,001</b>
Income taxes	(20,423)	3,684	-	(16,739)	107	(16,632)
<b>PROFIT (LOSS) AFTER TAXES</b>	<b>34,341</b>	<b>(7,253)</b>	<b>3,562</b>	<b>30,650</b>	<b>(281)</b>	<b>30,369</b>
Profit (loss) pertaining to minority interests	317	(8)	-	309		309
<b>PROFIT (LOSS) PERTAINING TO THE GROUP</b>	<b>34,024</b>	<b>(7,245)</b>	<b>3,562</b>	<b>30,341</b>	<b>(281)</b>	<b>30,060</b>
<b>EBITDA</b>	<b>86,233</b>	<b>(18,221)</b>	<b>2,665</b>	<b>70,677</b>	<b>723</b>	<b>71,400</b>
Non-recurring income/(expenses)	(2,502)	1,000	-	(1,502)	-	(1,502)
<b>EBITDA before non-recurring income/(expenses)</b>	<b>88,735</b>	<b>(19,221)</b>	<b>2,665</b>	<b>72,179</b>	<b>723</b>	<b>72,902</b>

### 4.3.2 De'Longhi Post Demerger - Pro forma Consolidated Statement of Comprehensive Income - 1st half of 2011

(amounts in thousands of Euro)	Interim condensed consolidated financial statement at 30 June 2011 (A)	Less: items allocated to De'Longhi Climate Group (B)	Reinstatement of intercompany items (C)	Total post-demerger (D=A+B+C)	Pro-forma adjustments (E)	Proforma consolidated statement of comprehensive income for Demerging Company (F=D+E)
<b>Profit (loss) after taxes</b>	<b>34,341</b>	<b>(7,253)</b>	<b>3,562</b>	<b>30,650</b>	<b>(281)</b>	<b>30,369</b>
<b>Other components of comprehensive income</b>						
Change in fair value of cash flow hedges	(10,257)	42	0	(10,215)		(10,215)
Tax effect of change in fair value of cash flow hedges	2,826	(12)	0	2,814		2,814
Differences from translating foreign companies' financial statements into Euro	(13,767)	907	0	(12,860)		(12,860)
<b>Total comprehensive income (loss)</b>	<b>13,143</b>	<b>(6,316)</b>	<b>3,562</b>	<b>10,389</b>	<b>(281)</b>	<b>10,108</b>
<b>Total comprehensive income attributable to:</b>						
Owners of the parent	12,826	(6,308)	3,562	10,080	(281)	9,799
Minority interests	317	(8)	-	309		309

### 4.3.3 De'Longhi Group Post Demerger - Pro forma Consolidated Statement of Financial Position at 30 June 2011

ASSETS (amounts in thousands of Euro)	Interim condensed consolidated financial statement at 30 June 2011 (A)	Less: items allocated to De'Longhi Clima Group (B)	Reinstatement of intercompany items (C)	Total post-demerger (D=A+B+C)	Pro-forma adjustments (E)	Proforma consolidated statement of financial position for Demerging Company (F=D+E)
<b>NON-CURRENT ASSETS</b>						
INTANGIBLE ASSETS	409,417	(231,481)	-	177,936	-	177,936
- Goodwill	230,518	(188,928)	-	41,590	-	41,590
- Other intangible assets	178,899	(42,553)	-	136,346	-	136,346
PROPERTY, PLANT AND EQUIPMENT	192,133	(99,968)	-	92,165	-	92,165
- Land, property, plant and machinery	136,431	(89,989)	-	46,442	-	46,442
- Other tangible assets	55,702	(9,979)	-	45,723	-	45,723
EQUITY INVESTMENTS AND OTHER FINANCIAL ASSETS	2,884	(288)	954	3,550	-	3,550
- Equity investments (in other companies)	677	(4)	-	673	-	673
- Receivables	2,099	(284)	954	2,769	-	2,769
- Other non-current financial assets	108	-	-	108	-	108
DEFERRED TAX ASSETS	39,162	(1,582)	-	37,580	(407)	37,173
<b>TOTAL NON-CURRENT ASSETS</b>	<b>643,596</b>	<b>(333,319)</b>	<b>954</b>	<b>311,231</b>	<b>(407)</b>	<b>310,824</b>
<b>CURRENT ASSETS</b>						
INVENTORIES	365,209	(63,245)	-	301,964	-	301,964
TRADE RECEIVABLES	274,113	(100,330)	4,745	178,528	-	178,528
CURRENT TAX ASSETS	19,758	(1,737)	(44)	17,977	-	17,977
OTHER RECEIVABLES	16,725	(4,454)	9,598	21,869	-	21,869
CURRENT FINANCIAL RECEIVABLES AND ASSETS	13,017	(6,815)	134,048	140,250	-	140,250
CASH AND CASH EQUIVALENTS	199,996	(115,647)	78,498	162,847	-	162,847
<b>TOTAL CURRENT ASSETS</b>	<b>888,818</b>	<b>(292,228)</b>	<b>226,845</b>	<b>823,435</b>	<b>-</b>	<b>823,435</b>
<b>TOTAL ASSETS</b>	<b>1,532,414</b>	<b>(625,547)</b>	<b>227,799</b>	<b>1,134,666</b>	<b>(407)</b>	<b>1,134,259</b>
<b>NET EQUITY AND LIABILITIES</b>						
<b>NET EQUITY</b>						
GROUP PORTION OF NET EQUITY	749,920	(278,019)	3,505	475,406	1,072	476,478
MINORITY INTERESTS	1,968	55	-	2,023	-	2,023
<b>TOTAL NET EQUITY</b>	<b>751,888</b>	<b>(277,964)</b>	<b>3,505</b>	<b>477,429</b>	<b>1,072</b>	<b>478,501</b>
<b>NON-CURRENT LIABILITIES</b>						
FINANCIAL PAYABLES	99,738	(38,008)	-	61,730	-	61,730
- Bank loans and borrowings (long-term portion)	80,968	(24,543)	-	56,425	-	56,425
- Other financial payables (long-term portion)	18,770	(13,465)	-	5,305	-	5,305
DEFERRED TAX LIABILITIES	19,731	(16,603)	-	3,128	-	3,128
NON-CURRENT PROVISIONS FOR CONTINGENCIES AND OT	75,810	(15,565)	-	60,245	(1,479)	58,766
- Employee benefits	24,553	(6,338)	-	18,215	(1,479)	16,736
- Other provisions	51,257	(9,227)	-	42,030	-	42,030
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>195,279</b>	<b>(70,176)</b>	<b>-</b>	<b>125,103</b>	<b>(1,479)</b>	<b>123,624</b>
<b>CURRENT LIABILITIES</b>						
TRADE PAYABLES	362,220	(104,480)	2,526	260,266	-	260,266
FINANCIAL PAYABLES	125,559	(27,721)	86,803	184,641	-	184,641
- Bank loans and borrowings (short-term portion)	100,126	(24,814)	78,498	153,810	-	153,810
- Other financial payables (short-term portion)	25,433	(2,907)	8,305	30,831	-	30,831
CURRENT TAX LIABILITIES	39,656	(4,803)	-	34,853	-	34,853
OTHER PAYABLES	57,812	(16,738)	11,300	52,374	-	52,374
<b>TOTAL CURRENT LIABILITIES</b>	<b>585,247</b>	<b>(153,742)</b>	<b>100,629</b>	<b>532,134</b>	<b>-</b>	<b>532,134</b>
<b>TOTAL NET EQUITY AND LIABILITIES</b>	<b>1,532,414</b>	<b>(501,882)</b>	<b>104,134</b>	<b>1,134,666</b>	<b>(407)</b>	<b>1,134,259</b>
<b>CASH/ (NET DEBT)</b>	<b>(12,141)</b>	<b>(56,733)</b>	<b>126,696</b>	<b>57,822</b>	<b>-</b>	<b>57,822</b>
of which:						
- Cash and other financial assets	213,156	(122,462)	213,499	304,193	-	304,193
- Current financial debt	(125,559)	27,721	(86,803)	(184,641)	-	(184,641)
- Non-current financial debt	(99,738)	38,008	-	(61,730)	-	(61,730)

### 4.3.4 De'Longhi Group Post Demerger - Pro forma Consolidated Statement of Cash Flows - 1st half of 2011

(amounts in thousands of Euro)	Interim condensed consolidated financial statement at 30 June 2011 (A)	Less: items allocated to De'Longhi Clima Group (B)	Reinstatement of intercompany items (C)	Total post-demerger (D=A+B+C)	Pro-forma adjustments (E)	Proforma consolidated statement of cash flow for Demerging Company
Profit (loss) pertaining to the group	34,024	(7,245)	3,563	30,342	(281)	30,061
Income taxes for the period	20,423	(3,684)	-	16,739	(107)	16,632
Amortization, depreciation and impairment	19,102	(4,949)	-	14,153	-	14,153
Net change in provisions	2,395	(252)	-	2,143	(723)	1,420
<b>Cash flow generated (absorbed) by current operations (A)</b>	<b>75,944</b>	<b>(16,130)</b>	<b>3,563</b>	<b>63,377</b>	<b>(1,111)</b>	<b>62,266</b>
<b>Change in assets and liabilities for the period:</b>						
Trade receivables	100,911	(3,726)	(1,500)	95,685	-	95,685
Inventories	(84,532)	13,947	-	(70,585)	-	(70,585)
Trade payables	5,161	(11,172)	1,609	(4,402)	-	(4,402)
Other current assets and liabilities	(27,106)	2,532	4,544	(20,030)	-	(20,030)
Payment of income taxes	(11,296)	951	-	(10,345)	-	(10,345)
<b>Cash flow generated (absorbed) by movements in working capital (B)</b>	<b>(16,862)</b>	<b>2,532</b>	<b>4,653</b>	<b>(9,677)</b>	<b>-</b>	<b>(9,677)</b>
<b>Cash flow generated (absorbed) by current operations and movements in working capital (A+B)</b>	<b>59,082</b>	<b>(13,598)</b>	<b>8,216</b>	<b>53,700</b>	<b>(1,111)</b>	<b>52,589</b>
<b>Investment activities:</b>						
Investments in intangible assets	(4,865)	1,576	-	(3,289)	-	(3,289)
Other cash flows for intangible assets	72	(82)	-	(10)	-	(10)
Investments in property, plant and equipment	(19,814)	7,307	-	(12,507)	-	(12,507)
Other cash flows for property, plant and equipment	185	164	-	349	-	349
Net investments in equity investments and other financial assets	(783)	98	-	(685)	-	(685)
<b>Cash flow generated (absorbed) by ordinary investment activities (C)</b>	<b>(25,205)</b>	<b>9,063</b>	<b>-</b>	<b>(16,142)</b>	<b>-</b>	<b>(16,142)</b>
Changes in consolidation area	(2,198)	2,198	-	-	-	-
<b>Non-recurring cash flow (D)</b>	<b>(2,198)</b>	<b>2,198</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Dividends paid	(21,827)	-	-	(21,827)	-	(21,827)
Change in currency translation reserve	(10,587)	580	3,487	(6,520)	-	(6,520)
Increase (decrease) in minority interests in capital and reserves	317	(8)	-	309	-	309
Capital contribution	-	(150,000)	-	(150,000)	150,000	-
New loans	13,761	(59)	-	13,702	-	13,702
Interest payment on loans	(1,635)	496	-	(1,139)	-	(1,139)
Repayment of loans and other net changes in sources of finance	(5,227)	48,952	(1,716)	42,009	-	42,009
<b>Cash flow generated (absorbed) by changes in net equity and by financing activities (E)</b>	<b>(25,198)</b>	<b>(100,039)</b>	<b>1,771</b>	<b>(123,466)</b>	<b>150,000</b>	<b>26,534</b>
<b>Cash flow for the period (A+B+C+D+E)</b>	<b>6,481</b>	<b>(102,376)</b>	<b>9,987</b>	<b>(85,908)</b>	<b>148,889</b>	<b>62,981</b>
<b>Opening cash and cash equivalents</b>	<b>193,515</b>	<b>(13,271)</b>	<b>68,511</b>	<b>248,755</b>	<b>(150,000)</b>	<b>98,755</b>
Increase (decrease) in cash and cash equivalents (A+B+C+D+E)	6,481	(102,376)	9,987	(85,908)	148,889	62,981
Pro-forma adjustments not affecting the closing cash and cash equivalents	-	-	-	-	1,111	1,111
<b>Closing cash and cash equivalents</b>	<b>199,996</b>	<b>(115,647)</b>	<b>78,498</b>	<b>162,847</b>	<b>-</b>	<b>162,847</b>
<b>Opening cash/ (net debt)</b>	<b>(4,709)</b>	<b>126,674</b>	<b>86,545</b>	<b>208,510</b>	<b>(150,000)</b>	<b>58,510</b>
Cash flow for the period in terms of net financial position	(7,432)	(183,407)	40,151	(150,688)	148,889	(1,799)
Pro-forma adjustments not affecting the closing cash/ (net debt)	-	-	-	-	1,111	1,111
<b>Closing cash/ (net debt)</b>	<b>(12,141)</b>	<b>(56,733)</b>	<b>126,696</b>	<b>57,822</b>	<b>-</b>	<b>57,822</b>

#### **4.3.5 De'Longhi Group Post Demerger – Explanatory Notes to the pro forma Consolidated Financial Statements as of and for the six months ended 30 June 2011**

The accounting principles and evaluation criteria used in the preparation of the pro forma consolidated information are the same as those applied to the De'Longhi Group Consolidated Condensed Half-Year Statements as of and for the six months ended 30 June 2011 and the De'Longhi Group Consolidated Financial Statements as of and for the year ended 31 December 2010, to which reference is made.

In particular, as the Demerger is considered a transaction of 'business combination involving entities or businesses under common control' and, as such, it is outside the scope of application of IFRS 3 and IFRIC 17. Accordingly, assets and liabilities of De'Longhi Group Post-Demerger are stated in the Pro Forma Consolidated Financial Information at the carrying amount reported in the consolidated condensed half-year statements.

The Demerger involves entities already included in the scope of consolidation of the De'Longhi Group at 30 June 2011. As such, there is no change between the scope of consolidation applied for the De'Longhi Group Consolidated Condensed Half-Year Statements at 30 June 2011 and the sum of the scopes of consolidation of the Demerging Company and the Beneficiary Company considered for the preparation of the Pro Forma Consolidated Financial Information of the De'Longhi Group Post Demerger.

In particular, the scope of consolidation of the Demerging Company is equivalent to the aggregate of the scopes of consolidation of the Corporate and Household segments reported for the purposes of providing information by operating segment in the consolidated condensed half-year statements as of and for the six months ended 30 June 2011. Therefore, the financial information of De'Longhi Group Post-Demerger before pro-forma adjustments, shown in the '*Total Post Demerger (D)*' columns correspond to the sum of the data of the Household and Corporate Divisions, net of the elisions of the related intercompany relationships, already highlighted in *Note 37. Information by operating sector* in the notes to the Consolidated Condensed Half-Year Statements as of and for the six months ended 30 June 2011.

#### **● Principal assumptions used in preparation of the Pro Forma Consolidated Financial Statements**

Pursuant to the Demerger, De'Longhi S.p.A. will grant a portion of its assets to the Beneficiary Company De'Longhi Clima S.p.A., represented in particular by the 100% interest held in De'Longhi Professional.

Against this asset transfer, the Beneficiary Company will grant, without any consideration, to each De'Longhi S.p.A. shareholder an equal number of its own newly issued shares as they already hold in the Demerging Company.

De'Longhi Clima S.p.A. requested the authorities and competent bodies the admission to listing of its shares on the MTA; said admission to the listing is a prerequisite and essential condition for the Demerger. In addition to the applicable provisions of the Italian Civil Code, execution of the Deed of Demerger is therefore conditional upon obtaining the Borsa Italiana



and Consob approval. In this regard, (i) on 19 December 2011 Borsa Italiana authorized the admission for all shares of the Beneficiary Company to listing on the MTA; (i) on 22 December 2011 Consob issued its decision that the Information Document was equivalent to a listing prospectus pursuant to Article 57 (1.d) of the Issuers' Regulation.

The reference date adopted in the preparation of the Pro Forma Consolidated Financial Statements of the De'Longhi Group Post Demerger for the simulation of the effects of deconsolidation arising from the Demerger does not therefore correspond to the actual financial year the Demerger will be completed in. At this date the Consolidated Financial Statements of the De'Longhi Group Post Demerger and of the De'Longhi Clima Group will be prepared (presumably in 2012).

As previously indicated in Section 2.2 of this Information Document, it is specified that the book value in the parent company of the asset to be transferred will remain unchanged, since any variations due to the corporate dynamics that may occur by the effective date of the Demerger, will not entail any cash adjustments and the asset transferred will remain either a credit or a debt respectively.

To determine retrospectively the effects of the Demerger the following base assumptions have been adopted, also taking into account the indications contained in the Consob Communication DEM/1052803 of 5 July 2001:

- the pro forma consolidated financial statements and information have been prepared based on the Consolidated Financial Condensed Half-Year Statement of the De'Longhi Group as of and for the six months ended 30 June 2011 and integrated with the appropriate pro forma adjustments representing the effects of the Demerger and the preliminary corporate transactions;
- the pro forma adjustments have been calculated according to the general rule under which the transactions involving assets and liabilities are assumed to have taken place at the reference date of the Demerger, while, with reference to the income statements and statement of cash flows, the transactions are assumed to have taken place at the start of the period such information refers to. Therefore, the effects of transactions carried out and expected after 30 June 2011 have not been considered, in observance of the rules for preparing pro forma data provided by the aforementioned Consob Communication DEM/1052803 of 5 July 2001.

- **Components of profit and loss, assets and liabilities and cash flow transferred to the De'Longhi Clima Group**

The column contains the effects on the consolidated data of the partial and proportional Demerger of De'Longhi S.p.A. to the Beneficiary Company on the consolidated data, through the granting by De'Longhi S.p.A. of a portion of its assets and liabilities, represented by the activities concerning the production and sales of machinery for air conditioning systems and ICT industrial process chillers and radiators (under the Professional Division).

- **Reinstatement of intercompany items**

The column includes the reallocation of amounts related to assets and liabilities, in addition to components of income statement and cash flows, attributable to transactions carried out between companies of the group controlled by the Demerging Company and the companies in the group controlled by the Beneficiary Company, given that subsequent to the Demerger such transactions no longer qualify as intercompany transactions and, therefore, should not be eliminated.

In particular, these relationships are mainly arisen from the followings:

- a. revenues/receivables for the supply of administrative, ICT, corporate, tax and HR management services by the companies of the De'Longhi Group, which will remain within the De'Longhi Group Post Demerger, to the companies that will come under the De'Longhi Clima Group;
- b. revenues/receivables for the transfer by companies in the Household Division of finished products for fixed air conditioning systems and semi-processed products for heating;
- c. costs/payables for the purchase by some commercial subsidiaries of products for air conditioning and heating from Climaveneta S.p.A. and DL Radiators S.p.A. respectively;
- d. financial income/receivables mainly related to interests receivable on cash pooling balances and recharges for centralized management of financial services and treasury services and derivative operations hedging exchange rate risk;
- e. intragroup balances (receivable/payable) related to the group's cash pooling agreement by De'Longhi Capital Services S.r.l. to Climaveneta S.p.A., DL Radiators S.p.A. and RC Group S.p.A.;
- f. receivables/payables for the group's domestic tax consolidation and payment of VAT;
- g. cash and cash equivalents deposited in relation to the group's cash pooling agreement;
- h. receivables and payables from derivatives stipulated by De'Longhi Capital Services S.r.l. with companies that will be part of the De'Longhi Clima Group.

For additional details on figures of transactions between De'Longhi Group Post Demerger and De'Longhi Clima Group, see paragraph 6.6 of the Information Document.

- **Pro-forma adjustments**

The column contains the pro forma adjustments applied to the aggregate post Demerger figures of the De'Longhi Group Post Demerger, to reflect the effects of significant transactions related to the Demerger, as described below.

### Recapitalization of De'Longhi Professional

On 30 June 2011 De'Longhi S.p.A. resolved and paid a capital contribution of Euro 150 million to the subsidiary De'Longhi Professional, to re-balance the financial position of the two divisions and to eliminate the financial relationships existing between the two divisions, decreasing the negative financial position of the Professional Division. Following the contribution, De'Longhi Professional and its subsidiaries will discharge infragroup financial debts within the group cash pooling.

This is a preliminary operation which is strictly functional to the Demerger; the effects of the recapitalization have been reflected in the pro forma adjustments to the data in the Income Statement and the Statement of Cash Flows, as if the transaction occurred at the beginning of the financial year 2011.

Regarding the income statement and statement of cash flows, assuming that such operation took place on 1 January 2011, the related pro forma adjustment retroactively reflects greater interest expenses for the De'Longhi Group Post Demerger for Euro 1,111 thousand for the first Half-year of 2011 (determined according to an average annual rate 1.48%, in line with the average rate recognised in the period on the De'Longhi Group's cash pooling balances). Furthermore, in the statement of cash flow only, the pro forma adjustment offsets the effect of the capital contribution on the cash flows of the period.

However, no pro forma adjustments have been reported for the assets and liabilities, since the recapitalization took place before the closing of the half year period.

### Employee benefits

During 2008, De'Longhi S.p.A.'s general meeting approved a Phantom Stock Option Plan which entitles beneficiaries to cash payments based on the growth of the company's ordinary share price.

For this plan De'Longhi S.p.A. prepared the Information Document, in accordance with Article 84-*bis* of the Issuers' Regulation, prepared in accordance with Annex 3A, Schedule 7 of the Issuers' Regulation, filed with Borsa Italiana and published on the Demerging Company's internet site.

The cost of such instruments and the related liabilities are shown in the appropriate De'Longhi S.p.A. Consolidated Financial Statements, throughout the maturation period, recalculating the fair value of the options for each balance sheet date.

At 30 June 2011 the total number of exercisable options is equal to 500,000 and the relevant half-year cost for the adoption of this plan is equal to Euro 1,808 thousand. Since with regard to the Plan a portion of the options (200,000 in number) is under the Professional Division, with the chief executive officer of Climaveneta S.p.A. (a company which is included under the activity subject of the Demerger) as beneficiary, a pro forma adjustment, reflecting the reduction of payroll costs and employee benefits correlated to such quota, was made to the De'Longhi Group Post Demerger data in the Income Statement for Euro 723 thousand and in the statement of financial position for Euro 1,479 thousand.

Additionally it must be remembered that on the date of the Information Document the only two beneficiaries have communicated to the Demerging Company that they will take up all the Phantom Stock Options within the effective date of the Demerger.

#### Income taxes

The tax effects of the above pro forma adjustments have been calculated, where applicable, using the theoretical tax rates applicable at 30 June 2011.

For the purposes of the Pro Forma Consolidated Financial Statements of the De'Longhi Group Post Demerger, the Italian subsidiaries to be transferred to the group headed by the Beneficiary Company have been removed from the De'Longhi Group's domestic tax consolidation (with effect from 1 January 2011), and a new theoretical domestic tax consolidation has been established with the Beneficiary Company as the parent. Based on current circumstances, it is expected that, the recoverable amount of deferred tax assets, net of deferred tax liabilities resulting after the relevant amounts are allocated to the De'Longhi Clima Group, will remain unchanged as a result of the Demerger and in the event of a new domestic tax consolidation.

#### Other effects arising from the Demerger

- The pro forma adjustments do not include Demerger-related expenses as these are not recurrent and not yet completely defined.
- Possible benefits deriving from the reduction of the Demerging Company's activity at corporate level have not been subjected to pro forma adjustments, since they are not yet quantifiable and in any case are not considered material.
- All transfers of goods and services between De'Longhi Group companies are already subject to contractual agreements stipulated at standard market conditions. Therefore the Demerger is not expected to produce any significant effects attributable to changes in the conduct and settlement of transactions between Group companies and, consequently, no such effects are reflected in the pro forma adjustments.

#### 4.4 PRO FORMA CONSOLIDATED PER SHARE DATA AT 30 JUNE 2011

##### 4.4.1 Historical and pro forma data per share in the Demerging Company and the Group and the Group of which it is parent

The historic data of the De'Longhi Group as of and for the six months ended 30 June 2011 and the pro forma data per share of the De'Longhi Group Post Demerger at 30 June 2011 are shown below.

It must be remembered that at 30 June 2011 De'Longhi S.p.A.'s share capital, fully paid-in, is represented by no. 149,500,000 ordinary shares and the company does not possess its own shares in its portfolio.

	<b><u>Consolidated historical data</u></b> (Consolidated financial statement of the De'Longhi Group at 30 June 2011)	<b><u>Pro forma data for the Demerging Company</u></b> (Pro forma data for Post Demerger De'Longhi Group at 30 June 2011)
Ordinary shares issued at year end	149,500,000	149,500,000
Weighted average of the ordinary shares outstanding for the period	149,500,000	149,500,000
<b>Per share data (in Euro)</b>		
Net earnings per share	€ 0.23	€ 0.20
Net equity per share	€ 5.03	€ 3.20
Cash flow per share (in terms of cash and cash equivalents)	€ 0.04	€ 0.42
Cash flow per share - in terms of cash/(net debt)	- € 0.05	- € 0.01

##### 4.4.2 Comment on significant differences between pro forma and historical per share data

###### • Net earnings per share

This per share indicator is calculated based on the net result for parent company shareholders. The exclusion of the net result of the Group subject to Demerger and the effects of the pro forma adjustments described above have resulted in a pro forma net result per share for the Demerging Company which is substantially in line with the historic consolidated data.

###### ● Net equity per share

This per share indicator is calculated based on the ratio between net equity and the number of shares.

The pro forma per share figure for the Demerging Company is lower than the historic consolidated data due to the allocation of a portion of net equity to the group belonging to the Beneficiary Company and due to the pro forma adjustments already described above.

• **Cash flow per share**

This per share indicator is calculated based on the ratio between the cash flow for the financial period, both in terms of cash and cash equivalents as well as cash/(net debt), and the number of shares.

**4.5 REPORT BY THE INDEPENDENT AUDITORS ON THE PRO FORMA FINANCIAL INFORMATION**

**4.5.1 Report by the Independent Auditors on the pro forma consolidated financial information as of and for the year ended 31 December 2010**

The report by the independent auditors on the Pro forma Consolidated Financial Information of De'Longhi Group Post Demerger (income statement, statements of comprehensive income, financial position and cash flows) as of and for the year ended 31 December 2010 is attached to this Information Document.

As already mentioned on paragraph 4.1, the Pro forma Consolidated Financial Information of the De'Longhi Group Post Demerger at 31 December 2010 (together with explanatory notes) is the same as presented in the Information Document of De'Longhi, which was published on 26 September 2011; the auditors' report on this financial information was issued on 23 September 2011 and annexed in the Information Document of De'Longhi.

**4.5.2 Report by the Independent Auditors on the pro forma consolidated financial information as of and for the six months ended 30 June 2011**

The report by the independent auditors on the Pro forma Consolidated Financial Information of De'Longhi Group Post Demerger (income statements, statements of comprehensive income, financial position and cash flows) as of and for the six months ended 30 June 2011 is attached to this Information Document.

As already mentioned on paragraph 4.3, the Pro forma Consolidated Financial Information of the De'Longhi Group Post Demerger at 30 June 2011 (together with explanatory notes) is the same as presented in the Information Document of De'Longhi, which was published on 26 September 2011; the auditors' report on this financial information was issued on 23 September 2011 and annexed in the Information Document of De'Longhi.

## **CHAPTER V - DESCRIPTION OF THE BENEFICIARY COMPANY**

### **5.1 DESCRIPTION OF THE ACTIVITIES OF THE BENEFICIARY COMPANY**

The Beneficiary Company shall, with regard to the data contained in this section of the Information Document, incorporate information in the prospectus by reference to the De'Longhi Group's Interim Management Statements at 30 September 2011 (the Interim Management Statement"), in accordance with Article 11 of the Prospective Directive and Article 28 of the Regulation 809/2004.

This document has been published and filed with Consob and can be viewed by the public on the Demerging Company's website ([www.delonghi.com](http://www.delonghi.com)) and that of Borsa Italiana ([www.borsaitaliana.it](http://www.borsaitaliana.it)), as well as at the offices of the Demerging Company.

To assist consultation of the Interim Management Statements at 30 September referred to in the Information Document, a table indicating the pages of the main sections of these documents, as published on the website of the demerged company ([www.delonghi.com](http://www.delonghi.com)) is included below:

<b>Interim management statement at 30 September 2011</b>	
<i>Key performance indicators</i>	2
<i>Consolidated income statement</i>	5
<i>Consolidated statement of comprehensive income</i>	5
<i>Consolidated statement of financial position</i>	6
<i>Consolidated statement of cash flows</i>	7
<i>Consolidated statement of changes in net equity</i>	8
<i>Explanatory notes</i>	9

Pursuant to the Demerger, on 1 January 2012, the Beneficiary Company will receive De'Longhi S.p.A.'s 100% interest in DL Professional.

It will therefore have the role of parent company of the De'Longhi Clima Group, whose activity is concentrated in the manufacture and sale of machinery for climate control systems and refrigeration and radiators.

Paragraph 5.1.1 provides a list of the principal subsidiaries of De'Longhi Clima Group.

The following is a description of the Group's activities in this sector.

De'Longhi Clima Group's pro forma net revenues in 2010 were Euro 352.6 million, and are split among the following segments:

(amounts in million of Euro)	Pro forma data for De'Longhi Clima Group at 31 December 2010	% on pro forma net revenues of De'Longhi Clima Group at 31 December 2010
Machines for climate control and refrigeration	251.7	71
Radiators	101.5	29
Transactions between business lines	(0.6)	0
<b>Pro forma net revenues at 31 December 2010</b>	<b>352.6</b>	<b>100</b>

For the presentation of further pro forma financial information concerning the De'Longhi Clima Group see Chapter VI of this Information Document below.

The De'Longhi Group entered the market of machinery for heating, air conditioning and refrigeration with the purchase, in 2000, of Climaveneta and DL Radiators by the Group's shareholder.

Subsequently, the Professional Division continued to grow internally, through the innovation and progressive extension of the range of products and also through the acquisition of other companies operating in the core markets.

In 2004 the air handling centres were born for the "Wizard" series and the range of chillers was extended. The year later, the "Idrorelax" hydronic system was designed and the range of heat pumps was extended. In the following years new product lines were launched including: TECS (liquid chillers fitted with high efficiency magnetic centrifugal compressors), PRANA (new generation heat pumps for small and medium sized applications), I.FOCS (chillers with complete inverter management). Growth continued making the Professional Division a leader at European level in the market for chillers and heat pumps.

In 2006 the De'Longhi Group invested yet further in the Professional Division through the purchase of RC Group S.p.A., which brought highly specialized and market-recognized know-how in high precision air conditioning for data centres and technological environments.

Today the companies under the Professional Division represent a reality recognized at European level which bases its own identity on the development of innovative solutions that better meet client requirements, through distinctive technological know-how, a high level of service and a strong entrepreneurial ethic. The good results which, despite the crisis which has affected the sector, have been achieved during 2010 and in the first nine months of 2011, prove the solid position attained by the companies of the Professional Division, which continue to invest to support future growth, also in emerging markets (China and India) through joint ventures with local partners for the production and sales of their products.



## **A) Products and Brands**

The range of products under the Professional Division cover:

- the principal segments of centralized air conditioning systems (chillers and heat pumps, air handling units and terminals);
- the packaged air conditioning systems dedicated chiefly to commercial or industrial use (rooftop air conditioning units), for average commercial areas (horizontal and vertical) and for ICT (autonomous thermo-cooling systems with high precision control);
- radiators for centralized systems (plate and tubular radiators as well as bathroom radiators), electrical radiators (for fixed installation).

Below is a description of the aforementioned products arranged by type.

### **CENTRALIZED AIR CONDITIONING SYSTEMS**

#### **● Chillers and heat pumps**

Chillers and heat pumps are historic products of the Professional Division and today they still constitute a key segment. Both are based on the concept of the movement of heat from one room to another: heat is taken from the room to be cooled (summer climatization) or heat is provided in the room to be heated (winter climatization). The external environment receives heat from the area being cooled in the summer and it releases heat to the area to be heated in the winter. The whole system includes, in addition to chillers or heat pumps, terminal units stationed inside the areas to be climatized and air handling units. For heat exchange with the outside, the air in the atmosphere or underground, river, lake or sea water can be used.

Chillers are also utilized in temperature control in industrial processes, where also heat pumps are starting to be employed for those processes that require the supply of heat.

The Professional Division offers, through the brands Climaveneta and RC Group, chillers (from 5 KW to 2.4 MW) and air and water heat pumps (from 5 KW to 900 KW) and chillers with remote condensation.

#### **● Air Handling Units**

Air Handling Units (AHU) are the machines that work on filtering, ventilating, temperature renewal and control and air humidity. They are employed to guarantee comfort and hygienic conditions (filtering and renewal) in residential, commercial services and hospital buildings as well as industrial buildings where the control of the ambient conditions in which the process takes place is important or critical. AHUs are powered by chillers and heat pumps which provide the energy required to heat or cool the air in order to introduce it in the rooms at the correct temperature.

The Wizard range of AHUs under the Climaveneta brand include large capacity units (115,000 m<sup>3</sup>/h).

- Terminal units

These are terminal units for a centralized hydronic air climatization system (air conditioning and heating) and they are stationed in the different areas to be climatized. The range of terminal units under the Climaveneta and RC Group brands include fan coils, ceiling mounted terminals ("cassette type"), canalized hydronic terminals.

### **PACKAGED AIR CONDITIONING SYSTEMS**

- Rooftop

As indicated by the name, these are systems conceived for positioning on the roofs of the buildings to be climatized. These are monoblock air conditioning units which, in addition to transferring thermal energy from the source outside the premises to be climatized, also perform the function of air handling and ventilation (for this reason they are called "packaged"). The rooftop systems are utilized chiefly for the climatization of large areas (supermarkets, shopping centres, industrial complexes, etc), but also specific versions are used for premises with varied crowd levels and highly variable thermal loads (multiscreen cinemas etc).

The Professional Division offers a complete range of rooftop systems with the Climaveneta and RC Group brands: just cold units, reversible units and heat recovery units.

- Close Control or High Precision Air Conditioning (HPAC)

These are specialized units for controlling temperature and humidity in a particularly precise manner in data centres and premises with telecommunication equipment - including mobile - (ICT sector), where a high degree of reliability is required as well as careful attention to energy consumption.

RC Group and Climaveneta have broad ranges for this sector in which specific hydronic systems, which use high precision terminals and specific chillers (free cooling technology), also find application.

### **RADIATORS**

Radiators are the classic terminal devices for heating systems which use the hot liquid (water) which circulates within them, heated by a boiler or other heat pump, to heat the environment requiring heating.

The Professional Division covers the radiator sector with the brands De'Longhi Radiators, Radel and Sile. The range includes various types of radiators and is composed of plate (also linear design), lamellar, multi column or tubular radiators, bathroom radiators or heated towel rails (both braze-welded and the more sophisticated projection welded).

In addition to the classic water-filled radiators for autonomous and central heating systems, the range also includes steel and aluminium electrical radiators. The latter are distributed chiefly through the DIY channel, considering the easy installation that characterizes them.

To complete the product ranges described, the Professional Division offers maintenance and after-sales services, including spare parts.

## **B) Characteristics and dynamics of core markets**

The size of the HVAC market (“Heating, Ventilation and Air Conditioning”) in 2010 was equal to approximately Euro 16 billion. The air conditioning segment represents a significant portion of the HVAC market recording approximately Euro 13 billion<sup>1</sup> in 2010; the remaining part is represented by the radiator sector, for approximately Euro 3 billion (Europe)<sup>2</sup>. The air conditioning segment is expected to increase in the period 2010-2013 at an average annual rate of approximately 8.6%, reaching approximately Euro 17 billion in 2013. In particular, it is expected that it will be the emerging countries (India, China and Russia) that spur market growth with a CAGR 2010-2013 estimated at 13.6%. European countries will also contribute to development, though with a lower average growth in the same period that that for emerging countries and is expected to be 3.3%. The radiator segment in Europe is expected to drop by 1%. (Data and market estimates by BSRIA and BRG Consult).

Demand for air climatization machinery is linked partly to the realization of new buildings and partly to the market of substituting already installed systems. Indeed, these machines are subject to wear and tear. Regulations and the existence of incentives for the adoption of energy-saving systems can have a significant impact on accelerating substitution, particularly with regard to boilers with heat pumps.

The 2010 season saw the progressive recovery of the sector after the drastic contraction which occurred in 2008 and 2009 at international level, spurred by the weak picking up of the construction sector and with a greater predisposition to spend on comfort and invest in systems that are energy efficient.

The various geographical markets have very variable weights of the different product segments, and the weight of sales for substitution is also variable compared to that of the sales of new equipment. China has become the most important market for centralized air conditioning systems (approximately 19% of the world market in terms of value), while in Europe the most important countries are Germany, Italy and France (with estimated weights between 3% and 6%), the United Kingdom and Spain (source: BRG Consulting - BSRIA). Chillers, AHUs and terminal units, have already shown a recovery between 2009 and 2010, and consolidation is expected in 2011 and future years (source: BSRIA). Greater

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<sup>1</sup> Geographical areas included: Italy, France, Germany, United Kingdom, Spain, Portugal, Russia, China, India and rest of the world. For close control systems of the conditioning market, data of rest of the world area is not available.

<sup>2</sup> Geographical areas included: Italy, France, Germany, United Kingdom, Spain, Portugal, Russia and Greece.

development is expected in Russia and in new markets such as the Ukraine. Significant growth is expected also in India; however it currently does not have significant weight on the world market in terms of absolute value.

With regard to the competitive position of the Beneficiary Company, it must be noted that:

- in the Air Conditioning segment the De'Longhi Clima Group, though having attained international standing and significant presence on the Chinese market, certainly has a stronger competitive position in Europe (in particular in Italy, Spain, Germany, UK and France). De'Longhi Clima Group's main competitors in this segment at European level are: Carrier, Daikin McQuay, Trane, JCI-York, Lennox, Aermec, Clivet and Ciat Group. Of these Trane, Carrier and Daikin McQuay have highly recognised trademarks and a strong competitive position. Compared to these companies, the De'Longhi Clima Group certainly is competitive in terms of the quality of its products, levels of service and prices in the segments it operates in.
- in the radiator segment the De'Longhi Clima Group is particularly strong in Italy, France, UK and Spain. In these markets, and in Europe in general, the competitors are Zehnder, AFG (Arbonia Foster Group), Rettig, Stelrad (ISG Group), Vaessen Industries, IRSAP and Fondital. The first two (Zehnder and AFG) have a particularly strong competitive position in terms of products, brands, service and business relations. With regard to these competitors, the De'Longhi Clima Group offers the same quality products at competitive prices.

Heat pumps are finding increasing applications in the residential sector as an alternative to boilers, since (i) they have lower running costs; (ii) are classified by the EU as devices using renewable sources, and (iii) contribute to reducing CO<sub>2</sub> emissions and energy consumption. Contributing to the EU's so-called "20 20 20 Objective" for environmental sustainability (which envisages all EU countries meeting at least 20% of their energy needs from renewable sources by 2020); heat pumps have been and will continue to be the subject of incentives in different countries. France is the most important market together with Scandinavia, Switzerland and Germany. In this segment the most important competitors are also NIBE and Mitsubishi.

A more modest but constant growth is expected for rooftop systems therefore, among the countries served by the companies of the De'Longhi Group under the Professional Division, Italy remains the main market outlet, but with penetration levels that are still a long way from those of the United States.

The same is true for high precision control air conditioning units; the evolution for these machines is strongly linked to the development of internet and telecommunications and therefore India and China are the markets of significant size and with greater prospects for growth.

In Packaged Air Conditioning systems the most important players the Group competes with are those for centralized air conditioning systems, in addition to several specialized players such as Emerson, Uniflair and Stulz (companies focused on "close control"), ETT and Thereco (a company focused on rooftop systems, a segment in which AAON is an important player also in the United States).

The radiator market has very different characteristics between the various European countries: the aluminium radiators have important weight in Italy, Russia and Spain, while in Germany, the UK, Poland and Turkey steel radiators are prevalent; cast iron radiators hold a decreasing market share with important shares only in Russia (approximately 25% of the market). A strong growth can be seen, however, in bathroom radiators and steel tubular radiators (both strategic products for the Group that has invested a lot in technology and the development of innovative products and processes).

France is characterized by the strong penetration of electrical radiators (which represent around 60% of the market) also for the lower cost of electricity.

The radiator market experienced continuous growth between 2000 and 2007 in all European markets. Between 2007 and 2008 the growth trend for this market suffered a contraction and then a considerable reduction in the following two-year period as a consequence of the economic crisis. Growth is expected to recover only from 2013/2014, while market projections (BRG Consulting) show substantial stagnation for 2011 and 2012.

### Market trends

A fundamental role in the gradual picking up after the contraction which occurred in 2009 was played by sales of products for use as replacements, with recovery in the sector of new builds still weak. For the next years it is expected that different projects whose realization has been postponed or slowed down will be completed, with a gradual recovery of sales of machines for air conditioning destined for new buildings.

The evolution of products, both air conditioning as well as heating, can be influenced significantly by regulations and the presence of incentives (for example on boilers and heat pumps) but regulatory trends are well-known and no strong irregularities are expected. The evolution towards increased efficiency imposed by European regulations, though on the one hand can partly reduce the need for air conditioning, on the other, as demonstrated historically, it drives the substitution of existing and obsolete systems as well as the adoption of machines with greater efficiency (with a higher price) in new buildings. Among the main regulations with potential impact on the sector at Italian and European level the following must be mentioned:

- the regulation on F-gases concerning the use of refrigerating gases based on their impact on the atmosphere (ozone and greenhouse effect);
- the regulation of the maximum acceptable consumption requirements and energy labelling of buildings, to "almost zero energy buildings";
- the regulation concerning Ecodesign requirements for products that use energy;
- the regulation on the limitation in the use of dangerous substances in the construction of equipment and on the accumulation, recycling and recovery of electrical and electronic appliances;

- The *20 20 20 Objective*: the commitment of every single State in the European Union to reduce CO<sub>2</sub> emissions by 20%, reduce primary energy consumption by 20%, and reach 20% of total energy consumption being produced by renewable energy by 2020.

The scenario described will lead to the development chiefly of centralized air conditioning systems, at higher rates in developing economies such as Russia, India and China. For packaged systems, the expected scenario is stable in Europe, with moderate growth in China and India driven chiefly by close control and precision control systems applied to the telecommunication sector.

Therefore the first critical success factor in the air conditioning segment will principally be quality, in terms of product performance, which must however be supported by a widespread coverage of the markets both in terms of distribution as well as assistance. Price competitiveness has definitely gained importance during the crisis but remains a secondary purchasing factor.

In the market context described, the De'Longhi Clima Group enjoys a solid competitive position owing to its different strengths and in particular:

- broad range, high quality, historic brands and ability to customize products;
- direct presence in principal markets, careful selection of distributors in other countries and local partnerships in China and India;
- high degree of R&D expertise, high production efficiency and a broad and well-qualified supplier base;

With this positioning, the objectives the Group intends to achieve are the further strengthening of its position in Europe, development of its position in China and India and improvement of corporate profitability.

The key success factor of the radiator business is the ability to counteract the pressure on prices, and this is thanks to the capacity to approach the market and positioning in the market segment with the higher value added ("premium positioning").

The radiators business is also characterized by some critical factors such as: *(i)* barriers to entry (times and cost of transport and the needs of commercial position favouring localized players); *(ii)* competition (mature market with numerous players - both global and local - and with pressure on the prices of the more simple products); *(iii)* substitute products and evolution of products (limited threats deriving from substitute products, evolution of products influenced by regulatory changes and incentives); *(iv)* clients and distribution (long distribution channel with repeat clients and more frequent orders from catalogue, with the mass distribution segment served directly and a cyclical demand for quantities linked to new installations which depend on the performance of the real estate property market).

Demand for radiators (which has contracted since 2007) will, in the next few years, remain stable with new segments such as bathroom radiators and design radiators that will compensate for the continued, though slow, reduction in the electrical aluminium market. For steel 'plate' and 'multi column' radiators (core products for the De'Longhi Clima Group),

the market demand are expected to remain stable. However, the strong price pressure will continue especially from low cost countries (e.g. Turkey), that European players will be able to counter by continued attention to quality and leveraging on brand image.

### **C) Production, distribution and logistics**

The Professional Division sells internally designed products which are manufactured in its own plants, with limited marketing of complementary products.

This Division has 11 production plants located in Italy, China and Spain. The Chinese and Spanish plants serve the local and neighbouring markets to optimise logistics and customer service (while production for the remaining markets takes place in the Italian plants).

The production sites are specialized by product line, also in order to optimise their productive efficiency.

In the plants dedicated to chillers and heat pumps, AHUs, packaged systems and terminals, production is carried out of some specific key components as well as the assembly and inspection of the final products. Climaveneta and RC Group have their own excellently equipped laboratories for chillers, heat pumps, packaged systems and terminals, where they can also test high-powered machines by simulating different environmental conditions and use.

For steel radiators, production starts from the raw material (coils or tubes, depending on the type) which is cut, moulded and welded to arrive at the finished product including the full inspection, including testing, painting, assembly and packaging. Aluminium electrical radiators are assembled, inspected, finished and packaged, using supplies of aluminium cast elements from specialized producers.

The production sites are situated in Italy (eight), Spain (one) and China (two) and are listed below along with the organizational data as of 30 September 2011.

- *PIEVE D'ALPAGO (BL) – Climaveneta*: own plant, ISO 14001 certification with a production area equal to 25,000 sq m; it is dedicated to the production of chillers from 200 to 1,700 KW, chillers with free-cooling up to 1,250 KW, air and water heat pumps up to 2,400 KW, reversible and multipurpose units, rooftop tube evaporators up to 500 KW and has a staff of 208 employees;
- *BASSANO DEL GRAPPA (VI) – Climaveneta*: own plant, ISO 14001 certification with a production area equal to 12,500 sq m; it is dedicated to the production of chillers, chillers with free-cooling and medium power reversible units and has a staff of 236 employees;
- *MIGNAGOLA (TV) – Climaveneta*: rented plant, ISO 14001 certification with a production area and warehouse for a total of 10,000 sq m; it is dedicated to the production of chillers and heat pumps up to 150 KW, terminal units, close control units and units for mobile telephones and it has a staff of 122 employees;

- PIEVE D'ALPAGO (BL) – Climaveneta: own plant, ISO 14001 certification with a production area equal to 7,000 sq m; it is dedicated to the production of air handling units and training centre and it has a staff of 9 employees;
- VALLE SALIMBENE (PV) – RC Group: own plant, with a production area equal to 11,100 sq m; it is dedicated to the production of chillers and heat pumps and has a staff of 139 employees;
- SHANGHAI (CHINA) – Climaveneta: leasehold plant with a production area equal to 15,000 sq m; it is dedicated to the production of chillers and air heat pumps (40-1,700 KW) and water heat pumps (10-3,070 KW) as well as tube evaporators and has a staff of 226 employees (considered at 50%);
- ZECCONE (PV) – RC Group: own plant, with a production area equal to 4,500 sq m; it is dedicated to the production of high precision air cooling systems for ICT and has a staff of 61 employees;
- FOSHAN (CHINA) – RC Group: rented plant with a production area equal to 3,000 sq m; it is dedicated to the production of machines for air conditioning units for the Far East and has a staff of 26 employees;
- PARETS DEL VALLES, BARCELONA (ESP) – Climaveneta: own plant, with a production area equal to 2,500 sq m; it is dedicated to the production of rooftop and horizontal and vertical packaged cooling systems and has a staff of 37 employees;
- FOSSALTA DI PIAVE (VE) – DL Radiators: own plant, with a production area equal to 11,700 sq m; it is dedicated to the production of water-filled and electrical bathroom radiators and has a staff of 137 employees;
- MOIMACCO (UD) – DL Radiators: own plant, ISO 14001 certification with a production area equal to 65,000 sq m; it is dedicated to the production and warehousing of stainless steel plate, multi column, lamellar and electrical aluminium radiators and has a staff of 363 employees.

At 30 September 2011 Professional division had an average of 1,851 employees, while the average number of temporary employees employed in the same activities in the first nine months of 2011 amounted to 31.

The main companies in the Group, which following the Demerger will become part of the De'Longhi Clima Group have ISO 9001 certification and also numerous other certifications, standards and quality certificates for their products, valid in Europe and China as well as in other countries (such as, for example, Australia).

The distribution of machinery for air climatization by the Group companies operating under the Professional Division took place mainly through the sale to order to installers (the so-called 'short channel') and, to a limited extent, through thermotechnical wholesalers (the so-called 'long channel'). Assistance activities also include maintenance agreements including remote control activities.



For radiators, distribution occurs chiefly through the sale to thermotechnical wholesalers and, to a limited extent, to several products and markets through the DIY channel.

The sales of the Professional Division's products cover an important aspect: promotion with engineering firms, users, property developers, general and main contractors.

In Italy, distribution of the Professional Division's products is managed via a network of agents and direct sellers. The agents are multi-representatives but they have guaranteed exclusivity on products offered by the group and they are paid with commission calculated mainly on the amounts received. The distributors have guaranteed exclusivity on the products offered by the group.

In important countries such as France, Germany, Spain, Poland and, after 2011, the United Kingdom, offices are in operation which deal with all the activities aimed at marketing the products with installers and wholesalers (from promotion to sale) as well as the assistance for users. Marketing and client assistance in China and India are managed by companies in partnership with local operators: in China there are numerous sales and assistance offices (under joint ventures). At the beginning of 2011, an office was established in Bangalore, India originating from the partnership of Climaveneta with TFA (Indian company with experience in the distribution of refrigeration groups and service in the local market). Currently, there are already three offices in Indian Territory for sales and service, and the opening of other offices and a production plant is expected.

Where the Group does not have its own office, market protection is ensured by the Group companies operating in the Professional Division via local distributors and, in some cases, via agents, through which the Group manages to serve and assure assistance in over 100 countries in the world, distributed across 4 continents (Europe, Latin America, Africa and Asia). This structure allows the Group to serve clients from different sectors chiefly through medium and large-scale projects:

- the Group's machinery is used in residential buildings (e.g. the Montevetro residential development in London); airports (e.g. Lisbon airport); office buildings (e.g. The Willis Building in London); fairs (e.g. the Italian Pavilion at Expo Shanghai 2010); theatres (e.g. Real Teatro di San Carlo in Naples); hotels (e.g. The Vine Hotel in Madeira, Portugal); sports centres (e.g. Centro Vele et Vents in Valencia, Spain); shops (e.g. IKEA in Rimini, Italy); multiscreen cinemas (e.g. Cinestar in Como, Italy); hospitals and clinics (e.g. Rehab Center in Dubai); universities (e.g. The Stellenbosch in South Africa); museums (e.g. The Triennale in Milan).
- the Group companies operating in the Professional Division also serve, with segments of its own products for the residential business (electrical radiators in particular), several of the main DIY chains in Europe, such as Leroy Merlin.

#### **D) Product innovation**

Group companies that operate in the Professional Division perform research, development and engineering activities for their own products within their own organizations and have

always made innovation one of the fundamental values of their identity. For DL Professional innovation means above all developing products with a distinctive design and finding new solutions to reduce energy consumption and sound pollution, increasing reliability, in the continuous search to combine a better comfort to lower environmental impact with lower running costs. Some machines and systems developed by the Professional Division have marked the evolutionary progress of heating and air conditioning technology, also anticipating solutions which are very widespread today. Climaveneta has patented the technology aimed at increasing the energy efficiency of 'free cooling' chillers (which excludes the functioning of compressors when the outside air arrives at a useful temperature to freely cool the air). RC Group and Climaveneta have also been pioneers in the adoption of compressors with magnetic and oil free technology and in high efficiency multipurpose machines for 4-tube advanced centralized systems (the INTEGRA line in particular).

Another system patented by one of the companies which, following the Demerger, will be part of the De'Longhi Clima Group, is a defrosting system which, thanks to software, recognizes the presence of ice on the batteries in heat pump systems guaranteeing defrosting cycles limited to the true functioning conditions.

Group companies operating in the Professional Division have also adhered to the 'Eurovent' certification mark for groups of water chillers and heat pumps. Eurovent Certification is an internationally recognized independent company certifying performance, similar to the US AHRI, where member producers voluntarily submit their products which are tested by approved independent laboratories using tests pursuant to European and international rules.

At the Date of the Information Document there are no new product lines whose development has already been made public on the market.

#### **E) Important Agreements**

Illustrated below are the important agreements entered into by the main operating companies which, after the Effective Date of the Demerger will become part of the De'Longhi Clima Group (and, in particular, Climaveneta S.p.A, RC Group S.p.A. and DL Radiators S.p.A.) in the two years prior to the Date of this Information Document, outside the normal course of operations and certain other contracts which, although signed by the aforementioned companies before the two years preceding the Date of the Information Document, continue to be in force and are important for the same companies.

With regard to all the financial agreements illustrated below, it must be specified that these do not include covenants, except those agreed with the Banca Popolare di Verona e Novara by Climaveneta and DL Radiators and recently re-negotiated while requesting an extension to the original maturity date (for a description of which see the rest of this section).

## CLIMAVENETA S.P.A.

- *Financial Agreements*

### Financing Agreement with Banco Popolare di Verona e Novara

On 28 June 2005, Climaveneta concluded a floating rate unsecured loan contract with Banco Popolare di Verona e Novara S.c.r.l., aimed at meeting the financial goals connected to the business development plan.

This line of credit was granted for a maximum of Euro 105 million have original final maturity on 30 June 2013 (extended to 30 June 2015); on the Date of the Information Document Climaveneta's remaining debt to the lending bank, as reimbursement of the capital, totals Euro 26,250,000. The nominal annual interest rate applied to the loan is indexed to the Eurobor 3-month rate plus 0.8% spread. (owing to the extension above this spread has recently been increased to 3.5%).

The loan agreement provides, in particular, for Climaveneta's commitment for the entire duration of the loan: (a) to take all appropriate initiatives for the conservation of the company's assets; (b) to request and obtain the prior consent of the lending bank: (i) for the adoption of the decision concerning the establishment of assets allocated to a specific business pursuant to Article 2447 *bis* and following of the Italian Civil Code; (ii) for raising financing for a specific transaction pursuant to Article 2447 *decies* of the Italian Civil Code; and (iii) for the company's exit from the consolidation area of De'Longhi Group S.p.A.

With reference to point (b.iii) above, it is stated that on 16 September 2011, the lending bank communicated its irrevocable and unconditional consent to the conclusion of the Demerger, the efficacy of which will result in Climaveneta's exit from the consolidation area of the De'Longhi Group.

In the event of Climaveneta's non-observance of these undertakings, the lending bank is entitled to invoke the termination clause of the agreement. Should the lending bank exercise the option to terminate the agreement, it can declare that the company has forfeited the time limit, in which case the company must immediately pay the lending bank the outstanding amount plus the accrued interest.

With regard to the loan mentioned above, it must be noted that, owing to the extension to the original maturity date, the following indicators must be observed for the remaining term with reference to the annual consolidated financial statements of De'Longhi Clima: (i) *Net debt/EBITDA*  $\leq 2.5x$ ; (ii) *EBITDA/Financial expenses*  $> 4.5x$ .

The parameters for the calculation of the aforementioned relationships will be determined on the basis of the financial statements provided and adopted according to the application of IAS/IFRS principles.

Failure to comply with even just one of the aforementioned covenants will give the bank the right to withdraw unilaterally from the obligations undertaken, without prejudice to the Company taking the appropriate steps to comply with the set parameters within six months from the date of approval of the consolidated financial statements indicating the failure to observe the financial commitments mentioned above.

Decree confirming the concessions granted under Law no. 46/82 with decree no. 00869 of 21 December 2004 - Progr. NO. E01/000199/00

On 10 February 2010 the Ministry of Economic Development granted Climaveneta concessions against the costs distributed by areas and activities (development activities, research activities and costs for feasibility studies). In particular, the following have been granted: (i) subsidized funding in the amount of Euro 1,823,148; and (ii) a supplementary contribution to the expenditure in the amount of Euro 919,560.

In response to this funding Climaveneta is indebted to the Ministry of Economic Development for the total amount of Euro 1,823,148, to be repaid according to the repayment plan regulated in the aforementioned granting decree and which expires on 21 December 2012.

At 30 September 2011 the outstanding amount to be repaid is equal to Euro 787,108.43.

Framework Agreement on Centralized Financial Management Services

On 13 April 2004 Climaveneta concluded with De' Longhi Capital Services S.p.A. ("DLCS") a framework agreement for centralized services of financial management of the treasury of the De'Longhi Group, of which DLCS is part.

In particular, the agreement envisages the provision by DLCS of the following services:

- collection and payment services;
- mediation services and negotiation with banks and financial institutions;
- financing and liquidity investment services;
- currency management and financial risk management services;
- credit management services.

The lending and deposit rates, applied to intercompany current account balances and set in advance by DLCS at the market conditions in force at the time, are reviewed at the beginning of each month and are subject to specific communication to the subsidiary companies. The rates on loans "by item" are set and communicated at the moment the related financing is raised and updated at each renewal.

The total expenditure for keeping bank accounts and charges for individual transactions of any kind incurred by DLCS in every quarter on behalf of Climaveneta will be charged to the latter individually or as a lump sum. The costs of credit collection including through the presentation of effects or debt repayment, if not directly incurred by Climaveneta but by DLCS, will be charged by the latter to the Climaveneta's intercompany account at the conditions applied to the same by the banking system.

The agreement provides for the possibility of the parties exercising the right to withdraw, subject to the notice period of 30 days for balances up to Euro 5 million and 60 days for balances over this amount. The same terms must be observed for the liquidation of the intercompany current account balance for capital, interest and charges.

It must be noted that by the Effective Date of the Demerger, it is expected that Climaveneta terminates the contract with DLCS and becomes, as result of the Demerger, part of a centralized treasury system managed by the parent company De'Longhi Clima S.p.A.

- ***Contracts for hedging exchange rate risks***

The De'Longhi Group, within its business activity, concludes contracts from which credits and/or debts in foreign currency may arise. In order to guard against risks arising from possible fluctuations in the exchange rate between the foreign currency and the national currency and/or other foreign currencies, until the maturity of the related debts and/or credits, the De'Longhi Group, through its subsidiary De'Longhi Capital Services S.p.A. ("DLCS"), has, for some Group companies, including companies related to the De'Longhi Clima Group, concluded several contracts in currency derivatives.

The contracts related to companies in the De'Longhi Clima Group as at the Date of the Information Document are exclusively so-called forward contracts (buying and selling at a future date) none of which are held for speculative purposes. These contracts are concluded with the DLCS and are regulated within a framework agreement for the provision of centralized treasury services. The role of DLCS is purely that of interface between the financial market and the companies of the De'Longhi Clima Group, which allows improved pricing conditions to be obtained. The economic terms and conditions of said derivative operations do not envisage the application of commission or spread or other costs by DLCS in addition to the value made by the final banking counterparties. DLCS then arranges to charge the counterpart companies a commission calculated on the brokered value as remuneration of the service provided, based on the value of the transaction carried out.

After the Effective Date of the Demerger, the brokering role of DLCS is expected to cease and the De'Longhi Clima Group will operate on the currency derivatives market directly and independently.

- ***Joint Venture Agreements***

*Joint Venture Agreement with the Indian company ACE Climate Control Technologies Private Limited*

On 21 January 2011 a joint venture agreement was concluded between Climaveneta S.p.A. and the Indian company ACE Climate Control Technologies Private Limited ("ACE") with the establishment of the company TFA Climate Technologies Private Limited with registered office in Bangalore (India) in which Climaveneta S.p.A. holds the majority stake. The total investment for Climaveneta is approximately Euro 3 million and envisages, in the first stage, just the distribution of Climaveneta products in the Indian territory and, from 2012 (the 'Second Stage of the Investment') the realization of a manufacturing plant in India.

The contribution of the Indian partner consists primarily of commercial know-how, while Climaveneta provides the technical and production know.

The agreement includes a put option that may be exercised by ACE after three and a half years from the signing of the agreement, and a call option that may be exercised by Climaveneta after four years from the start-up of the Second Phase of the Investment; it should be noted here that, upon calculating the effects of the agreement, this option was valued at Euro 2.5 million on 30 September 2011.

Joint Venture Agreement with the company Chat Union Investment (BVI) Limited

On 13 January 2002 a joint venture agreement was concluded between Climaveneta S.p.A. and the company Chat Union Investment (BVI) Limited with the establishment of the company Chat Union Climaveneta Company Ltd with registered office in Hong Kong, in which Climaveneta S.p.A. holds a 50% stake.

It should be noted that in the event of a breach of the contractual agreements or a request by one of the parties to terminate the joint venture, the agreement provides, among other things, for the recognition by each party of the right to buy shares held by the other party in the joint venture or to sell the same shares to third parties or, failing that, the liquidation of the joint venture.

The joint venture initiative is aimed at the production in China and distribution in the South East Asia market of air conditioners and compressors. The contribution of the Chinese partner is composed essentially of commercial know-how in the Republic of China market, while Climaveneta provided the technical and production capabilities.

The production plant began operation in 2004 and this joint venture is still the subject of investments for its development.

**RC GROUP S.P.A.**

• ***Financial Agreements***

Unsecured loan contracts with Banca Popolare di Sondrio

RC Group has concluded two unsecured loan contracts with Banca Popolare di Sondrio S.C.p.A. for shares on 1 July 2008 and 27 April 2010 which are described below:

a) the contract signed on 1 July 2008 concerns a variable rate loan of Euro 5,000,000, paid in a single amount and with a duration of 60 months. On the Date of the Information Document the company's remaining debt to the lending bank, as reimbursement of the capital, totals Euro 1,901,500.

The company must repay the capital borrowed and pay interest on it and costs with the payment of 20 deferred quarterly instalments, consecutively and without interruption until 31 July 2013. In particular, the company must pay the lending bank a portion of the variable interest rate calculated at a deferred quarterly rate equal to one quarter of the average monthly Eurobor rate plus a spread of 0.60%. The company also has the right to repay the loan, or part of the loan, in advance without paying any fee.

The loan agreements provides for, among other things, (a) the option for the lending bank to automatically terminate the contract and require the company to immediately repayment of

the company's credit without prior notice, if: (i) any event occurs which has a negative effect on the economic or financial position of the company; (ii) failure to pay an instalment after 15 days from the due date; or (iii) the occurrence of one of the situations referred to in Article 1186 of the Italian Civil Code; (b) the obligation of RC Group to require and obtain the prior consent of the lending bank in the event of modification or termination of the main activity carried out by the company during the loan period.

b) the contract signed on 27 April 2010 concerns a variable rate loan of Euro 4,000,000, paid in a single amount and with a duration of 60 months. On the Date of the Information Document the company's remaining debt to the lending bank, as reimbursement of the capital and payment of interest, totals Euro 2,840,579.

The company must repay the capital borrowed and pay interest on it and costs with the payment of 20 deferred quarterly instalments, consecutively and without interruption until 30 April 2015. In particular, the company must pay the lending bank a portion of the variable interest rate calculated at a deferred quarterly rate equal to one quarter of the average monthly Eurobor rate plus a spread of 1.25% (with a lower limit fixed at 1.50%). The company also has the right to repay the loan, or part of the loan, in advance without paying any fee.

The loan agreements provides for, among other things, (a) the option for the lending bank to automatically terminate the contract and require the company to immediately repayment of the company's credit without prior notice, if: (i) any event occurs which has a negative effect on the economic or financial position of the company; (ii) failure to pay an instalment after 15 days from the due date; or (iii) the occurrence of one of the situations referred to in Article 1186 of the Italian Civil Code; (b) the obligation of RC Group to require and obtain the prior consent of the lending bank in the event of modification or termination of the main activity carried out by the company during the loan period.

#### Financing Agreement with Cariparma

On 15 March 2010 RC Group S.p.A. concluded a medium-term variable rate financing agreement with a duration of 60 months with Cassa di Risparmio di Parma di Piacenza S.p.A. The total amount of the financing, which the lending bank has paid to RC Group in full, is Euro 3,000,000. On the Date of the Information Document the company's remaining debt to the lending bank, as reimbursement of the capital, totals Euro 1,981,561.

The company must repay the capital borrowed and pay interest on it and costs with the payment of 20 quarterly instalments, of Euro 157,443.50 each, the last of which is due on 15 March 2015. In particular, the portion of variable interest to be paid to the lending bank is calculated at the preceding quarterly rate equal to the average of the average monthly portion of Euribor plus a spread of 1.20%.

The contract provides for, among other things, (a) the option for the lending bank to withdraw funding at any time giving 15 days notice; (b) the company's forfeiture of the term, with the consequent right of the bank to ask repayment of the outstanding amount: (i) in the event that the company fails to pay even one instalment after 20 days from the due date; (ii) in the event that false statements are attributed to the company regarding its financial

situation or revenues; and (iii) should any material and legal variation occur in the principal business carried out by the company.

Framework Agreement on Centralized Financial Management Services

On 16 September 2010 RC Group concluded with De'Longhi Capital Services S.p.A. ("DLCS") a framework agreement for centralized services of financial management of the treasury of the De'Longhi Group, of which DLCS is part.

The agreement provides for the same terms and conditions stipulated by DLCS with Climaveneta described above to which reference is made (see pages 116-117 of the Information Document).

It must be noted that by the Effective Date of the Demerger it is expected that RC Group terminates the contract with DLCS and becomes as a result of Demerger part of a centralized treasury system managed by the parent company De'Longhi Clima S.p.A.

- ***Contracts for hedging exchange rate risks***

For the description of these contracts see the description for Climaveneta S.p.A. on page 117 of the Information Document.

**DL RADIATORS S.P.A.**

- ***Financial and Leasing Agreements***

Financing Agreement with Banco Popolare di Verona e Novara

On 28 June 2005, DL Radiators S.p.A. concluded a floating rate unsecured loan contract with Banco Popolare di Verona e Novara S.c.r.l., aimed at meeting the financial goals connected to the business development plan.

This line of credit was granted for a maximum of Euro 15 million and have original final maturity on 30 June 2013 (extended to 30 June 2015); on the Date of the Information Document DL Radiators's remaining debt to the lending bank, as reimbursement of the capital, totals Euro 3,750,000. The nominal annual interest rate applied to the loan is indexed to the Eurobor 3-month rate plus 0.8% spread (owing to the extension above this spread has recently been increased to 3.5%).

The loan agreement provides, in particular, for DL Radiators's commitment for the entire duration of the loan: (a) to take all appropriate initiatives for the conservation of the company's assets; (b) to request and obtain the prior consent of the lending bank: (i) for the adoption of the decision concerning the establishment of assets allocated to a specific business pursuant to Article 2447 *bis* and following of the Italian Civil Code; (ii) for raising financing for a specific transaction pursuant to Article 2447 *decies* of the Italian Civil Code; and (iii) for the company's exit from the consolidation area of De'Longhi Group S.p.A. With



reference to point (b.iii) above, it is stated that on 16 September 2011, the lending bank communicated its irrevocable and unconditional consent to the conclusion of the Demerger, the efficacy of which will result in DL Radiators's exit from the consolidation area of the De'Longhi Group.

In the event of DL Radiators's non-observance of these undertakings, the lending bank is entitled to invoke the termination clause of the agreement. Should the lending bank exercise the option to terminate the agreement, it can declare that the company has forfeited the time limit, in which case the company must immediately pay the lending bank the outstanding amount plus the accrued interest.

With regard to the loan mentioned above, it must be noted that, owing to the extension to the original maturity date, the following indicators must be observed for the remaining term with reference to the annual consolidated financial statements of De'Longhi Clima: (i) *Net debt/ EBITDA*  $\leq 2.5x$ ; (ii) *EBITDA/ Financial expenses*  $> 4.5x$ .

The parameters for the calculation of the aforementioned relationships will be determined on the basis of the financial statements provided and adopted according to the application of IAS/IFRS principles.

Failure to comply with even just one of the aforementioned covenants will give the bank the right to withdraw unilaterally from the obligations undertaken, without prejudice to the Company taking the appropriate steps to comply with the set parameters within six months from the date of approval of the consolidated financial statements indicating the failure to observe the financial commitments mentioned above.

#### Final obligation statement

With Decree no. 11373 of 16 December 2002, the Minister of Production Activities granted DL Radiators funding of Euro 1,366,969.76 pursuant to Article 15 (1) of Law no. 46 of 17 February 1982.

As stated in the final obligation statement dated 15 May 2006, the company is indebted to the Ministry of Production Activities for the total amount of Euro 1,308,815.08, which it must repay by 16 December 2017, together with interest at the rate of 3.06% in 10 annual instalments starting from 16 December 2008 and in the manner stated in the depreciation schedule governed by the statement.

#### Securities Leasing Agreement

On 12 October 2007 Microcredito del Friuli Venezia Giulia S.p.A. and Leasimpresa S.p.A. granted DL Radiators under financial leasing a production system of multi-column radiators for a total amount equal to Euro 10,896,072 plus VAT to be refunded in 120 monthly instalments of Euro 90,800.60 plus VAT each.

Consideration for the financial leasing was determined by taking the rate 5.641%, defined as the index base, as the basis for the calculation. The index parameter of the consideration is the Euribor 365 3 month whose value is taken as base component index is equal to 4.841%.

At the end of the financial leasing DL Radiators may buy the asset which is the subject of the contract upon payment of the amount Euro 84,000 plus VAT, provided that they have fulfilled all the obligations arising out of the contract.

On Information Document date the amount of capital that DL Radiators has yet to repay equals Euro 5,335,504.

#### Securities Leasing Agreement

On 15 March 2006 Microcredito del Friuli Venezia Giulia S.p.A. granted DL Radiators under financial leasing a production system of tube radiators for a total amount equal to Euro 8,203,773.12 plus VAT to be refunded in 96 monthly instalments of Euro 85,455.97 plus VAT each.

Consideration for the financial leasing was determined by taking the rate 3.579%, defined as the index base, as the basis for the calculation. The index parameter of the consideration is the Euribor 3 month 365 days whose value is taken as base component index is equal to 2.729%.

At the end of the financial leasing DL Radiators may buy the asset which is the subject of the contract upon payment of the amount Euro 72,000 plus VAT, provided that they have fulfilled all the obligations arising out of the contract.

On Information Document date the amount of capital that DL Radiators has yet to repay equals Euro 2,436,751.

#### Framework Agreement on Centralized Financial Management Services

On 16 October 2002 DL Radiators concluded with De' Longhi Capital Services S.p.A. ("DLCS") a framework agreement for centralized services of financial management of the treasury of the De'Longhi Group, of which DLCS is part.

The agreement provides for the same terms and conditions stipulated by DLCS with Climaveneta described above to which reference is made (see pages 116-117 of the Information Document).

It must be noted that by the Effective Date of the Demerger it is expected that DL Radiators terminates the contract with DLCS and becomes as result of Demerger part of a centralized treasury system managed by the parent company De'Longhi Clima S.p.A.

- ***Contracts for hedging exchange rate risks***

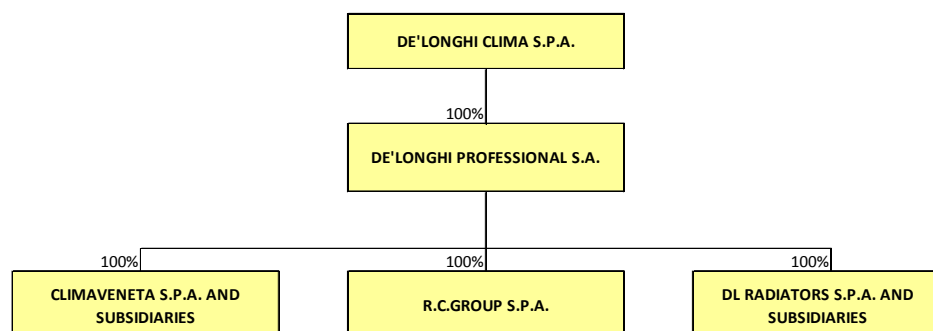
For the description of these contracts see the description for Climaveneta S.p.A. on page 116 of the Information Document.

\* \* \*

The information concerning the market position in specific sectors contained in this paragraph have been drawn from a series of official, unofficial and internal sources that the Demerging Company considers reliable, including: WWAC *World Overview* 2010 Edition - BSRIA, *The European heating product markets* (2011 Update) - BRG Consulting.

### 5.1.1 List of principal subsidiaries of De'Longhi Clima S.p.A.

The basic structure of De Longhi Clima Group is as follows:



On the Effective Date of the Demerger De'Longhi Clima: (i) will not be subject - owing to the composition and structure of its shareholder base - to the direction and coordination by any other company or entity, pursuant to Articles 2497 and following of the Italian Civil Code and, therefore, will be fully independent in the definition of its general strategic and operating guidelines; (ii) will perform direction and coordination activities on its own subsidiary companies pursuant to Articles 2497 and following of the Italian Civil Code.

Following is a list of the principal subsidiaries and related transactions that, subsequent to the Demerger, will be directly or indirectly controlled by De'Longhi Clima S.p.A.

Company name	Registered office	Country	Share capital	Currency	Group Interest
<b>INTERMEDIATE HOLDING COMPANY</b>					
DE'LONGHI PROFESSIONAL S.A.	Luxembourg	Luxembourg	30,205,000	Eur	100%
<b>MOST SIGNIFICANT SUBSIDIARIES</b>					
CLIMAVENETA S.P.A.	Treviso	Italy	10,000,000	Eur	100%
CLIMAVENETA POLSKA S.P. ZO.O	Legionowo	Poland	1,700,000	Pln	80.88%
CLIMAVENETA DEUTSCHLAND GMBH	Nordstedt	Germany	306,775	Eur	100%
CLIMAVENETA FRANCE SAS	Epone	France	150,000	Eur	100%
TOP CLIMA S.L.	Barcelona	Spain	1,606,000	Eur	100%
CLIMAVENETA CHAT UNION REFRIGERATION EQUIPMENT (SHANGHAI) CO. LTD	Shanghai	Republic of China	6,800,000	Usd	50%
R.C. GROUP S.P.A.	Valle Salimbene	Italy	10,680,000	Eur	100%
DL RADIATORS S.P.A.	Treviso	Italy	5,000,000	Eur	100%
COMPANY CONTROLLED THROUGH NOMINEE COMPANY	Nuremberg	Germany	26,000	Eur	100%

## 5.2 KEY EARNINGS AND BALANCE SHEET INDICATORS FOR DE'LONGHI CLIMA S.P.A. GROUP FOR 2008, 2009 AND 2010

The Beneficiary Company shall, with regard to the data contained in this section of the Information Document, incorporate information in the prospectus by reference to the De'Longhi Group's Consolidated Financial Statements at 31 December 2008, at 31 December 2009, at 31 December 2010 (the Consolidated Financial Statements) in accordance with Article 11 of the Prospective Directive and Article 28 of the Regulation 809/2004.

These documents have been published and filed with Consob and can be viewed by the public on the Demerging Company's website ([www.delonghi.com](http://www.delonghi.com)) and that of Borsa Italiana ([www.borsaitaliana.it](http://www.borsaitaliana.it)), as well as at the offices of the Demerging Company.

To assist consultation of the Consolidated Financial Statements referred to in the Information Document, a table indicating the pages of the main sections of these documents, as published on the website of the demerged company ([www.delonghi.com](http://www.delonghi.com)) is included below:

	Annual report		
	2008	2009	2010
<i>Report on operations</i>	15	15	15
<i>Consolidated financial statements</i>	39	41	51
Consolidated income statement	41	43	53
Consolidated statement of comprehensive income	-	43	53
Consolidated statement of financial position	42	44	54
Consolidated statement of cash flows	44	46	56
Consolidated statement of changes in net equity	46	48	58
<i>Explanatory notes</i>	49	51	61
<i>External auditors' report on the consolidated financial statements</i>	119	125	133

The table below provides a summary of the economic and financial data of the De'Longhi Clima Group gathered by operating sector from the De'Longhi Group's consolidated financial statements at 31 December 2008, 2009 and 2010.

The historic data of the Professional Division, which corresponds to the business subject of the Demerger, differ from the pro forma data indicated in Chapter VI of the Information Document. However, the data are consistent with that contained in the column "Total Post Demerger (D)" of the tables included in said Chapter VI.

The pro forma data were also included just for the year 2010, as they were reported in Chapter VI of the Information Document.

The historical data below have been prepared on the basis of the same accounting principles adopted in the drafting of the consolidated financial statements of the De'Longhi Group for the three financial years.

It must also be stated that the consolidation area of the De'Longhi Clima Group has not changed significantly during the period under examination.

	31 December 2010 (pro forma data)	31 December 2010 (historical data)	31 December 2009 (historical data)	31 December 2008 (historical data)
(in thousands of Euro)	(a)	(a)	(b)	(b)
Net revenues	352,614	352,613	333,976	411,204
EBITDA (before non-recurring income/(expenses))	30,198	30,952	29,061	35,998
EBIT	11,363	12,117	14,786	19,330
Profit (loss) after taxes	1,415	805	1,616	(2,684)
Profit (loss) pertaining to the Group	1,416	803	1,607	(2,556)
Total assets	515,313	515,105	487,271	571,248
Net equity	271,337	121,885	99,496	137,371
Group portion of net equity	271,400	121,948	99,555	137,371
Liabilities	243,976	393,220	387,775	433,878
Cash/ (Net debt)	(61,665)	(211,665)	(226,883)	(248,015)
<b>Per share data (in Euro)</b>				
Earnings per share	€ 0.01	€ 0.01	€ 0.01	(€ 0.02)
Equity per share (total)	€ 1.81	€ 0.82	€ 0.67	€ 0.92

(a) Data included in chapter VI of the Information Document.

(b) Data included in the "Annual report at 31 December 2008" and in the "Annual report at 31 December 2009" of De'Longhi S.p.A. Group and obtained from internal sources.

#### Operating performance of the De'Longhi Clima S.p.A. Group: 2010 vs. 2009

The Professional division's revenues were 5.6% higher than in 2009 (Euro 352.6 million in 2010 versus Euro 334.0 million in 2009); this result reflects increased revenues from both industrial heating and large thermocooling systems.

EBITDA before non-recurring expenses was slightly higher (Euro 31.0 million in 2010 and Euro 29.1 million in 2009, with the margin going from 8.7% to 8.8%).

Revenues from heating increased despite continued market weakness. Growth was good in both the United Kingdom and Italy.

Sales of large thermo-cooling systems performed well, especially the new series of chillers and scroll compressor heat pumps and the new range of condensation-to-liquid and vapour refrigerating systems, which made up for a reduction in revenues from the hydronic terminal line and lower sales of the discontinued direct expansion line.

The positive trend in EBITDA before non-recurring expenses reflects the results from large thermo-cooling systems, that more than offset lower earnings from the company specialized in heating, affected by large fluctuations in raw material costs during the second part of the year.

Financial position of the De'Longhi Clima S.p.A. Group: 2010 vs. 2009

The net financial position of the De'Longhi Clima Group - which was determined in previous years particularly for the acquisition of shareholdings which come under the Professional Division (on this point please refer to Section 5.1 of the Information Document) - has highlighted an improvement of Euro 15.2 million compared to 2009 thanks also to an improvement in the working capital, which was also aided by the group ceasing to distribute wall air conditioners which is no longer considered a strategic activity.

Operating performance of the De'Longhi Clima S.p.A. Group: 2009 vs. 2008

The Professional division's revenues in 2009 were 18.8% lower (respect to the same period of 2008), reflecting the sales performance by large thermo-cooling systems and radiators.

These results were influenced by the construction sector crisis, the major reduction in investments by the industrial and commercial sectors and the negative effects of the devaluation of the British pound.

Profitability was maintained thanks to a good fourth-quarter performance, combined with the actions to restructure and reduce costs taken during the year in response to falling revenues.

EBITDA before non-recurring expenses came to Euro 29.1 million (Euro 36.0 million in 2008), with the margin staying in line with 2008 (8.7% versus 8.8%). Fourth-quarter EBITDA before non-recurring expenses was Euro 10.8 million (Euro 4.7 million in 2008) with a strong recovery in margin (from 4.4% to 11.4%).

Financial position of the De'Longhi Clima S.p.A. Group: 2009 vs. 2008

The net financial position of the De'Longhi Clima Group also highlighted an improvement of Euro 21.1 million compared to 2008 thanks also the cash flows from current operations and improvement in working capital.

Operating performance of the De'Longhi Clima S.p.A. Group: 2008 vs. 2007

The Professional division reported in 2008 a 1.2% increase in revenues thanks to the contribution of large thermo-cooling systems despite the negative impact caused by devaluation of the British pound; revenue growth at constant exchange rates would have been 2.1%.

EBITDA before non-recurring expenses was Euro 36 million in 2008 (Euro 41.7 million in 2007); this was particularly affected by performance in the radiators market, which suffered

the negative effects of devaluation by the British pound and of strong price pressure especially in the last few months of the year.

### 5.3 HISTORICAL FINANCIAL INFORMATION OF THE GROUP FOR THE 2008-2010 PERIOD, 30 JUNE 2011 AND 30 SEPTEMBER 2011

The Beneficiary Company shall, with regard to the data contained in this section of the Information Document, incorporate information in the prospectus by reference to the De'Longhi Group's Consolidated Financial Statements at 31 December 2008, at 31 December 2009, at 31 December 2010 (the Consolidated Financial Statements), the De'Longhi Group's Half-Year Interim Financial Statement at 30 June 2011 included in the De'Longhi Group's "Interim Financial Statement at 30 June 2011" (the Consolidated Half-Year Statement"), and the De'Longhi Group's Interim Financial Statement at 30 September 2011 included in the De'Longhi Group's "Interim management Statement at 30 September 2011", in accordance with Article 11 of the Prospective Directive and Article 28 of the Regulation 809/2004.

These documents have been published and filed with Consob and can be viewed by the public on the Demerging Company's website ([www.delonghi.com](http://www.delonghi.com)) and that of Borsa Italiana ([www.borsaitaliana.it](http://www.borsaitaliana.it)), as well as at the offices of the Demerging Company.

To assist consultation of the Consolidated Financial Statements, the Consolidated Half-Year Financial Statements and the Interim Management Statement at 30 September 2011, referred to in the Information Document, a table indicating the pages of the main sections of the same is included below:

	Annual report		
	2008	2009	2010
<i>Report on operations</i>	15	15	15
<i>Consolidated financial statements</i>	39	41	51
Consolidated income statement	41	43	53
Consolidated statement of comprehensive income	-	43	53
Consolidated statement of financial position	42	44	54
Consolidated statement of cash flows	44	46	56
Consolidated statement of changes in net equity	46	48	58
<i>Explanatory notes</i>	49	51	61
<i>External auditors' report on the consolidated financial statements</i>	119	125	133



<b>HALF YEAR CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AT 30 JUNE 2011</b>	
<i>Interim report on operations</i>	5
<i>Consolidated income statement</i>	16
<i>Consolidated statement of comprehensive income</i>	16
<i>Consolidated statement of financial position</i>	17
<i>Consolidated statement of cash flows</i>	18
<i>Consolidated statement of changes in net equity</i>	19
<i>Explanatory notes</i>	20
<i>External auditors' report on the limited review of the half-year condensed consolidated financial statements</i>	54

*De'Longhi S.p.A. historical data*

The following table summarizes economic and financial consolidated historical data of De'Longhi Group from annual reports of years 2008, 2009 and 2010, half-year report of 2011 and interim management statement at 30 September 2011, together with per share data.

	<b>30 September 2011</b>	<b>30 June 2011</b>	<b>31 December 2010</b>	<b>31 December 2009</b>	<b>31 December 2008</b>
<b>(in thousands of Euro)</b>	<b>(a)</b>	<b>(b)</b>	<b>(c)</b>	<b>(d)</b>	<b>(e)</b>
Net revenues	1,187,107	763,070	1,625,884	1,404,067	1,533,401
EBITDA (before non-recurring income/(expenses))	155,413	88,736	199,087	142,979	151,121
EBIT	109,808	67,131	147,647	92,437	111,252
Profit (loss) after taxes	52,643	34,024	74,915	32,357	40,160
Profit (loss) pertaining to the Group	53,048	34,341	75,101	32,782	40,389
Total assets	1,613,907	1,532,414	1,541,193	1,413,676	1,495,660
Net equity	802,863	751,888	760,572	688,523	662,275
Group portion of net equity	801,037	749,920	758,921	686,845	659,929
Liabilities	811,044	780,526	780,621	725,153	833,385
Cash/ (Net debt)	(20,956)	(12,141)	(4,709)	(117,091)	(246,456)
<b>Per share data (in Euro)</b>					
Earnings per share	€ 0.35	€ 0.23	€ 0.50	€ 0.22	€ 0.27
Equity per share (total)	€ 5.37	€ 5.03	€ 5.09	€ 4.61	€ 4.43

(a) See: “*Interim management statement at 30 September 2011*” of De'Longhi S.p.A. Group (page 13 for income statement data; pages 18 and 19 for financial statement data).

(b) See “*Half year condensed consolidated financial statements at 30 June 2011*” of De'Longhi S.p.A. Group (page 8 for income statement data; pages 12 e 13 for financial statement data).

(c) See “*De'Longhi Group Annual report at 31 December 2010*” (page 22 for income statement data; and page 27 for financial statement data).

(d) See “*De'Longhi Group Annual report at 31 December 2009*” (page 23 for income statement data; and page 25 for financial statement data).

(e) See “*De'Longhi Group Annual report at 31 December 2008*” (page 23 for income statement data; and page 25 for financial statement data).

Interim management statement at 30 September 2011

The following data were reported in the “Interim management statement at 30 September 2011” approved by the Board of Directors of De’Longhi on 10 November 2011 and subject to a voluntary limited review by the Independent auditing firm which issued its report on 11 November 2011.

• **Net revenues**

(€/million)	30.09.2011 (9 months)			30.09.2010 (9 months)		
	Household + Corporate (*)	Professional	Consolidated Total	Household + Corporate (*)	Professional	Consolidated Total
Net revenues	913.3	281.4	1,187.1	825.1	250.6	1,069.8
Change 2011/2010	88.3	3.7	117.3			
% Change	10.7%	12.3%	11.0%			

(\*) Sub-consolidated figures of the Household and Corporate divisions.

Subdivision by geographical area:

• **Revenues by geographical area:**

(€/million)	30.09.2011 (9 months)	30.09.2010 (9 months)	Change	% change
<b>Mature markets</b>				
Italy	182.9	177.7	5.2	2.9%
United Kingdom	101.1	93.6	7.5	8.1%
North America	65.4	62.0	3.4	5.5%
Japan	22.4	20.9	1.5	7.0%
Western Europe	447.2	394.4	52.8	13.4%
<b>Total</b>	<b>819.0</b>	<b>748.6</b>	<b>70.5</b>	<b>9.4%</b>
<b>Emerging markets</b>				
Eastern Europe	119.7	97.6	22.1	22.7%
Rest of the world	248.3	223.6	24.7	11.0%
<b>Total</b>	<b>368.1</b>	<b>321.3</b>	<b>46.8</b>	<b>14.6%</b>
<b>Total revenues</b>	<b>1,187.1</b>	<b>1,069.8</b>	<b>117.3</b>	<b>11.0%</b>

Performance was positive both in mature and emerging markets, except from Spain and MEIA area (Middle East and Africa) whose markets are influenced by weak market conditions; the mature markets (including Germany, France, United Kingdom and other Western European countries) showed an increase in revenues of Euro 70.5 million equal to 9.4%.

Sales in the US benefited from the supply of mobile air conditioning units to several important clients.

The emerging markets (which include countries both in Eastern Europe and the rest of the world, China, Australia, South America and the Middle East in particular) have shown an increase of Euro 46.8 million, an increase of 14.6% compared to same period in 2010 though

suffering the effects of the difficult situations in some markets (mainly in the Middle East and North Africa) together with high inventory stocks at 2010 year end.

### • Operations performance

The reclassified Consolidated Income Statement is summarised as follows:

(€million)	30.09.2011 (9 months)			30.09.2010 (9 months)		
	Household + Corporate (*)	Professional	Consolidated total	Household + Corporate (*)	Professional	Consolidated total
Revenues	913.3	281.4	<b>1,187.1</b>	825.1	250.6	<b>1,069.8</b>
<i>Change 2011/2010</i>	88.3	30.7	<b>117.3</b>			
<i>% change</i>	10.7%	12.3%	<b>11.0%</b>			
EBITDA before non-recurring expenses	127.9	27.3	<b>155.4</b>	101.8	22.7	<b>124.5</b>
<i>Change 2011/2010</i>	26.0	4.7	<b>30.9</b>			
<i>% margin on revenues</i>	14.0%	9.7%	<b>13.1%</b>	12.3%	9.0%	<b>11.6%</b>
EBITDA	124.0	26.3	<b>150.5</b>	98.8	21.2	<b>120.0</b>
<i>Change 2011/2010</i>	25.2	5.2	<b>30.5</b>			
<i>% margin on revenues</i>	13.6%	9.4%	<b>12.7%</b>	12.0%	8.4%	<b>11.2%</b>
EBIT	102.5	7.1	<b>109.8</b>	78.1	13.9	<b>92.0</b>
<i>Change 2011/2010</i>	24.4	(6.8)	<b>17.8</b>			
<i>% margin on revenues</i>	11.2%	2.5%	<b>9.3%</b>	9.5%	5.5%	<b>8.6%</b>

(\*) Sub-consolidated figures of the Household and Corporate divisions.

Total segment revenues are reconciled to the consolidated figures by eliminating certain intersegment transactions, amounting to Euro 7.6 million at 30 September 2011 and Euro 5.9 million at 30 September 2010.

De'Longhi closed the first nine months of 2011 with an increase of Euro 30.9 million (+24.8%) in EBITDA before non-recurring income/expenses; gross profit, which climbed by Euro 60.1 million from Euro 469.9 million in the first half of 2010 to Euro 530 million in the first nine months of 2011 was influenced by higher volumes, better product mix and net positive exchange rate effects, which more than compensated the the growth in the costs of raw materials.

Advertising and promotional activities in support of the group's main brands grew by Euro 17.2 million (Euro 78 million in the first nine months of 2011 versus Euro 60.9 million in the first nine months of 2010).

Non-production payroll costs were 12.0% higher than in the same period of 2010, reflecting growth in the number of staff employed by some of the Group companies, salary increases and provisions for variable and long-term employee benefits.

EBIT was Euro 109.8 million in the first nine months of 2011 (Euro 92 million in the same period of 2010) after recognizing Euro 16.4 million in non-recurring expenses and extraordinary impairments, the bulk of which relating to companies operating in the Professional division's wall-mounted radiators business (restructuring costs and partial

impairment of goodwill) and to the recognition of transaction costs for the period in connection with the current demerger.

The partial impairment of the carrying amount of goodwill for the company that operates in the water-filled radiators sector occurred after impairment test conducted on 30 September 2011 and on the base of the new business plan for the Professional division, which was drawn up with the assistance of a leading advisory firm; in the net result of this plan has not been reflected the effect of this devaluation as finalized in September of this year (and, therefore, before the decision to devaluation this) without taking into account of the extraordinary expenses and non-recurring.

It must also be stated that the above mentioned impairment derives (i) from lower expected cash flows coming from the activity of the company which the impairment refers to as resulting from the business plan, taking also into consideration the actual macroeconomic situation; and (ii) from increasing discount rates on cash flows due to the higher risk on the financial markets.

Adjusted EBIT (before the aforesaid non-recurring expenses) was Euro 126.2 million with a margin on revenues of 10.6% (Euro 96.6 million in the first nine months of 2010 with a margin of 9.0%).

### **Household division**

(€/million)	30.09.2011 (9 months)			30.09.2010 (9 months)		
	Household	Corporate	Household + Corporate (*)	Household	Corporate	Household + Corporate (*)
Revenues	910.7	9.5	913.3	822.2	8.5	825.1
<i>Change 2011/2010</i>	88.5		88.3			
<i>% change</i>	10.8%		10.7%			
EBITDA before non-recurring expenses/income	134.6	(6.8)	127.9	106.4	(4.5)	101.8
<i>Change 2011/2010</i>	28.2		26.0			
<i>% margin on revenues</i>	14.8%		14.0%	12.9%		12.3%
EBITDA	133.5	(9.6)	124.0	103.3	(4.5)	98.8
<i>Change 2011/2010</i>	30.2		25.2			
<i>% margin on revenues</i>	14.7%		13.6%	12.6%		12.0%
EBIT	112.5	(10.0)	102.5	83.1	(5.0)	78.1
<i>Change 2011/2010</i>	29.4		24.4			
<i>% margin on revenues</i>	12.4%		11.2%	10.1%		9.5%

(\*) Sub-consolidated figures of the Household and Corporate divisions.

With reference to the results of the first nine months of 2011, the division reported Euro 910.7 million in revenues, increasing for Euro 88.5 million (+10.8%) on the same period in 2010; sales by both the De'Longhi and Kenwood brands were particularly strong.

As for product lines, cooking and food preparation posted excellent sales growth, continuing to be driven by double-digit sales growth for coffee machines and food processors, while portable air-conditioning products also grew (despite the negative third quarter 2011), mainly thanks to sales to certain important customers in the United States.

EBITDA before non-recurring expenses was Euro 134.6 million on the first nine months of 2011 (Euro 106.4 million in 2010), with the margin improving by almost 2 percentage points (from 12.9% to 14.8%) thanks to higher volumes and better product mix and to net positive exchange rate differences.

With reference to the product mix, every line of business made its contribution; of particular importance were the contributions by the cooking and food preparation category, mainly down to coffee machines (thanks to launch of the new "*Lattissima +*" coffee machine and higher sales of Premium category fully automatic coffee machines), and by the heating and cleaning and ironing systems categories, thanks to higher sales and to higher margin products.

### ***Professional division***

As for its nine-month results of 2011, the division reported Euro 281.4 million in revenues (up Euro 30.7 million, +12.3%, on the same period in 2010); growth was particularly driven by sales of machinery for large thermo-cooling systems (both centralized and packaged systems).

Radiator revenues were in line with 2010, with a growth especially in France thanks to good sales of aluminium electric radiators through the DIY channel, which made up for the contraction in the bathroom radiators market in the UK.

As for gross profit, this improved by Euro 9.9 million in the nine months, with the margin staying in line with 2010 at 32.8%. The increase in air conditioner volumes, with a consequently positive effect on the mix, helped cover the increased cost of raw materials, of particular importance to radiator production, where margins have been lost through not being able to transfer the full amount of the raw material rises on to customers.

EBITDA before non-recurring expenses came to Euro 27.3 million (Euro 22.7 million in 2010), with the margin going from 9% to 9.7% (third-quarter EBITDA before non-recurring expenses reported a margin of 10.5% on revenues).

• **Statement of the De'Longhi Group's Financial Position at 30 September 2011**

The reclassified consolidated statement of financial position of De'Longhi S.p.A. is presented below:

	30.09.2011			30.09.2010			31.12.2010		
(€/million)	Household + Corporate (*)	Professional	Consolidated total	Household + Corporate (*)	Professional	Consolidated total	Household + Corporate (*)	Professional	Consolidated total
<b>Non-current assets</b>	<b>318.7</b>	<b>321.4</b>	<b>640.1</b>	<b>304.5</b>	<b>329.5</b>	<b>634.0</b>	<b>305.4</b>	<b>325.2</b>	<b>630.6</b>
- Inventories	352.2	64.1	416.3	299.4	62.3	361.7	238.7	49.3	288.0
- Trade receivables	220.9	98.6	312.9	207.4	102.6	304.2	288.5	103.9	387.9
- Trade payables	(280.8)	(107.9)	(380.4)	(231.6)	(95.2)	(320.1)	(283.3)	(98.1)	(374.2)
- Other payables (net of receivables)	(49.3)	(13.0)	(64.1)	(41.2)	(14.2)	(56.4)	(58.2)	(15.4)	(74.9)
<b>Net working capital</b>	<b>243.0</b>	<b>41.8</b>	<b>284.7</b>	<b>234.0</b>	<b>55.5</b>	<b>289.4</b>	<b>185.8</b>	<b>39.7</b>	<b>226.9</b>
<b>Total non-current liabilities and provisions</b>	<b>(68.9)</b>	<b>(32.1)</b>	<b>(101.0)</b>	<b>(52.2)</b>	<b>(32.5)</b>	<b>(84.7)</b>	<b>(60.8)</b>	<b>(31.4)</b>	<b>(92.2)</b>
<b>Net capital employed</b>	<b>492.7</b>	<b>331.1</b>	<b>823.8</b>	<b>486.3</b>	<b>352.4</b>	<b>838.7</b>	<b>430.3</b>	<b>333.5</b>	<b>765.3</b>
<b>Net (cash) debt</b>	<b>(41.9)</b>	<b>63.0</b>	<b>21.0</b>	<b>(116.1)</b>	<b>228.3</b>	<b>112.4</b>	<b>(208.5)</b>	<b>211.7</b>	<b>4.7</b>
<b>Total net equity</b>	<b>534.7</b>	<b>268.2</b>	<b>802.9</b>	<b>602.4</b>	<b>124.1</b>	<b>726.3</b>	<b>638.9</b>	<b>121.9</b>	<b>760.6</b>
<b>Total net debt and equity</b>	<b>492.7</b>	<b>331.1</b>	<b>823.8</b>	<b>486.3</b>	<b>352.4</b>	<b>838.7</b>	<b>430.3</b>	<b>333.5</b>	<b>765.3</b>

(\*) Sub-consolidated figures of the Household and Corporate divisions.

Total segment figures are reconciled to the consolidated figures by eliminating certain intersegment transactions which affect individual components of net working capital as follows: trade receivables by Euro 6.5 million (Euro 5.8 million at 30 September 2010; Euro 4.5 million at 31 December 2010); trade payables by Euro 8.3 million (Euro 6.8 million at 30 September 2010; Euro 7.2 million at 31 December 2010); other net liabilities by Euro 1.8 million (Euro 1.0 million at 30 September 2010; Euro 1.3 million at 31 December 2010).

Below is a summary of the net working capital together with cash and cash equivalents with banks for the Group's two divisions.

	30/09/2011		30/09/2010		31/12/2010	
(€/million)	Household + Corporate	Professional	Household + Corporate	Professional	Household + Corporate	Professional
<b>Net working capital</b>	<b>243.0</b>	<b>41.8</b>	<b>234.0</b>	<b>55.5</b>	<b>185.8</b>	<b>39.7</b>
<b>cash at banks</b>	<b>138.2</b>	<b>13.1</b>	<b>188.7</b>	<b>15.9</b>	<b>248.8</b>	<b>13.3</b>

Investments in property, plant and equipment amounted to Euro 29.7 million (Euro 18.3 million in the same period of 2010), and included expenditure on the group's investment programme in the renewable energy sector, with the goal of generating power also for consumption by its own plants, as well as investments in certain Chinese factories; in fact, construction work has continued during 2011 on two new factories, one in the Household division which will be ready for the start of 2012, providing the group with a more modern structure better able to satisfy ever growing product demand, while achieving better integration of manufacturing activities, and the other in the Professional division for the production of close control systems for local markets, substantially finished and operative on the last quarter of the year having obtained necessary production licences.

Net working capital decreased by Euro 4.7 million on 30 September 2010 despite the growth in business, while net working capital turnover went from 18.8% of revenues in 2010 to 16.3% in 2011; trade receivables reported a positive trend, partly thanks to higher receivables factoring, and trade payables offset increased inventories, which were particularly higher in certain countries due to forward procurement planning.

Details of the net financial position of both divisions are as follows:

	Household + Corporate			Professional		
(€/million)	30.09.2011	30.09.2010	31.12.2010	30.09.2011	30.09.2010	31.12.2010
Cash and cash equivalents	138.2	188.7	248.8	114.4	15.9	13.3
Other financial receivables	156.9	103.4	99.1	12.8	8.0	11.9
Current portion of non-current debt	(22.6)	(34.9)	(20.6)	(20.1)	(19.3)	(20.0)
Current financial debt	(172.5)	(73.3)	(59.3)	(137.3)	(180.8)	(168.6)
<b>Net current financial (debt) assets</b>	<b>100.0</b>	<b>184.0</b>	<b>267.9</b>	<b>(30.2)</b>	<b>(176.2)</b>	<b>(163.4)</b>
<b>Non-current financial debt</b>	<b>(58.1)</b>	<b>(67.9)</b>	<b>(59.4)</b>	<b>(32.7)</b>	<b>(52.1)</b>	<b>(48.2)</b>
<b>Total net financial position</b>	<b>41.9</b>	<b>116.1</b>	<b>208.5</b>	<b>(63.0)</b>	<b>(228.3)</b>	<b>(211.7)</b>
<i>of which:</i>						
- net bank financial position	22.0	118.9	212.8	(56.6)	(224.8)	(205.6)
- fair value of options and hedging derivatives	20.0	(2.9)	(4.3)	(6.4)	(3.5)	(6.0)

The change in the net financial position of the two divisions at 30 September 2011 relative to the previous comparative periods reflects the capital contribution of Euro 150 million authorized and paid by De'Longhi S.p.A. on 30 June 2011 to De'Longhi Professional S.A. In relation to the indebtedness of the Professional Division September 30, 2011 of Euro 63 million, it should be noted that Euro 22 million related to borrowings from the De'Longhi Group companies (see Section 1.2.9 of the Information Document).

The debt is not guaranteed.

The net current financial position reported Euro 70.8 million in net financial assets at 30 September 2011 (compared with net cash of Euro 7.6 million at 30 September 2010).

As for non-current debt, the parent company De'Longhi S.p.A. received Euro 12 million during 2011 as the second tranche of the loan arranged with a banking syndicate in the previous year.

If financial items other than net bank debt (i.e. fair value of options and derivatives) are eliminated, the net financial position has a negative balance of Euro 34.5 million at 30 September 2011 (versus a negative Euro 106.1 million at 30 September 2010).

### Investments made

The tables below show the investments made by the De'Longhi Group in the first nine months of 2011, in the first six months of 2011 and in the years 2010, 2009 and 2008 broken down by division.

<b>30 September 2011</b>			
<b>Investment activities</b>	<b><i>Household + Corporate Division</i></b>	<b><i>Professional Division</i></b>	<b>Consolidated total</b>
Net investments in intangible assets	(5,767)	(2,499)	(8,266)
Net investments in tangible assets	(20,085)	(8,290)	(28,375)
Net investments in equity investments and other financial assets	(1,080)	(189)	(1,269)
<b>NET INVESTMENT</b>	<b>(26,932)</b>	<b>(10,978)</b>	<b>(37,910)</b>

<b>30 June 2011</b>			
<b>Investment activities</b>	<b><i>Household + Corporate Division</i></b>	<b><i>Professional Division</i></b>	<b>Consolidated total</b>
Net investments in intangible assets	(3,299)	(1,494)	(4,793)
Net investments in tangible assets	(12,158)	(7,471)	(19,629)
Net investments in equity investments and other financial assets	(686)	(97)	(783)
<b>NET INVESTMENT</b>	<b>(16,143)</b>	<b>(9,062)</b>	<b>(25,205)</b>

<b>31 December 2010</b>			
<b>Investment activities</b>	<b><i>Household + Corporate Division</i></b>	<b><i>Professional Division</i></b>	<b>Consolidated total</b>
Net investments in intangible assets	(9,951)	(5,664)	(15,615)
Net investments in tangible assets	(25,271)	(5,096)	(30,367)
Net investments in equity investments and other financial assets	625	(38)	587
<b>NET INVESTMENT</b>	<b>(34,597)</b>	<b>(10,798)</b>	<b>(45,395)</b>



<b>31 December 2009</b>			
<b>Investment activities</b>	<b><i>Household + Corporate Division</i></b>	<b><i>Professional Division</i></b>	<b>Consolidated total</b>
Net investments in intangible assets	(7,913)	(3,717)	(11,630)
Net investments in tangible assets	(22,331)	(4,285)	(26,616)
Net investments in equity investments and other financial assets	4,193	(21)	4,172
<b>NET INVESTMENT</b>	<b>(26,051)</b>	<b>(8,023)</b>	<b>(34,074)</b>

<b>31 December 2008</b>			
<b>Investment activities</b>	<b><i>Household + Corporate Division</i></b>	<b><i>Professional Division</i></b>	<b>Consolidated total</b>
Net investments in intangible assets	(9,013)	(863)	(9,876)
Net investments in tangible assets	(25,146)	(7,569)	(32,715)
Net investments in equity investments and other financial assets	53	25	78
<b>NET INVESTMENT</b>	<b>(34,106)</b>	<b>(8,407)</b>	<b>(42,513)</b>

#### *Ongoing and planned investments*

Ongoing investments referred to the Professional Division are chiefly related to the development of the joint venture that led to the establishment of the Chat Union Climaveneta Company Ltd (see the description of this given in Section 5.1 of the Information Document, in the section on the "Important Agreements" of Climaveneta S.p.A.).

This purchase undertaking will be partly offset by the alienation of the photovoltaic plant which, with regard to the De'Longhi Group's strategies to centralize investments in photovoltaic systems into one single company, during the month of December 2011 it will be transferred to a company in the De'Longhi Group Post Demerger.

The net amount of these investments, net of the disposal of the photovoltaic plant, is equal to approximately Euro 5 million. This amount will be financed based on the agreements signed in coming years using the operating cash flows.

At the Date of the Information Document there are no other future investments related to the Professional Division which have already been the subject of a definitive commitment by the body in charge other than those reported.

## 5.4 LEGAL PROCEEDINGS

The De'Longhi Clima Group operates at international level in different business sectors and is exposed to legal risks, firstly in the areas of product liability, and competition, environmental and tax rules. Expenditure related to pending or future proceedings cannot be predicted with certainty.

On the Date of the Information Document the companies which, following the Demerger, will be part of the De'Longhi Clima Group are party to some pending legal proceedings. In particular, for the legal proceedings described below, the company Climaveneta S.p.A. has set up a fund provision of Euro 450,000 at 30 September 2011 (Euro 450,000 at 31 December 2011). This fund represents the best estimate by the Company of the liabilities that must be accounted for.

- **Climaveneta S.p.A. (formerly Climaveneta Home System S.r.l.) / Progetto Clima s.n.c. di Orsi Antonello**

On 18 February 2008 the company Progetto Clima s.n.c. di Orsi Antonello ('Progetto Clima') brought legal proceedings before the Court of Pescara against the company Climaveneta Home System S.r.l. (company incorporated by merger in March 2010 into Climaveneta S.p.A. – “Climaveneta”) and Mr Maurizio Donatucci (former partner of the company Progetto Clima) seeking (i) that the withdrawal of Climaveneta from the agency agreement entered into with Progetto Clima be ascertained and declared unlawful following Mr Maurizio Donatucci's leaving the latter company and then signing a new agency agreement with Climaveneta, and (ii) Climaveneta's being sentenced to pay, jointly with Mr Maurizio Donatucci, the sum of Euro 450,000.

At the hearing on 29 June 2009, the Judge accepted the Climaveneta's plea of non-applicability of the corporate procedure to the proceeding raised in its entry of appearance, deciding on the change of procedure and referring the proceeding to the Judge of another section who has taken witness evidence requested and the formal interrogation by the parties.

At the last hearing on 27 September 2011 (set for the continuation of the taking of witness evidence following the adjournment of the hearing on 12 April 2011), the Judge continued in the taking of evidence by scheduling another hearing to continue the preliminary stage on 14 February 2012.

With regard to the other proceedings pending or expected at the Date of the Information Document, the Company - considering the nature and value of the same - believes that said proceedings will not have significant effects on the financial position or profitability of the De'Longhi Clima Group or the group it heads.

## **5.5 INFORMATION ON THE BOARDS OF DIRECTORS AND STATUTORY AUDITORS, AND ON THE CORPORATE GOVERNANCE MODEL ADOPTED BY THE BENEFICIARY COMPANY**

### **5.5.1 Boards of Directors and Statutory Auditors**

#### **Board of Directors**

During the transformation of the company from a limited liability company to a joint stock company De'Longhi Clima was appointed a board of directors composed of the following three members:

<b>Name and Surname</b>	<b>Position</b>	<b>Place and date of birth</b>
GIUSEPPE DE' LONGHI	Chairman	Treviso on 24/04/1939
CARLO GROSSI	Chief Executive Officer	Lecco on 16/01/1956
SILVIA DE' LONGHI	Director	Trieste on 08/09/1984

Pursuant to Article 11 of the Articles of Association, which will come into force on the Effective Date of the Demerger, the board of directors of De'Longhi Clima will consist of a minimum of three to a maximum of thirteen directors. On 10 November 2011 the directors in office at the Date of the Information Document have resigned with effect from the Effective Date of the Demerger. The shareholders meeting held on the same date then appointed the new board of directors setting the number of directors at seven. The new board of directors will remain in office, with effect from the Effective Date of the Demerger, for three financial years, until the date of the ordinary general meeting called to approve the financial statements for the year ending 31 December 2014.

Starting from the Effective Date of the Demerger, the board of directors will be composed of the following members:

<b>Name and Surname</b>	<b>Position</b>	<b>Place and date of birth</b>
GIUSEPPE DE' LONGHI	Chairman	Treviso on 24/04/1939
CARLO GROSSI	Chief Executive Officer	Lecco on 16/01/1956
SILVIA DE' LONGHI	Director	Trieste on 08/09/1984
LUCA MARIA BETTALE	Director	Milan on 29/08/1956
CARLO GARAVAGLIA	Director	Legnano (Milan) on 15/05/1943
DOMENICO GUIDI	Director	Carpegna (Pesaro Urbino) on 08/12/1948
RAMON MARIMON	Director	Barcelona (Spain) on 23/11/1953

All members of the board of directors are domiciled at the headquarters of De'Longhi Clima for the duration of office.

The following is a brief CV of each of the board members, appointed by the aforementioned shareholders' meeting held on 10 November 2011, which show the skills and experience gained in business management.

**GIUSEPPE DE' LONGHI** – *Chairman of the Board of Directors.* After earning a degree in Economics from the 'Ca' Foscari' University of Venice, he developed the business of De'Longhi S.p.A. to the point of transforming it into the parent company of a multinational group. Currently he also holds the position of Chairman of the Board of Directors of De'Longhi S.p.A.

**CARLO GROSSI** – *Director.* After having gained a degree in Mechanical Engineering from the University of Bologna, from 1980 to 1990 he held various positions in GD S.p.A. Group (world leader in machines for processing tobacco) including that of Marketing Director. From 1991 to 1993 he held the position of General Manager of SIMA S.r.l. and PROMATECH S.r.l. (textile machinery sector). From 1993 to 1998 he was appointed C.E.O. of OCME S.r.l. (packing machinery and storage systems sector) From 1998 to 2001 he held the position of C.E.O. of CasMatic S.p.A., a company belonging to the Korber Group (leader in the sector of machinery for tobacco and paper). From 2001 he started at the De'Longhi Group and holds the position of C.E.O. of Climaveneta S.p.A. (European leader in machinery for centralized air conditioning systems), and other positions including that of director of De'Longhi Professional S.A., the subholding which directly holds the whole shareholding of the Professional Division, Climaveneta S.p.A., R.C. Group S.p.A. and DL Radiators S.p.A.

**SILVIA DE' LONGHI** – *Director.* Gained International Baccalaureate at Sevenoaks College (UK) and a masters degree in Political Science at the University of Trieste. She currently also holds the position of director of De'Longhi S.p.A. and deals with marketing and the development of new products under the Kenwood brand at the offices in Havant (UK).

**LUCA MARIA BETTALE** – *Director.* He graduated in Nuclear Engineering at the 'Politecnico' University of Milan. He started his professional experience at CERN, Geneva, even before graduating in 1980. In 1982 he returned to Italy to work in electronic design first in Kontron (La Roche Group in the medical sector) and then in Silena (electronic nuclear detection systems). In later years he worked as management consultant first in McKinsey & Company, then, starting from 1989, in the Italian office of Bain & Company Italia, partner from 1991 and director from 1998 of Bain & Company Italia where he worked in the development of the services sector of the average Italian industrial and manufacturing firm, focusing on luxury goods, telecommunications, consumer products and the world of private equity by realizing projects for portfolio and company strategy, industrial strategy, organization and operational improvement, mergers/acquisitions and listing and financial restructuring. In August 2011 he ended his relationship with Bain & Company Italia and currently works as consultant for several Italian institutions and companies.

**CARLO GARAVAGLIA** – *Director.* Graduated in Business Economics in 1972 from the 'Cattolica del Sacro Cuore' University of Milan, he is registered in the Professional Register of Chartered Accountants and Accounting Experts of Milan since 1972. He has been an Auditor (Revisore Ufficiale dei Conti) since 1979 (now Revisore Legale dei Conti). Partner in the tax department of Peat Marwick & Mitchell (now KPMG) in Milan from 1970 to

1976. Founding partner of the Tax Law Firm 'L. Biscozzi - A. Fantozzi'. Since 1998 founding partner of the Tax and Law Firm 'Biscozzi Nobili'. Speaker in conferences and author of tax articles and publications. Honorary Consul, holder of the office of honorary consular of the Grand Duchy of Luxembourg in Milan for the Lombardy region.

**DOMENICO GUIDI** – *Director*. Diploma in Accounting from the 'Nicola Moreschi' Institute in Milan in 1967. From 1968 to 1991 he worked in different branches of the Banca Popolare Commercio e Industria S.c.r.l. first as an employee and then as branch manager. From 1991 to 1996 he held the position of deputy commercial director at the same bank with responsibility of overseeing the operation of all the bank's branches. From 1996 to 1998 he held the post, among others, of assistant vice president and managing director of the Banca Popolare Commercio e Industria S.c.r.l. In July 1996 he was seconded to the Banca Popolare di Luino e di Varese S.p.A. and first held the post of commercial director (from December 1996 to May 1998), then vice general manager (from June 1998 to 25 January 1999) and lastly general manager who held the post until June 2003. In July 2003 he was appointed general manager of Banca Popolare Commercio e Industria S.p.A. and held the position until December 2009. From April 2004 to April 2011 he was a member of the board of directors of Centrobanca S.p.A.

**RAMON MARIMON** – *Director*. After graduating in Economics from Autonomous University of Barcelona, he gained a masters and a PhD in Economics at Northwestern University (Chicago, 1984). He was professor of Economics at the University of Minnesota (1984-1991), Fellow of the Hoover Institution, Stanford University, co-founder of the Universitat Pompeu Fabra (Barcelona, 1990), where he is currently Professor (in leave of absence), professor at the European University Institute (1995-2000), visiting professor in many universities, including New York University, Stanford, Cambridge University, Sorbonne (Paris), University of Zurich, Torcuato DI Tella - Buenos Aires, IGIER-Bocconi, Luiss and the Federal Reserve Bank of Minneapolis (various times from 1984-2009). From 2000 to 2002 he held the position of Secretary of State for Scientific and Technological Policy, with responsibility for industry (and the respective portfolio) in the Spanish Government. In this capacity he was president of a number of public and private boards of directors, including IDAE (renewable energy), CSIC (Spanish National Research Council), Grandecan (Grand Telescope of the Canary Islands), CDTI (Centre for the Technological Development and Innovation). He took part, particularly during the six months of Spanish presidency, in European Councils on Industry, Innovation and Research, then becoming Expert Consultant for the European Commission on these topics. Co-founder of the *Barcelona Graduate School of Economics* (2006), of which he is currently president. Director of the *Max Weber Programme* and Professor of Economics at the *European University Institute* (Florence, since 2006). President of the Spanish Association of Economics (2004) and the *Society of Economic Dynamics* (2012- 2015); member of many other international economic associations (*European Economic Association, National Bureau for Economic Research, Centre for Economic Policy Research*, etc). He is specialized in Macroeconomics, European Economics, Economics of Innovation and the Employment Market. In addition to different books published in English, Catalan and Spanish he has also published articles in international economic journals.

### Powers of the Board of Directors

Pursuant to Article 12 of the Articles of Association, which will come into force on the Effective Date of the Demerger, the Board of Directors is vested with the widest powers for the general and extraordinary administration of the Company, without any restrictions, with the faculty to execute and implement all the acts it deems necessary to meet the corporate purpose, excepting only those actions that the law and these Articles of Association assign to the Shareholders' Meeting.

In particular, the Board of Directors shall have exclusive authority, in addition to the non-delegable functions assigned to members by the law:

- to approve budgets and three-year plans;
- to fix the criteria for the drafting and amending of company bylaws;
- the appointment and removal of general managers.

For the execution of its own resolutions and management of the Company, the Board of Directors, within the limits of the law, may:

- establish an Executive Committee, determining its powers, the number of members and its working methods;
- delegating appropriate powers, determining the limits of this authority, to one or more directors;
- nominate one or more Committees with advisory functions, also with the purpose of bringing the company management system in line with the corporate governance recommendations;
- appoint one or more managing directors, determining their functions and powers;
- appoint, or grant directors the power to appoint managers, deputy managers, attorneys in fact and, in general, agents, for the fulfilment of certain acts or categories of acts or for certain operations.

The Board of Directors also shall have the authority to resolve on:

- mergers in the cases provided by Articles 2505 and 2505 *bis* of the Italian Civil Code;
- establishing and closing subsidiaries;
- reduction of capital in the event of withdrawal of shareholders;
- bringing the Articles of Association into line with the provisions of law;
- transfer of the company offices within the national territory.

Transactions with related parties are concluded in observance of the procedures approved by the Board of Directors in application of the law and regulations in force at the time. In cases of urgency - also if connected to situations of company crisis - the procedures may provide for particular methods to conclude transactions with related parties, departing from the ordinary rules, and in observance of the terms set by the law and regulations applicable at the time.

Pursuant to Article 14 of the Articles of Association which will come into force on the Effective Date of the Demerger, the Board of Directors shall elect a Chairperson from

among its members - where this has not been done by the Shareholders' Meeting - and may appoint a Vice Chairperson.

The following table indicates the positions currently held by members of the Board of Directors of De'Longhi Clima and those held in the five years prior to the Date of the Information Document.

<b>Name and Surname</b>	<b>Company in which position held</b>	<b>Position</b>	<b>Status at date of Information Document</b>
<b>GIUSEPPE DE' LONGHI</b>	De'Longhi S.p.A.	Chairman of the Board of Directors	Active
	De'Longhi Capital Services S.r.l.	Chairman of the Board of Directors	Active
	De'Longhi Appliances S.r.l.	Chairman of the Board of Directors	Active
	Climre S.A.	Chairman of the Board of Directors	Active
	DL Radiators S.p.A.	Chairman of the Board of Directors	Active
	Climaveneta S.p.A.	Director	Active
	RC Group S.p.A.	Director	Active
	Kenwood Appliances Ltd	Director	Active
	Climaveneta Home System S.r.l.	Chairman of the Board of Directors	Expired
<b>CARLO GROSSI</b>	Climaveneta S.p.A.	Chief Executive Officer	Active
	De'Longhi Professional S.A.	Director	Active
	DL Radiators S.p.A.	Chief Executive Officer	Active
	Chat Union Climaveneta Co. Ltd.	Director	Active
	Climaveneta Chat Union Refrigeration Equipment (Shanghai) Co. Ltd.	Director	Active
	Top Clima	Director	Active
	Climaveneta France Sas;	Director	Active
	Climaveneta Home System S.r.l.	Chief Executive Officer	Expired
<b>SILVIA DE' LONGHI</b>	De' Longhi S.p.A.	Director	Active
	Kenwood Ltd	Director	Active
	Kenwood International Ltd	Director	Active
	Kenwood Appliances Ltd	Director	Active
	De'Longhi Appliances S.r.l.	Director	Active
<b>LUCA MARIA BETTALE</b>	RC Group S.p.A.	Director	Expired
	Sparco S.p.A.	Director	Expired
	Carisma S.g.r	Director	Expired
<b>CARLO GARAVAGLIA</b>	Elba Assicurazioni S.p.A.	Chairman of the Board of Directors	Active
	Eunomia S.p.A. Centro Medico Visconti di Modrone	Chairman of the Board of Directors	Active

Nine S.p.A.	Vice-Chairman of the Board of Directors	Active
Beltrame Holding S.p.A.	Chairman of the Board of Statutory Auditors	Active
Cordifin S.p.A.	Director	Active
De' Longhi S.p.A.	Director	Active
Italcementi S.p.A.	Director	Active
Comitalia Compagnia Fiduciaria S.p.A.	Chairman of the Board of Statutory Auditors	Active
Gebau S.A.P.A.	Regular Auditor	Active
UBI Banca	Member of the Supervisory Board Internal Control Committee	Active Active
AFV Acciaierie Beltrame S.p.A.	Director	Expired
Aedes S.p.A.	Vice Chairman Director	Expired Expired
Aedes Bipiemme	Vice Chairman	Expired
Real Estate SGR S.p.A.	Director	Expired
Banca Popolare Commercio Industria Soc.coop.a r.l.	Vice Chairman	Expired
BPCI S.p.A.	Vice Chairman	Expired
Tema S.p.A.	Sole Director	Expired
Aedes Luxembourg S.A.	Director	Expired
Aedilia Nord Est	Director	Expired
Banca Popolare di Bergamo S.p.A.	Director	Expired
Banche Popolari Unite	Director	Expired
BPU Trust Company Limited as Trustees of the Sea Star Trust	Director	Expired
Centrobanca	Director	Expired
Gamma S.r.l.	Director	Expired
Immobiliare Roma – Palazzo Poggileoni S.r.l. in liquidation	Director	Expired
Nine S.p.A.	Director	Expired
Arfin S.p.A.	Chairman of the Board of Statutory Auditors	Expired
Bike Machinery	Chairman of the Board of Statutory Auditors	Expired
Boccaccio Tre S.p.A.	Chairman of the Board of Statutory Auditors	Expired
Immobiliare 21 S.r.l.	Chairman of the Board of Statutory Auditors	Expired
Invesp S.p.A.	Chairman of the Board of Statutory Auditors	Expired
Lucky S.p.A.	Chairman of the Board of Statutory Auditors	Expired
O.A.M. S.p.A.	Chairman of the Board of Statutory Auditors	Expired
OAM S.p.A. in liquidation	Chairman of the Board of Statutory Auditors	Expired
Sanpaolo Fiduciaria S.p.A.	Chairman of the Board of Statutory Auditors	Expired
Tifas S.p.A.	Chairman of the Board of Statutory Auditors	Expired



	AL Colombo S.r.l. in liquidation	Regular Auditor	Expired
	Gefin di Tosolini Pietro & Co. SAPA	Regular Auditor	Expired
	Habitat S.p.A.	Regular Auditor	Expired
	Non Performing Loans S.p.A.	Regular Auditor	Expired
	Fondazione BPU per Varese	Member of "Territorio Varese" Committee	Expired
<b>DOMENICO GUIDI</b>	Centrobanca S.p.A.	Director	Expired
	Immobiliare Varesina del Golf S.p.A.	Director	Expired
<b>RAMON MARIMON</b>	Barcelona Graduate School of Economics (foundation)	Chairman	Active

No member of the board of directors of De'Longhi Clima has held, in the last five years before the Date of the Information Document, significant shareholdings in listed companies or companies of a certain size or companies of the De'Longhi Group.

To the Beneficiary Company's best knowledge, without prejudice to that indicated in the following paragraphs, no member of the board of directors over the last five years, has been convicted for fraud, or been associated, in the discharge of their duties, to bankruptcy procedures, receivership or liquidation, nor the subject of official indictments and/or sanctions by public authorities or regulations (including designated professional bodies) or interdiction by a Court from being a member of the board of directors, management or supervisory body of De'Longhi Clima or from conducting management or executive activities of any issuer.

Following a preliminary proceeding brought against Dr Giuseppe De'Longhi - with decision dated 16 February 2011 no. 17664 - Consob found him in breach of the disclosure requirements relating to insider trading pursuant to Article 114 (7) of the Consolidated Finance Law, regarding buying and selling transactions of 1,473,343 De'Longhi S.p.A. shares carried out during the period 12 July 2006 - 12 December 2008. Upon completion of the investigation, the Supervisory Authority imposed a pecuniary administrative sanction on Dr Giuseppe De'Longhi for a total of Euro 255,000.

With decision no. 488 of 22 June 2010 issued by the Bank of Italy as a result of the inspection carried out on the company Non Performing Loans S.p.A. in Milan, Dr Carlo Garavaglia, as former auditor of the above company, received (as did the manager, directors and members of the board of statutory auditors in office and formerly in office) a pecuniary administrative sanction of Euro 40,000 imposed for breaches referred to in Article 107 (2) and (3) of Legislative Decree 385/1993 and referred to in the first part, Chapters VI and VIII of the *Supervisory Instructions for Intermediaries registered in the Special Register* contained in the Bank of Italy Circular no. 216/1996. The sanction is the subject of opposition - under Article 145 of Legislative Decree 385/1993 - currently pending before the Court of Appeal of Rome.

With decision no. 701 of 15 June 2011 issued by the Bank of Italy as a result of the inspection carried out on Centrobanca S.p.A., Mr Domenico Guidi, as a member of the board

of directors of the same bank, received (as did the manager, other directors, former directors and members of the board of statutory auditors, though for different amounts) a pecuniary administrative sanction of Euro 18,000 imposed for breaches referred to in: (i) Article 53 (1) (b) and (d) of Legislative Decree 385/1993; (ii) Section IV, Chapter XI of the *Supervisory Instructions for Banks* contained in the Bank of Italy Circular no. 263/2006; (iii) *Supervisory Provisions of 4 March 2008 concerning the organization and corporate governance of banks*.

### **Board of Statutory Auditors**

Pursuant to Article 19 of the Articles of Association that will come into force on the Effective Date of the Demerger (and Article 27 of the Articles of Association in force at the Date of the Information Document), the board of statutory auditors is composed of three statutory auditors and two substitute auditors. The statutory and substitute members of the board of statutory auditors have been appointed on the transformation from a limited liability company to a joint stock company of De'Longhi Clima on 18 July 2011, until the date of the meeting called to approve the financial statements for the year ending 31 December 2013.

In accordance with Article 19 of the Articles of Association, all the members of the board of statutory auditors must possess the requisites provided by law and the regulations in force, to this end specialization in the subject matters and areas of activity strictly related to those of the company indicated in the corporate purpose, with particular reference to companies or entities operating in the industrial, commercial, property, IT, finance and services sectors in general shall be taken into consideration.

Possession by the auditors of the requisites of honourableness and professionalism was ascertained by the board of directors on 21 July 2011.

The board of statutory auditors is composed as follows:

<b>Name and Surname</b>	<b>Position</b>	<b>Place and date of birth</b>
GIANLUCA PONZELLINI	Chairman of the Board of Statutory Auditors	Varese on 7/02/1947
GIULIANO SACCARDI	Regular Auditor	Treviso on 29/06/1942
MICHELE FURLANETTO	Regular Auditor	San Donà di Piave (Venice) on 27/12/1967
ROBERTO CORTELLAZZO WIEL	Alternate Auditor	Venice on 27/05/1958
MONICA BERNA	Alternate Auditor	Padua on 8/11/1972

All auditors are domiciled at the headquarters of De'Longhi Clima for the duration of office.

Summary information on the members of the board of statutory auditors is shown below.

**GIANLUCA PONZELLINI** – *Chairman of the Board of Statutory Auditors*. He graduated in Business Economics from the 'Cattolica del Sacro Cuore' University in Milan. He is registered in the Register of Chartered Accountants of Varese in 1976. From 1973 to 1979 he

collaborated with top auditing and accounting firms in Italy and in the USA, and from 1980 he worked as an independent Chartered Accountant. He participated in the establishment of an audit firm Metodo S.r.l., of which he is still partner and chairman. Currently he holds, among others, the position of member of the Board of Statutory Auditors of the following national and international companies: Banca IMI S.p.A. (chairman), Casa Editrice Universo S.p.A., De'Longhi S.p.A. (chairman), GS S.p.A., Intesa Sanpaolo S.p.A., Luisa Spagnoli S.p.A. (chairman), Telecom Italia S.p.A. As a consultant he has carried out, for national and international firms and entities: legal audit of accounts, audits, corporate assessments, assistance in extraordinary company operations (sale, purchase, merger, demerger, restructuring etc), accounting and administrative organization and technical consultant.

**GIULIANO SACCARDI** – *Statutory Auditor*. He graduated in Business Economics from the 'Ca' Foscari' University of Venice. He is registered in the Register of Chartered Accountants and Accounting Experts of Treviso in 1972. He is an Auditor (Revisore Legale dei Conti) and registered with the Register of Technical Consultants of the Court of Treviso. He was president of the Chartered Accountants and Accounting Experts Association of Treviso from 1989 to 1992 and delegate of the National Council of Chartered Accountants and Accounting Experts to the Presidency of the Study Commission on *Financial Statements and Consolidated Financial Statements* from 1992 to 1993. He has carried out the profession of Chartered Accountant in the firm *Saccardi & Associati*, specialized in contracts, corporate and tax issues. He is a member of the cultural associations *Ned Community* and *Il Trust in Italia*. Currently he holds, among others, the position of member of the Board of Statutory Auditors of the following companies: Stefanel S.p.A. (chairman), De'Longhi S.p.A., Nice S.p.A. (chairman) and FontanaArte S.p.A. (chairman).

**MICHELE FURLANETTO** – *Statutory Auditor*. Graduated in Business Economics from the University of Venice. He registered with the Chartered Accountants Association of Venice since 1996 and is currently registered with the Chartered Accountants Association of Treviso. Since 1996 he has been on the Register of Auditors. In 2008 he earned his MBA from the "Fondazione Cuoia" of Altavilla Vicentina (VI) and *Certificate in Global Management* from the *University of Michigan-Dearborn School of Management*. From 1994 to 1997 he worked as auditor for *Coopers Lybrand S.p.A.*. He has carried out the profession of Chartered Accountant - as associate - in the firm *Cortellazzo-Wiel Zardet & Associati* in Treviso, specialized in corporate, tax, contract, pre-insolvency and insolvency issues. He has held and holds posts as Liquidator appointed by the Ministry of Economic Development. He teaches accounting and corporate finance at various entities and institutions, such as: *Training School for Chartered Accountants for the Association of Treviso and Venice*, University of Arezzo and *Training Centre for Management* of Milan and expert on Business Economics (scientific subject SECS-P/07) at the 'Ca' Foscari' University of Venice. He is a member of the *Executive Board of the Cuoia Master Association* with the role of treasurer. He is author of a number of accounting publications. Currently he holds, among others, the position of member of the Board of Statutory Auditors of the following companies: Nordest Ippodromi S.p.A., Ivone Dal Negro S.p.A. and Climaveneta S.p.A.

**ROBERTO CORTELLAZZO WIEL** – *Substitute Auditor*. He graduated in Business Economics from the 'Ca' Foscari' University of Venice. He is registered with the Chartered Accountants Association of Treviso and the Register of Auditors since 1985. Since 1990 he has become an associate in the firm *Cortellazzo-Wiel Zardet & Associati* in Treviso, specialized in

corporate, tax, contract, pre-insolvency and insolvency issues. He actively collaborates with the Court of Treviso with which he has undertaken a number of posts, such as liquidator, official receiver, inspector and receiver, as well as with the Public Prosecutors Office at the Court of Treviso, as technical consultant for Prosecuting Magistrates. From 1991 to 1992 he has been a member of the Council of the Union of Young Chartered Accountants of Treviso and from 1992 to 2005 he was councillor of the Chartered Accountants Association of Treviso, holding the positions of secretary and vice-president. From 1996 to 2004 he held the role of secretary of the *Permanent Conference of Presidents of the Chartered Accountants Association of the Three Venices* and, since its establishment, he has been in charge, for the Association of Treviso, of the *Trainee School for the Associations of Treviso and Venice*, in which he held the role of president. Currently he holds, among others, the position of member of the Board of Statutory Auditors of the following companies: DL Radiators S.p.A., Ivone Del Negro Holding S.p.A. (chairman), Gruppo Coin S.p.A., Net Engineering International S.p.A. and Fisher & Paykel Appliances Italy S.p.A.

**MONICA BERNA** – *Substitute Auditor*. She graduated in Business Economics from the 'Ca' Foscari' University of Venice. She has been registered in the Chartered Accountants Association since 2001. Since 2002 she has been registered in the Auditors Register. She has carried out the profession of Chartered Accountant in the firm *Saccardi & Associati*, specialized in contracts, corporate and tax issues. Currently she holds, among others, the position of member of the Board of Statutory Auditors of the following companies: Nice S.p.A., FontanaArte S.p.A., Gamma S.p.A. (chairman), Veneto S.p.A. (chairman).

No member of the board of statutory auditors of De'Longhi Clima has family ties with other members of the board of statutory auditors, with members of the board of directors or with the principal managers.

The following table indicates the positions currently held by members of the Board of Statutory Auditors of De'Longhi Clima and those held in the five years prior to the Date of the Information Document.

Name and Surname	Company in which position held	Position	Status at date of Information Document
GIANLUCA PONZELLINI	Banca Imi S.p.A	Chairman of the Board of Statutory Auditors	Active
	Luisa Spagnoli S.p.A.	Chairman of the Board of Statutory Auditors	Active
	Caretti & Associati S.p.A.	Regular Auditor	Active
	Casa Editrice Universo S.p.A.	Regular Auditor	Active
	De'Longhi Appliances s.r.l.	Chairman of the Board of Statutory Auditors	Active
	De'Longhi Capital Services S.r.l.	Chairman of the Board of Statutory Auditors	Active
	De'Longhi Clima S.p.A.	Chairman of the Board of Statutory Auditors	Active
	De'Longhi S.p.A.	Chairman of the Board of Statutory Auditors	Incarica
	Diperdi S.r.l.	Chairman of the Board of Statutory Auditors	Active
	G.S. S.p.A.	Regular Auditor	Active
	Intesa Sanpaolo S.p.A.	Supervisory Director	Active

<b>GIANLUCA PONZELLINI</b>	Metodo S.r.l.	Chairman of the Board of Directors	Active
	Spaim S.p.A.	Chairman of the Board of Statutory Auditors	Active
	Spama S.r.l.	Chairman of the Board of Statutory Auditors	Active
	Spapi S.r.l.	Chairman of the Board of Statutory Auditors	Active
	SSC S.r.l.	Chairman of the Board of Statutory Auditors	Active
	Telecom Italia S.p.A.	Regular Auditor	Active
	Alfa S.p.A.	Regular Auditor	Expired
	Autogrill International S.r.l.	Regular Auditor	Expired
	Autogrill S.p.A.	Regular Auditor	Expired
	Casa Damiani S.p.A.	Regular Auditor	Expired
	Del Duca Editori S.r.l.	Regular Auditor	Expired
	Didieffe Editoriale S.p.A.	Regular Auditor	Expired
	Ecs International Italia S.p.A.	Regular Auditor	Expired
	Edizioni Bruno Mondadori S.p.A.	Regular Auditor	Expired
	Edizioni del Duca S.p.A.	Regular Auditor	Expired
	Enia Energia S.p.A.	Regular Auditor	Expired
	Etnastore S.r.l.	Regular Auditor	Expired
	Euromobiliare Asset Management s.g.r. S.p.A.	Regular Auditor	Expired
	Finmar S.p.A.	Chairman of the Board of Statutory Auditors	Expired
	Intesa Sanpaolo Private Banking S.p.A.	Chairman of the Board of Statutory Auditors	Expired
	Lonza S.p.A.	Chairman of the Board of Statutory Auditors	Expired
	Mar S.p.A.	Chairman of the Board of Statutory Auditors	Expired
	Nuova C.V. S.r.l.	Chairman of the Board of Statutory Auditors	Expired
	Nuova D.M. S.r.l.	Chairman of the Board of Statutory Auditors	Expired
	Nuova D.S.L. S.r.l.	Chairman of the Board of Statutory Auditors	Expired
	Pearson Paravia Bruno Mondadori S.p.A.	Regular Auditor	Expired
	Pegaso S.p.A.	Regular Auditor	Expired
	Schema28 S.p.A.	Directors	Expired
	Senatus S.r.l. (independent auditors)	Directors	Expired
	Sviluppo Alimentare S.r.l.	Chairman of the Board of Statutory Auditors	Expired
	<b>GIANLUCA PONZELLINI</b>	Tre D Editoriale S.p.A.	Regular Auditor
Unimedia S.r.l.		Regular Auditor	Expired
Unistar S.r.l.		Regular Auditor	Expired
Unitop S.r.l.		Regular Auditor	Expired
Universo Pubblicità S.r.l.		Regular Auditor	Expired
Universo S.p.A.		Regular Auditor	Expired
Wanlease Italia S.p.A.		Chairman of the Board of Statutory Auditors	Expired
World Servizi Editoriali S.p.A.		Regular Auditor	Expired
<b>GIULIANO SACCARDI</b>	Climaveneta S.p.A.	Chairman of the Board of Statutory Auditors	Active
	DL Radiators S.p.A.	Chairman of the Board of Statutory Auditors	Active
	FontanaArte S.p.A.	Chairman of the Board of Statutory Auditors	Active
	Interfashion S.p.A.	Chairman of the Board of Statutory Auditors	Active

	Nice S.p.A.	Chairman of the Board of Statutory Auditors	Active
	Stefanel S.p.A.	Chairman of the Board of Statutory Auditors	Active
	Delta Erre Trust Company	Directors	Active
	De' Longhi S.p.A.	Regular Auditor	Active
	De' Longhi Appliances S.r.l.	Regular Auditor	Active
	De' Longhi Clima S.p.A.	Regular Auditor	Active
	Rete S.p.A.	Regular Auditor	Active
	Ancorvert S.p.A.	Member of the Compliance Program Supervisory Body	Active
	Fabriano Boutique S.r.l.	Member of the Compliance Program Supervisory Body	Active
	Asco TLC S.p.A.	Chairman of the Board of Statutory Auditors	Expired
	Banca di Treviso S.p.A.	Chairman of the Board of Statutory Auditors	Expired
	Delta Erre S.p.A.	Directors	Expired
	Airest S.r.l.	Regular Auditor	Expired
	Ascopiave S.p.A.	Regular Auditor	Expired
	Marchiol S.p.A.	Regular Auditor	Expired
	Camera di Commercio di Treviso	Chairman of the Board of Auditors	Expired
	Camera di Commercio di Treviso	Member of the Strategic Supervisory Body	Expired
<b>MICHELE FURLANETTO</b>	Cooperativa Meolese	Chairman of the Board of Statutory Auditors	Active
	Energica S.r.l.	Chairman of the Board of Statutory Auditors	Active
	Farm Angels 2 S.r.l.	Chairman of the Board of Statutory Auditors	Active
	Isfid Prisma Società Cooperativa	Chairman of the Board of Statutory Auditors	Active
	Società Servizi Socio Culturali Cooperativa Sociale	Chairman of the Board of Statutory Auditors	Active
	Climaveneta S.p.A.	Regular Auditor	Active
	De' Longhi Clima S.p.A.	Regular Auditor	Active
	Divitech S.p.A.	Regular Auditor	Active
	Doc Servizi Soc. Coop	Regular Auditor	Active
	Farm Angels S.r.l.	Regular Auditor	Active
	Ivone Dal Negro S.p.A.	Regular Auditor	Active
	Nordest Ippodromi S.p.A.	Regular Auditor	Active
	Siceta S.r.l.	Regular Auditor	Active
	Teodomiro Dal Negro S.p.A.	Regular Auditor	Active
	Tierra S.p.A.	Regular Auditor	Active
	Biasuzzi Cave S.p.A.	Alternate Auditor	Active
	Biasuzzi Concrete S.p.A.	Alternate Auditor	Active
	Bieffe S.r.l.	Alternate Auditor	Active
	Ivone Dal Negro Holding S.p.A.	Alternate Auditor	Active
	Magis S.p.A.	Alternate Auditor	Active
	Società Cooperativa Culturale Luigi Luzzatti	Alternate Auditor	Active
	Cooperativa Sociale Florence Nightingale	Liquidator	Active
	Astrocoop S.c.r.l.	Chairman of the Board of Statutory Auditors	Expired
	Enerlog S.p.A.	Chairman of the Board of Statutory Auditors	Expired
	Galvani Audit S.r.l.	Director	Expired
	Net Engineering International	Regular Auditor	Expired

	S.p.A.		
	Società Cooperativa Segnalstrade Veneta	Regular Auditor	Expired
	Ecopolifix S.r.l.	Alternate Auditor	Expired
	H-Farm Ventures S.p.A.	Alternate Auditor	Expired
	Faber Industries S.p.A.	Sole Auditor	Expired
	Compagnia Lavoratori Portuali di Venezia	Liquidator	Expired
<b>MONICA BERNA</b>	Gamma S.r.l.	Chairman of the Board of Statutory Auditors	Active
	Veneto S.p.A.	Chairman of the Board of Statutory Auditors	Active
	FontanaArte S.p.A.	Regular Auditor	Active
	LOG607 S.r.l.	Regular Auditor	Active
	Nice S.p.A.	Regular Auditor	Active
	Uniteam Italia S.r.l.	Regular Auditor	Active
	De' Longhi Clima S.p.A.	Alternate Auditor	Active
	Rete S.p.A.	Alternate Auditor	Active
	H-Farm Ventures S.p.A.	Chairman of the Board of Statutory Auditors	Expired
	Doriguzzi Mario S.p.A.	Regular Auditor	Expired
	Ubiest S.p.A.	Regular Auditor	Expired
	Ascoenergy S.r.l.	Alternate Auditor	Expired
	Biasuzzi Concrete S.p.A.	Alternate Auditor	Expired
	Conegliano Iniziative Immobiliari S.p.A. in liquidation	Alternate Auditor	Expired
	Edigas Due S.p.A.	Alternate Auditor	Expired
	Edigas Esercizio Distribuzione Gas S.p.A.	Alternate Auditor	Expired
	Foundry Automation S.r.l. . in liquidation	Alternate Auditor	Expired
	Nordest Ippodromi S.p.A.	Alternate Auditor	Expired
	Sile Corpi Scaldanti S.r.l.	Alternate Auditor	Expired
<b>ROBERTO CORTELLAZZO WIEL</b>	Dia 1 S.p.A. in liquidation in deed of arrangement	Chairman of the Board of Statutory Auditors	Active
	Dia 2 S.p.A. in liquidation	Chairman of the Board of Statutory Auditors	Active
	Divitech S.p.A.	Chairman of the Board of Statutory Auditors	Active
	Edilvi S.p.A.	Chairman of the Board of Statutory Auditors	Active
	Finbi S.p.A.	Chairman of the Board of Statutory Auditors	Active
	Galletti Aurelio S.r.l.	Chairman of the Board of Statutory Auditors	Active
	Ivone Dal Negro S.p.A.	Chairman of the Board of Statutory Auditors	Active
<b>ROBERTO CORTELLAZZO WIEL</b>	Ivone Dal Negro Holding S.p.A.	Chairman of the Board of Statutory Auditors	Active
	Magis S.p.A.	Chairman of the Board of Statutory Auditors	Active
	Teodomiro Dal Negro S.p.A.	Chairman of the Board of Statutory Auditors	Active
	Vidue S.p.A.	Chairman of the Board of Statutory Auditors	Active
	Bieffe S.r.l.	Regular Auditor	Active
	Costruzioni Generali Biasuzzi S.r.l.	Regular Auditor	Active
	DL Radiators S.p.A.	Regular Auditor	Active
	Fisher & Paykel Appliances Italy S.p.A.	Regular Auditor	Active
	Fisher & Paykel Appliances Italy Holdings S.r.l.	Regular Auditor	Active

	Gruppo Coin S.p.A.	Regular Auditor	Active
	Hypo Alpe Adria Finance S.r.l.	Regular Auditor	Active
	Hypo Alpe Adria Leasing S.r.l.	Regular Auditor	Active
	Hypo Service S.r.l.	Regular Auditor	Active
	Net Engineering International S.p.A.	Regular Auditor	Active
	Tierra S.p.A.	Regular Auditor	Active
	Venosta S.r.l. in liquidation	Regular Auditor	Active
	Biasuzzi S.p.A.	Alternate Auditor	Active
	Biasuzzi Cave S.p.A.	Alternate Auditor	Active
	Brand Zero S.p.A.	Alternate Auditor	Active
	Coin S.p.A.	Alternate Auditor	Active
	Coin Franchising S.p.A.	Alternate Auditor	Active
	Compago S.r.l.	Alternate Auditor	Active
	Così – Concept Of Style Italy S.p.A.	Alternate Auditor	Active
	De' Longhi S.p.A.	Alternate Auditor	Active
	De' Longhi Appliances S.r.l.	Alternate Auditor	Active
	De' Longhi Clima S.p.A.	Alternate Auditor	Active
	Fafin S.r.l.	Alternate Auditor	Active
	Oviessè S.p.A.	Alternate Auditor	Active
	Oviessè Franchising S.p.A.	Alternate Auditor	Active
	Società Immobiliare Costruttori Edili Trevigiani Associati a r.l.	Alternate Auditor	Active
	Upim S.r.l.	Alternate Auditor	Active
	Amsa S.p.A.	Chairman of the Board of Statutory Auditors	Expired
<b>ROBERTO CORTELLAZZO WIEL</b>	Ciotti Compensati S.p.A.	Chairman of the Board of Statutory Auditors	Expired
	Elettromeccanica Delta S.p.A.	Chairman of the Board of Statutory Auditors	Expired
	Eurolastica S.r.l. in liquidation	Chairman of the Board of Statutory Auditors	Expired
	Eurolastica Group S.p.A.	Chairman of the Board of Statutory Auditors	Expired
	Feberplast S.r.l.	Chairman of the Board of Statutory Auditors	Expired
	Key Automation S.p.A.	Chairman of the Board of Statutory Auditors	Expired
	K2 Oil	Chairman of the Board of Statutory Auditors	Expired
	Somec Marine & Architectural Envelopes S.r.l.	Chairman of the Board of Statutory Auditors	Expired
	Trentin Ghiaia S.p.A.	Chairman of the Board of Statutory Auditors	Expired
	India Immobiliare S.r.l.	Regular Auditor	Expired
	San Paolo Partecipazioni S.p.A. in liquidation	Regular Auditor	Expired
	Sportuno S.r.l.	Regular Auditor	Expired
	Zaghis S.p.A.	Regular Auditor	Expired
	Cadive S.r.l.	Alternate Auditor	Expired
	Padana S.r.l. in liquidation	Alternate Auditor	Expired

The members of the board of statutory auditors of De'Longhi Clima do not hold, nor have they held in the last five years before the Date of the Information Document, significant shareholdings in listed companies or companies of a certain size.

To De'Longhi Clima's best knowledge, without prejudice to that indicated in the following paragraphs, no member of the board of statutory auditors over the last five years, has been



convicted for fraud, or been associated, in the discharge of their duties, to bankruptcy procedures, receivership or liquidation, nor the subject of official indictments and/or sanctions by public authorities or regulations (including designated professional bodies) or interdiction by a Court from being a member of the board of directors, management or supervisory body of De'Longhi Clima or from conducting management or executive activities of any issuer.

## Principal Managers

At the Date of the Information Document the Beneficiary Company does not have any manager. On this point it should be noted that, starting from the Effective Date of the Demerger, the CEO of De'Longhi Clima, Mr Carlo Grossi, will stop his current role of manager with Climaveneta S.p.A. and he will take on also the role of General Manager in De'Longhi Clima.

At the Effective Date of the Demerger the principal managers of the De'Longhi Clima Group will be the following:

Name and Surname	Position	Place and date of birth
CARLO GROSSI	Chief Executive Officer and General Manager of De'Longhi Clima S.p.A.	Lecco il 16/01/1956
PAOLO BIANCHETTIN	General Manager of DL Radiators S.p.A.	Pordenone on 14/09/1954
MASSIMO FORCELLINI	Chief Executive Officer of RC Group S.p.A.	Lecce on 17/12/1954
MAURIZIO MARCHESINI	General Manager of Climaveneta S.p.A.	Valdagno (Vicenza) on 03/02/1968

The following is a brief CV of each of the principal managers of De'Longhi Clima Group showing the skills and experience gained in business management. For Mr Carlo Grossi's CV please refer to the previous point "*Board of Directors*" in this section.

**PAOLO BIANCHETTIN** – Graduated in Mechanical Engineering from the University of Trieste in 1980, and has been registered with the Association of Engineers since 1980. In 1995 he attended the *Advanced Management School* at the *Stanford University* and the course *Achieving Corporate Transformation* at the *Management Centre Europe* in Brussels and in 2005 the “Next Level Leader” at *Ashridge University & Elecrolus* in Berkhamsted (UK). From 1981 to 1988 he worked as R&D engineer at *Hiross S.p.A.* and from 1988 to 1990 he was project manager of CIM (Computer Integrated Manufacturing) and Engineering in *Permasteelisa* in *S.Vendemiano (TV)* where he realized the company CAD system. From 1990 to 1992 he held the position of industrial manager of *Gretag S.Marco* and from July 1992 to September 1996 technical manager of *Gruppo Hiross*. From October 1996 to December 1997 he was manager of the *Business Unit RMS (Radio Mobile Shelter)* of *Hiross S.p.A.* In 1998 he started collaborating with *Ixtant S.p.A.* first as manager of two plants and then as manager of the Northern Plants. In 2001, after *Ixtant S.p.A.* was bought by the

Mekfin Group, he was appointed manager of the commercial division of Telecom clients. From December 2001 to January 2008 he worked for Electrolux Professional S.p.A. first as *Platform Manager DishWashing Systems*, then as *Platform Manager DishWashing Systems and Dynamic Preparation* and he also held the position of General Manager of the French plant Dynprep. Since February 2008 he has been General Manger of DL Radiators S.p.A..

**MASSIMO FORCELLINI** – Graduated in Mechanical Engineering from the University of Rome “La Sapienza” in 1981 and he then attended the management course at IPSOA in Milan. From 1981 to 1984 he worked for Snamprogetti S.p.A. as assistant to the head foreman in Iraq. From 1984 to 2002 he collaborated with McQuay Italia S.p.A., a company operating in the construction of air conditioning equipment, where he held the positions of *Product Manager, Area Manager* and Sales and Marketing Manager. Since 2002 he has worked for RC Group S.p.A. first as Sales Manager for Italy and then Commercial Manager. Since April 2008 he also has taken the role of managing director of RC Group S.p.A.

**MAURIZIO MARCHESINI** – After having received his diploma of Electrotechnician from the ITISAR Technical Institute of Vicenza in 1987, from 1989 to 1997 he held different positions at the company Lowara S.p.A. part of Gruppo ITT. His professional career started in process quality and quality certification and then he moved to Procurement and Purchasing until he became Purchasing Manager. From 1997 to 1999 he collaborated with Ceccato S.p.A. as *Group Purchasing & Logistic Manager*, Italy and Brazil. From 1999 to date he has worked in Climaveneta S.p.A. holding different positions: initially as Purchasing and Logistics Manager, then Operations Manager, then Deputy General Manager and then General Manager since 2008. He has been an Adaci Councillor, (Italian Management Association for Procurement) for many years and today he is a certified teacher *Adaci Formanagement* for training and purchase processes management and training and lean management in the Supply Chain.

To De'Longhi Clima's best knowledge, none of the principal managers of the Beneficiary Company has family ties with the members of the board of directors or board of statutory auditors. Also no family ties exist between the principal managers.

The following table indicates the positions currently held by the principal managers of De'Longhi Clima and those held in the five years prior to the Date of the Information Document. For Mr Carlo Grossi's position holds please refer to the previous point "*Board of Directors*" in this section.

Name and Surname	Company in which position held	Position	Status at date of Information Document
PAOLO BIANCHETTIN	-	-	-
MASSIMO FORCELLINI	RC Group S.p.A.	Chief Executive Officer	Active
MAURIZIO MARCHESINI	Climaveneta Chat Union Refrigeration Equipment (Shanghai) Co. Ltd	Directors	Active
	Climaveneta Chat Union Trading (Shanghai) Co. Ltd.	Directors	Active
	Top Clima S.L.	Directors	Active
	Climaveneta France S.a.s.	Directors	Active

To the Beneficiary Company's best knowledge none of the principal managers above: (a) have held, over the five years before the Date of the Information Document, significant shareholdings in listed companies or of significant size or in companies in the De'Longhi Group; (b) have been convicted, in the last five years, for fraud, or been associated, in the discharge of their duties, to bankruptcy procedures, receivership or liquidation, nor the subject of official indictments and/or sanctions by public authorities or regulations (including designated professional bodies) or interdiction by a Court from being a member of the board of directors, management or supervisory body of De'Longhi Clima or from conducting management or executive activities of any issuer.

#### **Founding shareholders**

De'Longhi Clima S.p.A. was established on 29 December 2009, with the name Pandora S.r.l., by Comitalia Compagnia Fiduciaria S.p.A. and Comfid Compagnia Fiduciaria S.r.l.

On 30 June 2011 the Company was acquired entirely by De'Longhi S.p.A.

#### **Conflicts of interest for members of the Boards of Directors and Statutory Auditors**

None of the members of the Boards of Directors or Statutory Auditors of De'Longhi Clima has any direct interest, nor represents the interests of any third parties, which is potentially in conflict with the interests of De'Longhi Clima and/or their obligations to De'Longhi Clima.

#### **5.4.2 Compensation and benefits**

##### **Compensation and benefits for members of the administrative, management and supervisory bodies**

From its establishment (which took place in December 2009 in the form of a limited liability company, then transformed into a joint stock company on 18 July 2011) to the Date of the Information Document the Beneficiary Company has not carried out any activities other than those preliminary to the Demerger.

Since its establishment and until its transformation into a joint stock company (decided by the ordinary shareholders' meeting on 18 July 2011) the ordinary and extraordinary administration of the Company was entrusted to a sole director, while, though not mandatory, the company appointed a board of statutory auditors. With reference to the financial year 2010 it must be specified that the sole director has not been paid any remuneration.

Upon transformation of the Beneficiary Company from limited liability company to a joint stock company, the ordinary shareholders' meeting of the Company held on 18 July 2011 has, among other things, set up and appointed a board of directors composed of three members and a board of statutory auditors. At the same meeting the Company's shareholders voted to award an annual fee of Euro 5,000 to the chairman of the board of statutory auditors, and Euro 2,500 to each of the two statutory auditors.

Following the appointment of the new board of directors - which will take office with effect from the Effective Date of the Demerger - resolved by the ordinary shareholders' meeting of De'Longhi Clima held on 10 November 2011, the fees for the members of the board of directors for the financial years 2012, 2013 and 2014 were set by the same meeting in the amount of Euro 30,000 gross per annum for each director, plus reimbursement of expenses incurred by each of them in fulfilment of their mandate.

The annual remuneration approved by the Company's ordinary shareholders' meeting on 18 July 2011 for the members of the board of statutory auditors for the years 2012 and 2013, has been integrated by the ordinary shareholders' meeting of De'Longhi Clima on 10 November 2011, which raised fees to Euro 60,000 gross per annum for the chairperson and Euro 40,000 gross per annum for each statutory auditor.

#### **Amounts allocated or accrued by De'Longhi Clima for payment of pensions, leaving entitlements or similar benefits**

Having been established in December 2009 and not having carried out any activities other than those preliminary to the Demerger, on the Date of the Information Document De'Longhi Clima S.p.A. did not have employees and, therefore, had not yet made any provisions for the payment of pensions, severance pay or similar benefits.

### **5.4.3 Procedures for the Board of Directors**

#### **Term of office**

During the Company's ordinary shareholders' meeting held on 10 November 2011, the members of the board of directors in office at the Date of the Information Document have tendered their resignation with effect from the Effective Date of the Demerger.

The same shareholders' meeting, taking note of these resignations, decided to set the number of members of the board of directors - with effect from the Effective Date of the Demerger - as seven and has appointed, again with effect from the Effective Date of the Demerger and until the date of the approval of the financial statements for the year ending 31 December 2014, a new board of directors composed of Giuseppe De' Longhi, Carlo Grossi, Silvia De' Longhi, Luca Maria Bettale, Carlo Garavaglia, Domenico Guidi and Ramon Marimon.

#### **Employment contracts between De'Longhi Clima, or other group company, and members of the Boards of Directors and Statutory Auditors and which provide for a leaving entitlement**

At the Date of the Information Document Mr Carlo Grossi is the CEO of the company and holds, among others, also the position of CEO and manager of Climaveneta S.p.A. (a company which, following the coming into effect of the Demerger, will become part of the De'Longhi Clima Group). The employment contract in force provides for an open-ended managerial level contract. The employment relationship is regulated by the *National Collective Labour Agreement for the Executives of Companies Producing Goods and Service (25.11.2009)* and severance indemnity matures on the remuneration.

Without prejudice to the above, on the Date of the Information Document there are no employment contracts entered into by members of the board of directors and the board of statutory auditors with De'Longhi Clima or with other companies in the De'Longhi Clima Group that provide for a severance allowance.

#### **Declaration of adherence to corporate governance standards**

De'Longhi Clima complies and adheres to the Corporate Governance Code for Italian listed companies adopted by Borsa Italiana with the additions and amendments consequent to the characteristics of the De'Longhi Clima Group.

Adherence to the Corporate Governance Code was approved by the Company's board of directors on 10 November 2011 through the adoption of an appropriate 'framework resolution' which specifies the provisions of the same code which are considered appropriate to implement and those which the Company has not adhered to. In particular, at the moment the Company has not adhered to the following criteria and principles of the Corporate Governance Code:

*(i) Criterion 1.C.3.* – under which the board is called to express its own position regarding the maximum number of directorships or which may be considered compatible with an effective performance as Company director – since it was considered that this assessment should first be carried out by the shareholders when appointing the directors and, later, by the individual director at the time of acceptance of office;

*(ii) Criterion 1.C.4.* – under which the board is required, should the shareholders' meeting authorize general and precautionary exceptions to the bar on competition under Article 2390 of the Italian Civil Code, to evaluate each case pointing out at the first shareholders' meeting any critical points - since the provisions of law regarding conflicts of interest are considered sufficient, and so too do the provisions contained in the Procedure for Transactions with Related Parties that listed companies are obliged to adopt;

*(iii) Criterion 3.C.6.* – under which the independent directors must meet at least once a year without the other directors – giving independent directors the right to evaluate, each financial year, whether the reasons for meeting without the other directors exist;

*(iv) Criterion 5.C.1.* – which requires that the issuer makes adequate financial resources available to the committees for the performance of their duties, within the limits of the budget approved by the board – it being preferable, in the current phase, not to attribute spending powers to members of the committees, but from time to time provide the necessary funds for the realization of the individual activities;

*(v) Principle 6.P.2 (and consequently Criterion 6.C.2)* – provides for the institution of an appointment committee – considering that it is not necessary at the moment;

*(vi) Criterion 8.C.3. d) and e)* – concerning the duties of the Internal Control Committee – it being more consistent with the legal system in force, in light of the competencies attributed to the board of statutory auditors by Legislative Decree no. 39 of 27 January 2010, not to refer to the Internal Control Committee the duty of evaluating the proposals submitted by the auditing firms for the assignment of a relative task, as well as the work plan prepared for the audit and the results presented in the report and any recommendations letter;

(vii) Criterion 9.C.2. – regarding the identification of operational solutions that facilitate the identification of conflicts of interest – considering the law on this subject sufficient;

(viii) Criterion 10.C.2 – providing for the application by the auditors of the independence requirements provided by the Corporate Governance Code for directors – considering the provisions of Article 148 of the Consolidated Finance Law sufficient.

At the same meeting on 10 November 2011, the board of directors of De'Longhi Clima adopted some resolutions to adjust the corporate governance system of the Company to the principles in the above code, which are illustrated below.

## **Adherence to corporate governance standards**

### **Composition of the Board and Independent Directors**

As mentioned, on 10 November 2011 the shareholders' meeting also appointed a new board of directors that will take office on the Effective Date of the Demerger, the composition of which, with the presence of a large number of non-executive and independent directors, complies with the rules of applicable law (and, among other things, Article 146-ter (4) of the Consolidated Finance Law which for boards of no more than seven directors requires at least one independent director pursuant to Article 148 (3) of the Consolidated Law), and with the principles of corporate governance dictated by the Corporate Governance Code.

In particular, the seven directors, five of whom are non-executive pursuant to Article 2 of the Corporate Governance Code and, among other things, two are independent pursuant to Article 3 of the Code and the combined provision of articles 147-ter (4) and 148 (3) of the Consolidated Finance Law.

The presence of an appropriate number of non-executive and independent directors is directed to ensure that decisions are appropriately considered, subject (also) to the examination by directors who are by definition extraneous to the operational management of the De'Longhi Clima Group (non-executive directors) and, among other things, with no significant relationships with management and shareholders (independent directors).

The presence of such figures in the administrative body, as is known, will also provide adequate protection with regard to issues in which potential conflicts of interest may arise: this context includes the duties assigned by the board of directors to the Internal Control Committee in observance of the Consob Regulation on transaction with Related Parties, issued by the Supervisory Authority to implement the delegation referred to in Article 2391-bis of the Italian Civil Code (Consob Regulation 17221/2010).

The requisites for independence of the directors are assessed annually. Moreover, whenever a circumstance occurs which could potentially entail the independence requisite not being met, it is the duty of directors to report this situation in writing. The outcome of these assessments is communicated to the market. The ordinary shareholders' meeting held on 10 November 2011 has acknowledged the statement in which the directors Mr Domenico Guidi and Dr Ramon Marimon state that they possess the requisites of independence required by

the Corporate Governance Code and by the combined provisions of Article 147-ter (4) and 148 (3) of the Consolidated Finance Law.

**Committees established by the Board of Directors**

Pursuant to Article 12 of the Articles of Association which will come into effect on the Effective Date of the Demerger, De'Longhi Clima's board of directors may institute an executive committee, establishing its powers, the number of members and methods of operation, and/or appoint one or more advisory committees, also in order to adapt the company's corporate governance to the recommendations on corporate governance.

On 10 November 2011 the board of directors instituted, starting from the Effective Date of the Demerger, the Internal Control Committee and the Remuneration Committee. With regard to Principle 6.P.2 of the Corporate Governance Code, the board of directors has not considered it necessary at present to establish an appointment committee.

At the meeting the tasks and operation of the above committees were defined and the composition criteria were established in compliance with the principles contained in Article 5 of the Corporate Governance Code. In particular:

- both the Internal Control Committee and the Remuneration Committee are composed of three non-executive members, the majority of whom are independent. One of the members of the Internal Control Committee has adequate experience in accounting and finance matters, and two of the members of the Remuneration Committee have adequate financial knowledge and experience;
- the board of directors may, with a subsequent resolution, add to or amend the duties of the individual committees;
- the meetings of each committee must be minuted;
- in the performance of their duties, the committees will have the authority to access the information and business functions necessary for the execution of their functions, and to avail themselves of external consultants, using the financial resources that will be made available by the board of directors;
- subjects who are not members of the committee may participate at committee meetings, subject to invitation by the committee itself and with only regard to the points on the agenda;
- for the validity of the Committees' resolutions the presence of the majority of the respective members in office is required, resolutions are carried by the absolute majority of those present and in the event of a tie the vote cast by the person chairing the meeting will prevail; the meetings are validly constituted even when they are held by videoconference or teleconference, provided that all the participants can be identified by the Chairperson and by the other people present, that they are permitted to follow the discussion, participate in real time in the topics discussed, receive and transmit documentation, and in this case the committee is considered held where the Chairperson is.

At the board meeting on 10 November 2011, the Internal Control Committee was also assigned the role and functions concerning operations of the De'Longhi Clima Group with related parties that the Consob Regulation no. 17221/2010 attributes to the established committees by all or a majority of independent directors (the committee is therefore also called the Committee for Internal Control and Transactions with Related Parties), without prejudice to the exclusions and exceptions to the application of the provisions of the procedure for transactions with related parties approved by the Company, pursuant to Article 8 of the same procedure (for a detailed description of the contents of the Transactions with Related Parties see that specified below in this section of the Information Document).

The composition of the Committees will be established in accordance with applicable law and the Corporate Governance Code, by the board of directors which will take office on the Effective Date of the Demerger, at the first meeting which will be held after that date and in any case by the end of January 2012.

The board of directors will inform the market about the institution and composition of the committees, the content of the mandate entrusted to them, the activity effectively carried out during the year with the clarification of the number of meetings held and the percentage of attendance of each member in the Report on Corporate Governance and the Ownership Structure.

#### *Composition and procedures of Internal Control Committee*

The Internal Control Committee is comprised of three non-executive directors, the majority of whom are independent, with the task of assisting the board of directors in its own duties concerning the reliability of the accounting system and financial information, the internal control system, examination of the proposals for the appointment of external auditors and supervision of the internal audit using investigative functions, advice and recommendations.

In compliance with Article 8 of the Corporate Governance Code, the Company's board of directors has resolved at the meeting held on 10 November 2011 to attribute to the Internal Control Committee - which will coordinate its work with the board of statutory auditors - the following consultancy functions and recommendations, coinciding with those indicated in the Corporate Governance Code, except for letters *d*) and *e*) of Criterion 8.C.3:

- a*) assisting the board of directors in the performance of the duties indicated in the Criterion 8.C.1. of the Corporate Governance Code;
- b*) assess, jointly with the Manager responsible for the drafting of company accounts and with the auditors, the correct use of the accounting principles and their consistency with the aims of the drafting of the consolidated financial statements;
- c*) at the request of the Executive Director, express opinions on specific aspects concerning the identification of the principal company risks, and the planning, realization and management of the Internal Control System;
- d*) examine the work plan and periodic reports prepared by the persons in charge of internal control;



e) report to the board of directors, at least twice a year and as a rule upon the approval of the draft budget and half-year financial report, about its activities and the adequacy of the internal control system.

Again with regard to Article 8 of the Corporate Governance Code (letters *d*) and *e*) of the Criterion 8.C.3), the board of directors meeting held on 10 November 2011 considered it more consistent with the legal system in force, in light of the competencies attributed to the board of statutory auditors by Legislative Decree no. 39 of 27 January 2010 (so-called "Consolidated Audit Law"), and in any case in compliance with that permitted by the same drafters of the Corporate Governance Code in their comment to Article 8, not to refer to the Internal Control Committee the duty of evaluating the proposals submitted by the auditing firms for the assignment of a relative task, as well as the work plan prepared for the audit and the results presented in the report and any recommendations letter. As it is known, in listed companies it is the board of statutory auditors who is tasked by law to formulate proposals for the appointment of auditing firms, ensure their independence and the statutory audit of the annual accounts and consolidated accounts (Article 19 (1) of Legislative Decree no. 39/2010).

Considering that Article 19 (1) of the Consolidated Audit Law gives the board of statutory auditors, among other things, the task of supervising the financial reporting process and system of internal controls and risk management, within the guidelines approved again in the meeting on 10 November 2011 by the board of directors it was also determined that in order to achieve effective coordination of the work and timely and complete exchange of information, without prejudice to the respective powers of law and regulations, the Board of Statutory Auditors, the Internal Control Committee and, where appropriate, the Supervisory Board may meet in joint session to consider issues of common interest.

As mentioned, the board of directors has approved the draft procedure for transactions with related parties (the definitive version of which will be approved without delay as soon as the independent directors take office and have examined the draft procedure) and resolved to grant the Internal Control Committee duties and functions referred to in Consob Regulation no. 17221/2010, concerning the De'Longhi Clima Group's transactions with related parties (the Committee is therefore also called the Committee for Internal Control and Transactions with Related Parties), without prejudice to the exclusions and exceptions to the application of the provisions of the above procedure, pursuant to Article 8 of the same procedure.

In particular, in accordance with the procedure for Transactions with Related Parties adopted in draft by the Company, the Committee must therefore, among other things, issue their own non-binding opinion on the interest of the Company to perform Transactions with Related Parties over the minimum thresholds (i.e. those whose value is less than Euro 250,000), and the convenience and substantial fairness of the related conditions.

Without prejudice to any changes in the law on this subject, pursuant to Article 10 of Consob Regulation no. 17221/2011, should the Company for two consecutive years not meet the joint requirements contained in Article 3 (1) (f) of Consob Regulation no. 17221/2010 for "smaller" companies (assets and revenues, as reported in the latest consolidated financial statements, are greater than Euro 500 million), the board of directors must adopt a procedure

for transactions with related parties of greater importance that complies with Article 8 of the above Consob Regulation.

For a detailed description of the contents of the Transactions with Related Parties Procedure, please refer to the rest of this section of the Information Document.

#### Composition and procedures of Nominating and Compensation Committee

The Remuneration Committee consists of three non-executive directors, in majority independent.

In accordance with the new Article 7 of the Corporate Governance Code, in the meeting held on 10 November 2011, the board of directors of De'Longhi Clima resolved to grant the Remuneration Committee the following functions, of an advisory and recommendation nature:

- a) offer proposals to the board of directors for the definition of the general policy for the remuneration of executive directors, other directors vested with special powers and managers with strategic responsibility in the Company;
- b) submit to the board of directors proposals for the remuneration of executive directors and other directors holding particular positions, and set performance targets connected to the variable element of said remuneration, in observance of the criteria recommended by the Corporate Governance Code and by monitoring the application of the decisions adopted by the board of directors, checking, in particular, the actual achievement of performance objectives;
- c) periodically assess the adequacy, overall coherence and practical application of the general policy adopted for the remuneration of executive directors, other directors vested with particular duties and managers with strategic responsibilities, using the information provided by the managing directors; formulate general recommendations on this issue for the board of directors.

#### Internal Control System

In implementation of Criterion 1.C.1 (f) of the Corporate Governance Code, at the meeting held on 10 November 2011 the board of directors adopted the "*Guidelines for the Internal Control System*" ("*Guidelines*") regarding internal controls which set the criteria for identifying companies with strategic importance within the De'Longhi Clima Group. In applying these criteria, at the same meeting held on 10 November 2011, the board of directors then qualified - also in order to proceed with the appropriate verification of the non-executive and independent criteria of some directors who will take office on the Effective Date of the Demerger - the companies Climaveneta S.p.A., RC Group S.p.A. and DL Radiators S.p.A. as companies with strategic importance within the De'Longhi Clima Group.

In compliance with the principles of self-regulation and the Guidelines, in the meeting held on 10 November 2011 the board of directors appointed, with effect from the Effective Date of the Demerger, the executive director Mr Carlo Grossi as *executive director responsible for overseeing the functioning of the internal control system* (the 'Director in charge of Internal Control'), providing for the acquisition of this appointment by the new board of directors which will take office on the Effective Date of the Demerger, having heard the favourable opinion of the Internal Control Committee, in the first board meeting held after the new directors take office and in any case by the end of January 2012. Based on the assigned tasks, the Director in charge of Internal Control:

a) deals with the identification of the principal company risks, considering the characteristics of the activities performed by the Company and its subsidiaries, with particular attention to companies having strategic importance, and submits them to the examination of the Board of Directors at least once a year, and as a rule at (or prior to) the meeting of the Board of Directors for the approval of the draft balance sheet and consolidated financial statements;

b) has the responsibility for planning, managing and monitoring an Internal Control System which, in compliance with these Guidelines, ensures an efficient and effective supervision of the company risks. In particular:

- identifies the risk factors for the Company or other companies of the De' Longhi Clima Group, with particular attention to companies having strategic importance - without prejudice to the primary responsibility of the respective managing directors of the individual companies - also in light of the changes in the internal and external conditions in which they operate, and the management performances, deviations from the forecasts and the legislative and regulatory situation in force at the time;

- defines the duties of the operational units dedicated to the control functions, ensuring that the various activities are directed by qualified personnel, possessing experience and specific knowledge. In this field, the areas of potential conflict of interest are identified and reduced to a minimum.

- establishes effective communication channels in order to ensure that all the personnel is aware of the policies and procedures regarding their own duties and responsibilities;

- defines the information flows aimed at ensuring full knowledge and governability of the company actions; and ensures that the Board of Directors identifies the significant transactions of the Group – concluded by the Company or its subsidiaries – which must be submitted to the prior examination of the Parent Company's Board of Directors;

c) at least once a year, and as a rule at (or prior to) the meeting of the Board of Directors for the approval of the draft budget - and all the times it is considered necessary or appropriate with regard to the circumstances, as in the case in which new important risks arise or there are considerable increases in the possibilities of risk - submits to the examination and assessment of the Board of Directors the company risks and the set of control processes implemented and planned for their prevention, their reduction and their effective and efficient management, in order to allow the Board of Directors to make an informed and cognizant decision with regard to the strategies and management policies of the principal

risks of the Company and De' Longhi Clima Group with particular attention to companies having strategic importance;

d) proposes to the Board of Directors, also informing the Internal Control Committee about, the appointment, removal and remuneration of the Person responsible for Internal Control and ensures the independence and operational autonomy from each manager of operational areas, submitted to his/her supervision equipping him/her with the appropriate means to effectively perform the duties assigned to him/her.

The Person responsible for Internal Control will be appointed, upon the recommendation of the Director in charge of Internal Control, by the board of directors at the first meeting held after the Effective Date of the Demerger and in any case by the end of January 2012.

#### Compliance Program pursuant to Legislative Decree 231/2001

On 24 November 2011, the board of directors adopted with effect from the Effective Date of the Demerger, the organization, management and control model, pursuant to Legislative Decree 231/01 and the "Guidelines" for the adoption of the model with the Italian companies in the De'Longhi Clima Group.

The supervisory body - consisting of the Head of Legal and Corporate Affairs, the Head of Internal Auditing and an external consultant - will take office from the date the above model is adopted, and will have its own internal regulation, operate according to a specific monitoring programme and report to the board of directors, also via the Internal Control Committee and the Board of Statutory Auditors.

#### Code of Conduct

Again at the meeting held on 24 November 2011, the board of directors of De'Longhi Clima adopted, with effect from the Effective Date of the Demerger, a code of ethical conduct which is an integral part of the Internal Control System and expresses the principles of business ethics that De'Longhi Clima recognizes as its own and requires its observance by directors, auditors, employees, consultants and partners. In particular, the Code of Ethical Conduct contains specific guidelines related to the environment, health, business ethics and anti-money laundering, suppliers, HR management and respect for human rights.

In accordance with local regulations, the Code of Ethical Conduct is distributed to all the employees. Even consultants and partners are informed of the adoption of the Code of Ethical Conduct by sending a notice or, during the signing of the contracts, with the insertion of specific clauses referring to the principles contained therein.

### **Managers responsible for preparation of the company's financial reporting**

In compliance with the provisions of Article 154-*bis* of the Consolidated Finance Law, again at the meeting held on 10 November 2011, the board of directors, having heard the opinion of the board of statutory auditors, appointed Dr Stefano Biella to the position of Manager responsible for the drafting of the company financial statements (the "Manager in charge") with effect from the Effective Date of the Demerger and until approval of the interim management report at 31 March 2012.

On this point, it must be indicated that Dr Stefano Biella has held the same position in De'Longhi S.p.A. for several years: in view of the Demerger in progress, the Company believes that the appointment of the Manager in charge given to the person who holds the same position in the Demerging Company, will allow the Beneficiary Company, during the initial phase of listing on Borsa Italiana, continuity in the performance of a particularly important role for a listed company such as the one in question, thus allowing better protection for the investors and the market in general.

In view of this, the board of directors shall, at the moment of approval of the interim management report at 31 March 2012, appoint a new person from within the Company to substitute Dr Biella.

### **Further deliberations on corporate governance**

#### **Procedure for external disclosure of inside information**

On 11 October 2011, the board of directors also approved the De'Longhi Clima Group's procedure for the internal management and disclosure of corporate information outside the company, particularly with regard to privileged information, both with the aim of preserving the confidentiality of the documents and information concerning the De'Longhi Clima Group and to ensure the public receives accurate, complete, adequate and non-selective information. The procedure came into force at the same time of its approval by the board of directors.

#### **Procedures for general meetings**

At the meeting held on 10 November 2011, the shareholders' meeting of De'Longhi Clima adopted, upon the proposal of the board of directors, regulations governing the shareholders' meeting with the aim of ensuring the orderly and effective conduct of the meetings, specifying the rights and duties of all the participants and establishing clear and unequivocal rules not limiting or adversely affecting in any way the right of any shareholder to express their opinion and make requests for clarification of the topics on the agenda.

The Company's Articles of Association which will come into force from the Effective Date of the Demerger, and also provide for:

- in observance of the provision referred to Article 147-*ter* of the Consolidated Finance Law, the so-called 'list voting' mechanism for the appointment of the members of the board of directors;

- in observance of the provisions referred to in Article 148 of the Consolidated Finance Law, the so-called 'list voting' mechanism for the appointment of members of the board of statutory auditors.

\* \* \*

At the meeting held on 10 November 2011, the board of directors adopted further resolutions concerning adhesion to and implementation of the Corporate Governance principles, which are summarized below.

*Guidelines for Significant Transactions*

First, in relation to Articles 1 and 8 of the Corporate Governance Code, it was determined that the board of directors is always reserved, in addition to the competencies set by law and the Articles of Association (and in observance of the limits of the same), all the competencies required by the above code, and in particular, among these, the examination and approval of the transactions considered "significant".

The board of directors also approved - again with effect from the Effective Date of the Demerger - the *Guidelines on particularly significant transactions* (the Guidelines) which set the criteria for identifying the transactions of particular importance, subject to the retention of competence by the Company's administrative body with the meeting of the board of statutory auditors, also when carried out by subsidiary companies. In derogation to Criterion 1.C.1. (f), the above resolution does not regulate the procedure for the examination and approval of transactions with related parties, always subject to the procedure (for an analytical description of this point please refer to the rest of this section) adopted in accordance with Consob Regulation no. 17221/2011 (to which the Guidelines refer).

More in detail, the board of directors has identified as *particularly significant operations*:

a) all the transactions for which the Company is obliged to make disclosure available to the public, drafted in compliance with the provisions set out by Consob;

b) transactions whose value is greater than 5% of the De'Longhi Clima Group's net assets as resulting from the most recent consolidated financial statement published. On this point the Guidelines specify that, should the economic conditions of the transaction be determined, the value of the transaction is: (i) for cash, the amount paid to/by the contracting party; (ii) for financial instruments, the fair value at the date of the transaction, determined in accordance with IAS/IFRS accounting principles; (iii) for financing transactions or granting of guarantees, the maximum amount payable;

c) transactions involving the acquisition and divestment of holdings (in companies that have effects on the Group's consolidation area) in which the ratio between the total assets of the entity, subject of the transaction, and the total assets of the Company, as resulting in the most recently published consolidated financial statements of the De'Longhi Clima Group, are greater than 5%. On this point the Guidelines specify that:

- for the acquisition and sale of shares in companies that have no effect on the consolidation area, the value of the numerator is: (i) in the case of acquisition, the value of the transaction

plus any liabilities of the acquired company assumed by the purchaser; (ii) in the case of sale, the consideration of the business sold;

- for acquisition and sale of other assets (other than the acquisition of a shareholding), the value of the numerator is (i) in the case of acquisition, the greater between the consideration and the book value that will be attributed to the asset; (ii) in the case of sale, the book value of the asset;

d) transactions involving the acquisition of shares or business divisions in which the ratio between the total liabilities of the entity, subject of the transaction, and the total assets of the Company, as resulting from the most recent published consolidated financial statements of the De' Longhi Clima Group S.p.A., are greater than 5%.

#### Lead independent director

With regard to Criterion 2.C.3 of the Corporate Governance Code, the board of directors has decided that it is not necessary to appoint a Lead Independent Director since, at the moment, the cases for which the code considers such appointment appropriate have not occurred.

#### Investor relations

In implementation of the Criterion 11.C.2. (f) of the Corporate Governance Code, at the same meeting the board of directors granted Mr Carlo Grossi, so that he identifies, by 31 December 2011, the person in charge of managing relations with shareholders (the so-called *Investor Relations Officer*) and his appointment.

#### Internal dealing procedure and the rules for establishing managing and updating the list of persons that have access to inside information

With reference to the laws and regulations on 'market abuse', the board of directors has also (i) approved a procedure aimed at ensuring full compliance with the disclosure obligations concerning transactions carried out by so-called "relevant persons" pursuant to Article 152-*sexies* of the Issuers' Regulation (directors, auditors, managers with strategic powers and persons in control relationships with the Company or holders of shareholdings of at least 10% of the capital, and those subjects linked to them) on shares issued by the Company and on the financial instruments connected to them (so-called *Internal Dealing Procedure* which came into force on 10 November 2011); (ii) also instituted, pursuant to Article 115 *bis* of the Consolidated Finance Law, the Register of Persons who have access to privileged information (so-called "*Insider Register*"), determining the criteria for maintaining and managing said Register which are contained in a special procedure that the board of directors approved at the same meeting. The procedure will come into effect starting from the Effective Date of the Demerger.

#### Procedures for transactions with related parties

In the meeting held on 10 November 2011, the board of directors in office approved the draft *Procedure for Transactions with Related Parties of the DeLclima Group S.p.A.*, drafted in accordance with the principles set out by Consob in Regulation adopted with resolution no. 17221 dated 12 March 2010, and subsequent amendments and additions (the Related Parties Regulation) and Communication no. DEM/10078683 of 24 September 2010, and by Article

9.C.1 of the Corporate Governance Code (the “Related Parties Procedure”). In light of the fact that, pursuant to Article 4 (3) of the Related Parties' Regulation, in the preparation of the aforementioned procedure an important role is given to independent directors, who are asked to express a specific opinion, adoption was postponed to after the same independent directors enter into office, or rather after the Effective Date of the Demerger, in order to allow the same to actively participate in the approval of the same procedure. The final approval for the Transactions with Related Parties Procedure will take place without delay as soon as the independent directors take office and evaluate the draft procedure.

After its approval by the board of directors, the Transactions with Related Parties Procedure will be promptly made available on the Company's website at [www.delonghiclimaspa.com](http://www.delonghiclimaspa.com).

The Related Parties Procedure provides that the role and significant competences attributed by the Related Parties Regulation to the committees composed, whether entirely or by majority, of independent directors, are attributed to the Company's Internal Control Committee, composed of three non-executive directors and a majority of independent directors (the Committee is therefore also called *Committee for Internal Control and Transactions with Related Parties*).

With regard to the definition of "related party" reference is made to the notion contained in Schedule 1 of the Related Parties Regulation.

The Beneficiary Company, taking into account that it comes under the definition of "smaller companies" dictated by Article 3 of the Related Parties Regulation, and as long as it may qualify as such (that is, until, for two consecutive years, neither the assets nor the revenues, as resulting from the latest approved consolidated financial statements, exceed Euro 500 million), it intends to invoke the exception provided under Article 10 of the Related Parties Regulation. Owing to this, the Related Parties Procedure contemplates the same procedure of instruction and approval of all transactions with related parties (outside the competence of the shareholders' meeting), without distinguishing between those of greater importance (meaning those whose significance index of the value of the asset or liability is greater than the 5% threshold) and those of lesser importance. In view of the provisions contained in the Guidelines (see the previous point "*Guidelines on particularly significant transactions*" in this section), even in the event that transactions with related parties exceed the significance parameters set by the Guideline, the examination and approval of the same are not reserved to the exclusive competence of the board of directors and can therefore be assigned to delegated bodies.

As mentioned above, the Related Parties Procedure also provides that the role and significant competences attributed by the Related Parties Regulation to the committees composed, whether entirely or by majority, of independent directors, are attributed to the Company's Internal Control Committee.

The principles to be observed in the event that the Beneficiary Company enters into a negotiation regarding a transaction with related parties are the following: (i) the Internal Control Committee and the competent body to decide on the transaction must be provided well in advance with complete and adequate information on the transaction with related parties, supported by adequate documentation; (ii) the information provided must place the Internal Control Committee and the competent body to decide on the transaction in the



condition to carry out an in-depth and documented examination, in the preliminary and the decision-making stages, of the reasons for the transaction, and the convenience and substantial fairness of its conditions; the prepared documentation must contain objective evidence where the conditions of the transaction with related parties are defined as equivalent to standard or market conditions; *(iii)* the related party transaction is decided by the competent body at the time which decides only after the issuance of a reasoned and non-binding opinion by the Internal Control Committee, which concerns the interest of the Beneficiary Company in completing the transaction, as well as the convenience and substantial fairness of the terms of the transaction; *(iv)* the Internal Control Committee has the right to be assisted, at the expense of the Beneficiary Company, by one or more independent experts of its choice that do not have any interests, even indirectly, in the transaction; *(v)* these bodies provide full disclosure, at on a least quarterly basis, to the board of directors and the board of statutory auditors on the execution of transactions with related parties; *(vi)* should the opinion of the Internal Control Committee be negative, the board may still approve the transaction. In this case, without prejudice to all further obligations of law and, in particular, those referred to in Article 114 of the Consolidated Finance Law, within 15 days from the closing of each quarter the Beneficiary Company is required to publish, in the manner provided by the law and regulations in force, a document containing the following information concerning transactions with related parties approved despite the negative opinion of the Internal Control Committee: identity of the other party and nature of the relationship, subject of the transaction, consideration, reasons why the board decided not to share the opinion of the Internal Control Committee; *(vii)* in any transactions with related parties affected by the management and coordination on the Beneficiary Company, the opinion of the Internal Control Committee must indicate the reasons and convenience of the transaction, if appropriate also in light of the overall result of the management and coordination or transactions aimed at fully eliminating the damage arising from the single transaction with related parties; *(viii)* minutes of the approval resolutions show adequate reasons for the interest of the Beneficiary Company in completing the transaction, and the convenience and substantial fairness of its conditions.

As for the rules on disclosure, the Related Parties Procedure provides that all the transactions of greater importance must publish a disclosure, together with the opinions of the independent directors and - in the essential elements - the independent experts.

The Procedure also provides, in accordance with that permitted by the Related Parties Regulation, the exclusion from the new regulation of certain types of transactions; in particular, the following are excluded: *(i)* transactions "of small amounts"; *(ii)* transactions performed between the subsidiaries of the Beneficiary Company; *(iii)* transactions with companies associated with the Beneficiary Company (provided that the subsidiary - or associated - companies there are no "significant" interest of parties related to the Beneficiary Company; *(iv)* the shareholders' meeting resolutions relating to fees payable to members of the Board of Directors and Executive Committee pursuant to Article 2389 (1) of the Italian Civil Code and to the auditors, or to resolutions relating to the remuneration of directors holding particular offices included in the total amount determined in advance by the shareholders' meeting pursuant to Article 2389 (3) of the Italian Civil Code; *(v)* resolutions other than those referred to in point *(iv)* concerning the remuneration of directors invested with particular offices and other managers with strategic responsibilities, provided that the

terms referred to in the Related Parties' Regulation are observed and without prejudice to the obligations of periodic disclosure provided by Article 6.6 of the Transactions with Related Parties Procedure; (vi) remuneration plans based on financial instruments approved by the shareholders' meeting pursuant to Article 114-*bis* of the Consolidated Finance Law and the relative enactment regulations, without prejudice to the duty of periodic disclosure provided under Article 6.6 of the Transactions with Related Parties Procedure; (vii) the "Regular Transactions" (understood as those "transactions carried out in the course of the regular business and related financial activities") concluded at "Terms equivalent to market or standard terms" (i.e. at "*terms similar to those usually charged to Unrelated Parties for transactions of a corresponding nature, extent or risk, or based on regulated rates or at fixed prices or those charged to persons with whom the Company is obligated by law to contract at a certain price*"), without prejudice to the duty of periodic disclosure provided under Article 6.6 of the Transactions with Related Parties Procedure.

For the identification of transactions "for smaller amounts" the Related Parties Procedure involves the application of all the relevant indices that Consob uses to identify those transactions of significant amounts (value, asset, liability), and sets the threshold at Euro 250,000.

In situations of justified urgency, the Related Parties Procedure then allows - in accordance with that provided under Article 12 of the Articles of Association that will come into effect from the Effective Date of the Demerger - the completion of transactions with related parties (which are not within the competence of the shareholders' meeting or do not need its authorization) also in derogation from the ordinary rules, provided that the following conditions are observed: (i) the chairperson of the board of directors or the Internal Control Committee, depending on the case, must be informed of the reasons for the urgency before the completion of the transaction or the examination of the same; (ii) the transaction - subject to its effectiveness - must then be the subject of a non-binding resolution of the first ordinary shareholders' meeting; (iii) the board of directors must prepare a report on the reasons for the urgency for the shareholders' meeting, and the board of statutory auditors must report - if necessary also with a special report - its assessments regarding the existence of reasons for urgency; such reports and assessments are made available to the public in the manner and within the terms established by the regulations in force at the time; (iv) by the day after the shareholders' meeting, the Beneficiary Company must make available to the public all the information on the voting results in the manner provided by the regulations in force.

## **CHAPTER VI - PRO FORMA CONSOLIDATED FINANCIAL DATA FOR THE BENEFICIARY**

### **COMPANY**

The Beneficiary Company shall, with regard to the data contained in this section of the Information Document, incorporate information in the prospectus by reference to the De'Longhi Group's Consolidated Financial Statements at 31 December 2008, at 31 December 2009, at 31 December 2010 (the Consolidated Financial Statements), the De'Longhi Group's Half-Year Interim Financial Statement at 30 June 2011 included in the De'Longhi Group's "Interim Financial Statement at 30 June 2011" (the Consolidated Half-Year Statement"), in accordance with Article 11 of the Prospective Directive and Article 28 of the Regulation 809/2004.

These documents have been published and filed with Consob and can be viewed by the public on the Demerging Company's website ([www.delonghi.com](http://www.delonghi.com)) and that of Borsa Italiana ([www.borsaitaliana.it](http://www.borsaitaliana.it)), as well as at the offices of the Demerging Company.

To assist consultation of the Consolidated Financial Statements and the Consolidated Half-Year Financial Statements referred to in the Information Document, , a table indicating the pages of the main sections of these documents, as published on the website of the demerged company ([www.delonghi.com](http://www.delonghi.com)) is included below:

	Annual report		
	2008	2009	2010
<i>Report on operations</i>	15	15	15
<i>Consolidated financial statements</i>	39	41	51
Consolidated income statement	41	43	53
Consolidated statement of comprehensive income	-	43	53
Consolidated statement of financial position	42	44	54
Consolidated statement of cash flows	44	46	56
Consolidated statement of changes in net equity	46	48	58
<i>Explanatory notes</i>	49	51	61
<i>External auditors' report on the consolidated financial statements</i>	119	125	133

<b>HALF YEAR CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AT 30 JUNE 2011</b>	
<i>Interim report on operations</i>	5
<i>Consolidated income statement</i>	16
<i>Consolidated statement of comprehensive income</i>	16
<i>Consolidated statement of financial position</i>	17
<i>Consolidated statement of cash flows</i>	18
<i>Consolidated statement of changes in net equity</i>	19
<i>Explanatory notes</i>	20
<i>External auditors' report on the limited review of the half year condensed consolidated financial statements</i>	54

This section contains a presentation of the pro forma consolidated income statement, statement of comprehensive income, statement of financial position and cash flows of the De'Longhi Clima Group as of and for the year ended 31 December 2010 and as of and for the half-year ended 30 June 2011 (hereafter the "Pro forma Consolidated Financial Information of the De'Longhi Clima Group") and several notes commenting on said information. The Pro forma Consolidated Financial Information of the De'Longhi Clima Group at 31 December 2010 and at 30 June 2011 (together with explanatory notes) is the same as presented in the Information Document of De'Longhi, which was published on 26 September 2011.

The Pro Forma Consolidated Financial Information for the De'Longhi Clima Group has been prepared in accordance with Consob Communication DEM/1052803 of 5 July 2001 to illustrate, retroactively, the theoretical effects of the Demerger on the historical consolidated financial statements presented previously by the De'Longhi Group. In particular, the purpose of the pro forma data is to illustrate the effects of the Demerger on the statement of the financial position as if it had taken place, on 31 December 2010 and 30 June 2011 respectively and, in relation on the consolidated income statement and statement of cash flows, on 1 January 2010 (for the pro forma 2010) and 1 January 2011 (for the pro forma 1st half year 2011) respectively.

The Demerger will be based on the book values reported in De'Longhi S.p.A.'s financial statements as of and for the six months ended 30 June 2011, as approved by the Board of Directors on 21 July 2011.

It should be noted that due to the Demerger, the Beneficiary Company will be allocated the interest in DL Professional, as better described in Chapter II, Section 2.2, point 2.2.1 of this Information Document, which is the head of the Professional Division.

Subsequent to the Demerger, the Demerging Company will retain its interests in the companies under the Household Division and the Corporate Division which include:

- De'Longhi Appliances S.r.l., the main Italian operating company of the division, which carries out production and sales and controls the principal subsidiaries in Europe (Germany, France, Spain, etc) and in North America;
- De'Longhi Household S.A., a sub-parent company of the division which controls, either directly or indirectly, the companies that carry out production or sourcing activities in Hong Kong/China, the commercial offices of the APA area (Asia-Pacific-Americas), Kenwood Group and other European commercial offices. Furthermore this company also provides financial and management services for the De'Longhi Group;
- the companies currently identified in the Corporate Division of the De'Longhi Group, namely De'Longhi Capital Services S.r.l., which centrally manage financial services and hedging activity on the exchange rate risk for the group, and E-Services S.r.l., the subsidiary that performs ICT services for companies in the De'Longhi Group and third party clients.

The purpose of the pro forma consolidated data, the underlying assumptions for their preparation and the pro forma adjustments made are described analytically in points 6.1.5 and 6.3.5 below.

For a correct interpretation of the pro forma consolidated data provided, the following should be taken into account:

- (i) since the pro forma figures are based on assumptions, if the Demerger had taken place on the dates referred for the preparation of these figures rather than on the effective date, the actual figures may have differed from the pro forma data presented herein;
- (ii) the pro forma adjustments represent the most significant economic and financial effects directly related to the Demerger;
- (iii) the pro forma figures do not constitute a forecast and should not in any case be considered as an indication of the future economic or financial results of the De'Longhi Clima Group;
- (iv) considering the differences between the purpose of the pro forma consolidated financial statements and the historical financial statements as presented in the annual report and half year report and the different methodology of calculation of the pro forma adjustments on the Consolidated Financial Statements of De'Longhi Group, the pro forma statement of financial position, the pro forma income statement, the statements of comprehensive income, and cash flows, should be read and interpreted separately without attempting to establish any accounting relationship between them.

The Pro Forma Consolidated Financial Information of the De'Longhi Clima Group presented in this Information Document has been examined by the audit firm Reconta Ernst & Young S.p.A., which issued its reports on 23 September 2011, with reference to the data at 31 December 2010 and at 30 June 2011.

## **6.1 PRO FORMA CONSOLIDATED INCOME STATEMENT, STATEMENT OF COMPREHENSIVE INCOME, STATEMENT OF FINANCIAL POSITION AND STATEMENT OF CASH FLOW AS OF AND FOR THE YEAR ENDED 31 DECEMBER 2010**

The Pro Forma Consolidated Financial Information for the De'Longhi Clima Group as of and for the year ended 31 December 2010 is based on the De'Longhi Group Consolidated Financial Statements as of and for the year ended 31 December 2010, prepared in accordance with the IFRS and audited by Reconta Ernst & Young S.p.A., which issued its opinion on 21 March 2011. The Pro forma Consolidated Financial Information of the De'Longhi Clima Group at 31 December 2010 (together with explanatory notes) is the same as presented in the Information Document of De'Longhi, which was published on 26 September 2011.

The pro forma statements contain:

- historical consolidated data extracted from De'Longhi Group's Consolidated Financial Statements as of and for the year ended 31 December 2010;

- the effects on De'Longhi Group's Consolidated Financial Statements of deconsolidation of the activities transferred remaining under the Demerging Company following the Demerger;
- the effects of the reallocation of the amounts in the financial position, income statement and statements of cash flows, attributable to transactions occurred between companies of the De'Longhi Clima Group and companies of the De'Longhi Group Post Demerger;
- pro forma adjustments to the aggregate post-demerger figures to reflect the effects of significant transactions related to the Demerger;
- the pro forma consolidated figures of the De'Longhi Clima Group.

Unless otherwise indicated, figures are stated in thousands of euro.

## 6.1.1 De'Longhi Clima Group – Pro forma Consolidated Income Statement 2010

(amounts in thousands of Euro)	Consolidated financial statement at 31 Dec. 2010 (A)	Less: items remaining with De'Longhi Group post demerger (B)	Reinstatement of intercompany items (C)	Total post-demerger (D=A+B+C)	Pro-forma adjustments (E)	Proforma consolidated income statement for Beneficiary Company (F=D+E)
Revenues from sales and services	1,600,338	(1,256,294)	729	344,773		344,773
Other revenues	25,546	(18,133)	428	7,841		7,841
<b>Total consolidated revenues</b>	<b>1,625,884</b>	<b>(1,274,427)</b>	<b>1,157</b>	<b>352,614</b>	-	<b>352,614</b>
Raw and ancillary materials, consumables and goods	(790,373)	605,738	(3,178)	(187,813)		(187,813)
Change in inventories of finished products and work in progress	20,643	(20,083)	-	560		560
Change in inventories of raw and ancillary materials, consumables and goods	(4,011)	(1,428)	-	(5,439)		(5,439)
<b>Materials consumed</b>	<b>(773,741)</b>	<b>584,227</b>	<b>(3,178)</b>	<b>(192,692)</b>	-	<b>(192,692)</b>
Payroll costs	(203,493)	142,113	-	(61,380)	(756)	(62,136)
Services and other operating expenses	(421,652)	360,931	(3,800)	(64,521)		(64,521)
Provisions	(33,892)	27,793	-	(6,099)		(6,099)
Amortization, depreciation and impairment	(45,459)	29,656	-	(15,803)		(15,803)
<b>EBIT</b>	<b>147,647</b>	<b>(129,707)</b>	<b>(5,821)</b>	<b>12,119</b>	<b>(756)</b>	<b>11,363</b>
Financial income (expenses)	(36,090)	31,811	(1,866)	(6,145)	1,597	(4,548)
<b>PROFIT (LOSS) BEFORE TAXES</b>	<b>111,557</b>	<b>(97,896)</b>	<b>(7,687)</b>	<b>5,974</b>	<b>841</b>	<b>6,815</b>
Income taxes	(36,456)	31,287	-	(5,169)	(231)	(5,400)
<b>PROFIT (LOSS) AFTER TAXES</b>	<b>75,101</b>	<b>(66,609)</b>	<b>(7,687)</b>	<b>805</b>	<b>610</b>	<b>1,415</b>
Profit (loss) pertaining to minority interests	186	(187)	-	(1)		(1)
<b>PROFIT (LOSS) PERTAINING TO THE GROUP</b>	<b>74,915</b>	<b>(66,422)</b>	<b>(7,687)</b>	<b>806</b>	<b>610</b>	<b>1,416</b>
<b>EBITDA</b>	<b>193,106</b>	<b>(159,363)</b>	<b>(5,821)</b>	<b>27,922</b>	<b>(756)</b>	<b>27,166</b>
Non-recurring income/(expenses)	(5,982)	2,950	-	(3,032)	-	(3,032)
<b>EBITDA before non-recurring income/(expenses)</b>	<b>199,088</b>	<b>(162,313)</b>	<b>(5,821)</b>	<b>30,954</b>	<b>(756)</b>	<b>30,198</b>

## 6.1.2 De'Longhi Clima Group - Pro forma Consolidated Statement of Comprehensive Income 2010

(amounts in thousands of Euro)	Consolidated financial statement at 31 Dec. 2010 (A)	Less: items remaining with De'Longhi Group post demerger (B)	Reinstatement of intercompany items (C)	Total post-demerger (D=A+B+C)	Pro-forma adjustments (E)	Proforma consolidated statement of comprehensive income for Beneficiary Company (F=D+E)
<b>Profit (loss) after taxes</b>	<b>75,101</b>	<b>(66,609)</b>	<b>(7,687)</b>	<b>805</b>	<b>610</b>	<b>1,415</b>
<b>Other components of comprehensive income</b>						
Change in fair value of cash flow hedges	(7,040)	7,188	0	148		148
Tax effect of change in fair value of cash flow hedges	1,920	(1,960)	0	(40)		(40)
Differences from translating foreign companies' financial statements into Euro	14,239	(13,529)	0	710		710
<b>Total comprehensive income (loss)</b>	<b>84,220</b>	<b>(74,910)</b>	<b>(7,687)</b>	<b>1,623</b>	<b>610</b>	<b>2,233</b>
<b>Total comprehensive income attributable to:</b>						
Owners of the parent	84,036	(74,724)	(7,687)	1,625	610	2,235
Minority interests	184	(186)		(2)		(2)

### 6.1.3 De'Longhi Clima Group - Pro forma Consolidated Statement of Financial position at 31 December 2010

ASSETS (amounts in thousands of Euro)	Consolidated financial statement at 31 Dec. 2010 (A)	Less: items remaining with De'Longhi Group post demerger (B)	Reinstatement of intercompany items (C)	Total post-demerger (D=A+B+C)	Pro-forma adjustments (E)	Proforma consolidated statement of financial position for Beneficiary Company (F=D+E)
<b>NON-CURRENT ASSETS</b>						
INTANGIBLE ASSETS	408,615	(179,599)	-	229,016	-	229,016
- Goodwill	228,042	(41,591)	-	186,451	-	186,451
- Other intangible assets	180,573	(138,008)	-	42,565	-	42,565
PROPERTY, PLANT AND EQUIPMENT	186,431	(91,828)	-	94,603	-	94,603
- Land, property, plant and machinery	133,493	(43,922)	-	89,571	-	89,571
- Other tangible assets	52,938	(47,906)	-	5,032	-	5,032
EQUITY INVESTMENTS AND OTHER FINANCIAL ASSETS	2,309	(2,107)	-	202	-	202
- Equity investments (in associated companies)	-	-	-	-	-	-
- Equity investments (in other companies)	671	(667)	-	4	-	4
- Receivables	1,512	(1,314)	-	198	-	198
- Other non-current financial assets	126	(126)	-	-	-	-
DEFERRED TAX ASSETS	33,471	(32,125)	-	1,346	208	1,554
<b>TOTAL NON-CURRENT ASSETS</b>	<b>630,826</b>	<b>(305,659)</b>	<b>-</b>	<b>325,167</b>	<b>208</b>	<b>325,375</b>
<b>CURRENT ASSETS</b>						
INVENTORIES	288,012	(238,690)	-	49,322	-	49,322
TRADE RECEIVABLES	387,937	(285,312)	1,276	103,901	-	103,901
CURRENT TAX ASSETS	13,686	(12,120)	-	1,566	-	1,566
OTHER RECEIVABLES	14,996	(9,652)	4,623	9,967	-	9,967
CURRENT FINANCIAL RECEIVABLES AND ASSETS	12,221	(6,439)	6,129	11,911	-	11,911
CASH AND CASH EQUIVALENTS	193,515	(180,244)	-	13,271	-	13,271
<b>TOTAL CURRENT ASSETS</b>	<b>910,367</b>	<b>(732,457)</b>	<b>12,028</b>	<b>189,938</b>	<b>-</b>	<b>189,938</b>
<b>TOTAL ASSETS</b>	<b>1,541,193</b>	<b>(1,038,116)</b>	<b>12,028</b>	<b>515,105</b>	<b>208</b>	<b>515,313</b>
<b>NET EQUITY AND LIABILITIES</b>						
<b>NET EQUITY</b>						
GROUP PORTION OF NET EQUITY	758,921	(623,524)	(13,449)	121,948	149,452	271,400
MINORITY INTERESTS	1,651	(1,714)	-	(63)	-	(63)
<b>TOTAL NET EQUITY</b>	<b>760,572</b>	<b>(625,238)</b>	<b>(13,449)</b>	<b>121,885</b>	<b>149,452</b>	<b>271,337</b>
<b>NON-CURRENT LIABILITIES</b>						
FINANCIAL PAYABLES	107,934	(59,717)	-	48,217	-	48,217
- Bank loans and borrowings (long-term portion)	89,416	(55,135)	-	34,281	-	34,281
- Other financial payables (long-term portion)	18,518	(4,582)	-	13,936	-	13,936
DEFERRED TAX LIABILITIES	19,393	(3,070)	-	16,323	-	16,323
NON-CURRENT PROVISIONS FOR CONTINGENCIES AND OT	72,787	(57,756)	-	15,031	756	15,787
- Employee benefits	25,907	(19,440)	-	6,467	756	7,223
- Other provisions	46,880	(38,316)	-	8,564	-	8,564
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>200,114</b>	<b>(120,543)</b>	<b>-</b>	<b>79,571</b>	<b>756</b>	<b>80,327</b>
<b>CURRENT LIABILITIES</b>						
TRADE PAYABLES	374,184	(282,389)	6,264	98,059	-	98,059
FINANCIAL PAYABLES	102,755	(5,245)	91,120	188,630	(150,000)	38,630
- Bank loans and borrowings (short-term portion)	81,353	13,345	-	94,698	(68,570)	26,128
- Other financial payables (short-term portion)	21,402	(18,590)	91,120	93,932	(81,430)	12,502
CURRENT TAX LIABILITIES	44,659	(40,677)	-	3,982	-	3,982
OTHER PAYABLES	58,909	(42,074)	6,143	22,978	-	22,978
<b>TOTAL CURRENT LIABILITIES</b>	<b>580,507</b>	<b>(370,385)</b>	<b>103,527</b>	<b>313,649</b>	<b>(150,000)</b>	<b>163,649</b>
<b>TOTAL NET EQUITY AND LIABILITIES</b>	<b>1,541,193</b>	<b>(1,116,166)</b>	<b>90,078</b>	<b>515,105</b>	<b>208</b>	<b>515,313</b>
<b>CASH/ (NET DEBT)</b>	<b>(4,709)</b>	<b>(121,965)</b>	<b>(84,991)</b>	<b>(211,665)</b>	<b>150,000</b>	<b>(61,665)</b>
of which:						
- Cash and other financial assets	205,980	(186,927)	6,129	25,182	-	25,182
- Current financial debt	(102,755)	5,245	(91,120)	(188,630)	150,000	(38,630)
- Non-current financial debt	(107,934)	59,717	-	(48,217)	-	(48,217)



## 6.1.4 De'Longhi Clima Group - Pro forma Consolidated Statement of Cash Flow at 31 December 2010

(amounts in thousands of Euro)	Consolidated financial statement at 31 Dec. 2010 (A)	Less: items remaining with De'Longhi Group post demerger (B)	Reinstatement of intercompany items (C)	Total post-demerger (D=A+B+C)	Pro-forma adjustments (E)	Proforma consolidated statement of cash flow for Beneficiary Company (F=D+E)
Profit (loss) pertaining to the group	74,915	(66,422)	(7,687)	806	610	1,416
Income taxes for the period	36,456	(31,287)	-	5,169	231	5,400
Amortization, depreciation and impairment	45,459	(29,656)	-	15,803	-	15,803
Net change in provisions	11,140	(9,927)	-	1,213	756	1,969
<b>Cash flow generated (absorbed) by current operations (A)</b>	<b>167,970</b>	<b>(137,292)</b>	<b>(7,687)</b>	<b>22,991</b>	<b>1,597</b>	<b>24,588</b>
<b>Change in assets and liabilities for the period:</b>						
Trade receivables	(18,593)	10,260	(372)	(8,705)	-	(8,705)
Inventories	(16,570)	21,514	-	4,944	-	4,944
Trade payables	58,883	(45,154)	1,408	15,137	-	15,137
Other current assets and liabilities	10,401	(14,178)	1,296	(2,481)	-	(2,481)
Payment of income taxes	(24,632)	22,536	-	(2,096)	-	(2,096)
<b>Cash flow generated (absorbed) by movements in working capital (B)</b>	<b>9,489</b>	<b>(5,022)</b>	<b>2,332</b>	<b>6,799</b>	<b>-</b>	<b>6,799</b>
<b>Cash flow generated (absorbed) by current operations and movements in working capital (A+B)</b>	<b>177,459</b>	<b>(142,314)</b>	<b>(5,355)</b>	<b>29,790</b>	<b>1,597</b>	<b>31,387</b>
<b>Investment activities:</b>						
Investments in intangible assets	(13,458)	9,944	-	(3,514)	-	(3,514)
Other cash flows for intangible assets	(2,157)	7	-	(2,150)	-	(2,150)
Investments in property, plant and equipment	(33,186)	26,572	-	(6,614)	-	(6,614)
Other cash flows for property, plant and equipment	2,819	(1,302)	-	1,517	-	1,517
Net investments in equity investments and other financial assets	587	(625)	-	(38)	-	(38)
<b>Cash flow generated (absorbed) by ordinary investment activities (C)</b>	<b>(45,395)</b>	<b>34,596</b>	<b>-</b>	<b>(10,799)</b>	<b>-</b>	<b>(10,799)</b>
Changes in consolidation area	-	1,588	-	1,588	-	1,588
<b>Non-recurring cash flow (D)</b>	<b>-</b>	<b>1,588</b>	<b>-</b>	<b>1,588</b>	<b>-</b>	<b>1,588</b>
Dividends paid	(11,960)	11,960	(6,000)	(6,000)	6,000	-
Change in currency translation reserve	10,426	(10,019)	-	407	-	407
Increase (decrease) in minority interests in capital and reserves	(28)	24	-	(4)	-	(4)
New loans	67,163	(59,823)	-	7,340	-	7,340
Repayment of loans and other net changes in sources of finance	(128,104)	98,339	11,355	(18,410)	-	(18,410)
<b>Cash flow generated (absorbed) by changes in net equity and by financing activities (E)</b>	<b>(62,503)</b>	<b>40,481</b>	<b>5,355</b>	<b>(16,667)</b>	<b>6,000</b>	<b>(10,667)</b>
<b>Cash flow for the period (A+B+C+D+E)</b>	<b>69,561</b>	<b>(65,649)</b>	<b>(0)</b>	<b>3,912</b>	<b>7,597</b>	<b>11,509</b>
Opening cash and cash equivalents	123,954	(114,595)	-	9,359	-	9,359
Increase (decrease) in cash and cash equivalents (A+B+C+D+E)	69,561	(65,649)	-	3,912	7,597	11,509
Pro-forma adjustments not affecting the closing cash and cash equivalents	-	-	-	-	(7,597)	(7,597)
<b>Closing cash and cash equivalents</b>	<b>193,515</b>	<b>(180,244)</b>	<b>-</b>	<b>13,271</b>	<b>-</b>	<b>13,271</b>
<b>Opening cash/ (net debt)</b>	<b>(117,091)</b>	<b>(20,683)</b>	<b>(89,110)</b>	<b>(226,884)</b>	<b>150,000</b>	<b>(76,884)</b>
Cash flow for the period in terms of net financial position	112,382	(101,282)	4,119	15,219	7,597	22,816
Pro-forma adjustments not affecting the closing cash/ (net debt)	-	-	-	-	(7,597)	(7,597)
<b>Closing cash/ (net debt)</b>	<b>(4,709)</b>	<b>(121,965)</b>	<b>(84,991)</b>	<b>(211,665)</b>	<b>150,000</b>	<b>(61,665)</b>

### **6.1.5 De'Longhi Clima Group - Explanatory Notes to the pro forma Consolidated Statements at 31 December 2010**

The accounting principles and evaluation criteria used in the preparation of the pro forma information are the same as those applied to the De'Longhi Group Consolidated Financial Statements as of and for the year ended 31 December 2010, to which reference is made.

In particular, as the Demerger is considered a transaction of 'business combination involving entities or businesses under common control' and, as such, it is outside the scope of application of IFRS 3 and IFRIC 17. Accordingly, assets and liabilities of De'Longhi Clima Group are stated in the Pro Forma Consolidated Financial Information at the carrying amount reported in the consolidated financial statements.

Apart from the Beneficiary Company, De'Longhi Clima S.p.A., the Demerger involves entities already included in the scope of consolidation of the De'Longhi Group at 31 December 2010. As such, there is no change between the scope of consolidation applied for the De'Longhi Group Consolidated Financial Statements at 31 December 2010 and the sum of the scopes of consolidation of the Demerging Company and the Beneficiary Company considered for the preparation of the Pro Forma Consolidated Financial Statements for the De'Longhi Clima Group.

In particular, the scope of consolidation of the Beneficiary Company is equivalent to that of the Professional Division considered for the purposes of providing information by operating segment in the consolidated financial statements as of and for the year ended 31 December 2010. Therefore, the financial information of De'Longhi Clima Group before pro-forma adjustments, shown in the '*Total Post Demerger (D)*' columns corresponds to the data of the Professional Division, already highlighted in Note 40 ('*Operating segments*') in the notes to the Consolidated Financial Statements at 31 December 2010.

#### **● Principal assumptions used in preparation of the Pro Forma Consolidated Financial Statements**

Pursuant to the Demerger, De'Longhi S.p.A. will grant a portion of its assets to the Beneficiary Company, represented in particular by the 100% interest held by the Demerging Company in De'Longhi Professional S.A.

Against this asset transfer, the Beneficiary Company will grant, without consideration, each De'Longhi S.p.A. shareholder an equal number of its own newly issued shares as they already hold in the Demerging Company.

The Beneficiary Company will request the authorities and competent bodies for admission to listing of its shares on the MTA; said admission to the listing is a prerequisite and essential condition for the Demerger. In addition to the applicable provisions of the Italian Civil Code, execution of the Deed of Demerger is therefore conditional upon obtaining the necessary Borsa Italiana and Consob approvals.

The reference date adopted in the preparation of the Pro Forma Consolidated Financial Statements of the De'Longhi Group Post Demerger for the simulation of the effects of

deconsolidation arising from the Demerger does not therefore correspond to the actual financial year the Demerger will be completed in. At this date the Consolidated Financial Statements of the De'Longhi Group Post Demerger and of the De'Longhi Clima Group will be prepared (presumably in 2012).

As previously indicated in Section 2.2, point 2.2.1 of this Information Document, it is specified that the book value in the parent company of the asset to be transferred will remain unchanged, since any variations owing to the corporate dynamics that may occur by the effective date of the Demerger, will not entail any cash adjustments and the asset transferred will remain either a credit or a debt respectively.

To determine retrospectively the effects of the Demerger the following base assumptions have been adopted, also taking into account the indications contained in the Consob Communication DEM/1052803 of 5 July 2001:

- the pro forma consolidated financial statements and information have been prepared based on the Consolidated Financial Statements of the De'Longhi Group as of and for the year ended 31 December 2010 and integrated with the appropriate pro forma adjustments representing the effects of the Demerger and the preliminary corporate transactions;
- the pro forma adjustments have been calculated according to the general rule under which the transactions involving assets and liabilities are assumed to have taken place at the reference date of the Demerger, while, with reference to the income statements and statement of cash flows, the transactions are assumed to have taken place at the start of the period such information refers to. Therefore, the effects of transactions carried out and expected after 31 December 2010, except those related to transactions strictly connected to the Demerger, have not been considered, in observance of the rules for preparing pro forma data provided by the aforementioned Consob Communication DEM/1052803 of 5 July 2001.
- **Components of profit and loss, assets and liabilities and cash flow remaining with the De'Longhi Group Post Demerger**

The column shows the effects on the consolidated data of the deconsolidation of the financial elements related to the activity remaining with the De'Longhi Group Post Demerger. As previously described in this chapter, such elements refer to De'Longhi S.p.A. and other companies of the Group under the Household Division and Corporate Division including:

- De'Longhi Appliances S.r.l., the main Italian operating company of the division, which carries out production and sales and controls the principal subsidiaries in Europe (Germany, France, Spain, etc) and in North America;
- De'Longhi Household S.A., a sub-parent company of the division which controls, either directly or indirectly, the companies that carry out production or sourcing activities in Hong Kong/China, the commercial offices of the APA area (Asia-Pacific-Americas), Kenwood Group and other European commercial offices. The company also provides financial and management services for the De'Longhi Group;

- the companies currently identified in the Corporate Division of the De'Longhi Group, namely De'Longhi Capital Services S.r.l., which centrally manages financial services and hedging activity on the exchange rate risk for the group, and E-Services S.r.l., the subsidiary that performs ICT services for companies in the De'Longhi Group and third party clients.

- **Reinstatement of intercompany items**

The column includes the reallocation of amounts related to assets and liabilities, in addition to components of income statement and cash flows, attributable to transactions occurred between companies in the group controlled by the Demerging Company and the companies in the group controlled by the Beneficiary Company, given that subsequent to the Demerger such transactions no longer qualify as intercompany transactions and, therefore, should not be eliminated.

In particular, these relationships are mainly arisen from the followings:

- costs/payables for the supply of administrative, ICT, corporate, tax and HR management services received from companies of the De'Longhi Group, which will remain within the De'Longhi Group Post Demerger, for companies that will come under the De'Longhi Clima Group;
- costs/payables for the purchase by companies in the Household Division of finished products for fixed air conditioning systems and semi-processed products for heating;
- revenues/receivables for the sale of products for air conditioning and heating by Climaveneta S.p.A. and DL Radiators S.p.A. to some commercial subsidiaries;
- financial costs/payables mainly related to interests payable on cash pooling balances and recharges for centralized management of financial services and treasury services and derivative operations hedging exchange rate risk;
- intragroup balances (receivable/payable) related to the group's cash pooling agreement by Climaveneta S.p.A., DL Radiators S.p.A. and RC Group S.p.A. to De'Longhi Capital Services S.r.l.;
- receivables/payables for the group's domestic tax consolidation and payment of VAT;
- financial debts contracted in relation to the group's cash pooling agreement;
- receivables and payables from derivatives contracts stipulated by companies that will be part of the De'Longhi Clima Group with De'Longhi Capital Services S.r.l.

For additional details on figures of transactions between De'Longhi Group Post Demerger and De'Longhi Clima Group, see paragraph 6.6 of the Information Document.

- **Pro-forma adjustments**

The column contains the pro forma adjustments applied to the aggregate post Demerger figures of the De'Longhi Clima Group, to reflect the effects of significant transactions related to the Demerger, as described below.

Recapitalization of De'Longhi Professional

On 30 June 2011 De'Longhi S.p.A. resolved and paid a capital contribution of Euro 150 million to the subsidiary De'Longhi Professional, to re-balance the financial position of the Household Division and Professional Division and to eliminate the financial relationships existing between the two divisions, decreasing the negative financial position of the Professional Division. Following the contribution, De'Longhi Professional and its subsidiaries will discharge infragroup financial debts within the group cash pooling.

This is a preliminary operation which is strictly functional to the Demerger; the effects of the recapitalization and the consequent variation of the financial debt in the De'Longhi Clima Group have also been reflected in the pro forma data at 31 December 2010.

As far as the De'Longhi Clima Group is concerned, the pro forma adjustment of Euro 150 million has been made to the financial position, reducing the current financial payables, and a corresponding increase in the net equity.

Regarding the income statement and the statement of cash flows assuming that such operation took place on 1 January 2010, the related pro forma adjustment retroactively reflects lower interest expenses for the De'Longhi Clima Group for Euro 1,597 thousand for the 2010 period (determined according to an average annual rate 1.06%, in line with the average rate recognised in the period on the De'Longhi Group's cash pooling balances).

Dividends

During the 2010 financial year, De'Longhi Professional resolved to distribute Euro 6,000 thousands in dividends to the parent companies De'Longhi S.p.A. and De'Longhi Household S.A., paid during the period.

With reference to the statement of cash flows only, the pro forma adjustments reflect the reversal of the flow related to such distribution, which would not have been realised if the Demerger took place on 1 January 2010.

Employee benefits

During 2008, De'Longhi S.p.A.'s general meeting approved a Phantom Stock Option Plan which entitles beneficiaries to cash payments based on the growth of the company's ordinary share price.

For this plan De'Longhi S.p.A. prepared the Information Document, in accordance with Article 84-*bis* of the Issuers' Regulation, prepared in accordance with Annex 3A, Schedule 7 of the Issuers' Regulation, filed with Borsa Italiana and published on the Demerging Company's internet site.

The cost of such instruments and the related liabilities are shown in the appropriate consolidated financial statements, throughout the maturation period, recalculating the fair value of the options for each balance sheet date.

At 31 December 2010 the total number of exercisable options is equal to 500,000 and the relevant cost for the adoption of this plan is equal to Euro 1,890 thousand. Since in the Phantom Stock Option Plan a portion of the options (200,000 in number) is under the Professional Division, with the chief executive officer of Climaveneta S.p.A. (a company that comes under the activity subject of the Demerger) as beneficiary, a pro forma adjustment of Euro 756 thousand, reflecting the higher cost of personnel and the recording of employee benefits correlated to such quota, is made to the De'Longhi Clima Group data.

Additionally it must be remembered that on the date of the Information Document the only two beneficiaries have communicated to the Demerging Company that they will take up all the Phantom Stock Options within the effective date of the Demerger.

#### Income taxes

The tax effects of the above pro forma adjustments have been calculated, where applicable, using the theoretical tax rates applicable at 31 December 2010.

For the purposes of the Pro Forma Consolidated Financial Statements of the De'Longhi Clima Group, the Italian subsidiaries to be transferred to the group headed by the Beneficiary Company have been removed from the De'Longhi Group's domestic tax consolidation (with effect from 1 January 2010), and a new theoretical domestic tax consolidation has been established with the Beneficiary Company as the parent. Based on current circumstances, it is expected that the recoverable amount of the already recognized deferred tax assets, net of the deferred tax liabilities allocated to the De'Longhi Clima Group, will remain unchanged as a result of the Demerger.

#### Other effects arising from the Demerger

- The pro forma adjustments do not include Demerger-related expenses as these are not recurrent and not yet completely defined.
- It is not expected that the expenses connected to the corporate activities of the new company heading the De'Longhi Clima Group will be material with respect to the values contained in the Beneficiary Company's Income Statement and, therefore, no pro forma adjustments were made.
- All transfers of goods and services between De'Longhi Group companies are already subject to contractual agreements stipulated at standard market conditions. Therefore

the Demerger is not expected to produce any significant effects attributable to changes in the conduct and settlement of transactions between Group companies and thus no such effects are reflected in the pro forma adjustments.

## **Pro forma financial performance in 2010**

### Operating performance of the De'Longhi Clima Group

In 2010 De'Longhi Clima Group's pro forma net revenues were equal to 352.6 million Euros.

For comments on revenues trend for 2010 vs. 2009, see paragraph 5.2 of the Information Document.

The sales of machinery for air-conditioning systems performed well, particularly with regard to the new series of chillers and scroll compressor heat pumps and the new range of condensation-to-liquid and vapour refrigerating systems, which made up for the lower sales of the discontinued direct expansion line. It must be highlighted that revenues from heating were obtained despite the ongoing market weakness. Sales were good both in the United Kingdom and Italy.

With regard to Group earnings, EBITDA before non-recurring expenses stabilized at Euro 30.2 million in 2010, with the margin on revenues equal to 8.6%. This performance reflects the results from the large thermo-cooling systems segment, which have more than compensated for the lower earnings from the company operating in heating, which was affected by large fluctuations in raw material costs during the second half of the year.

The pro forma EBIT, equal to Euro 11.4 million, was dependent on non-recurring expenses for Euro 3 million and the impairment of goodwill for Euro 5.6 million.

Financial expenses, equal to Euro 4.5 million, include interests payables for Euro 2.6 million and other financial expenses for Euro 1.9 million (including bank charges and recharges for the management of hedge operations).

The item "Taxes" includes IRAP (Italian Regional Business Tax) for Euro 1.9 million and income taxes for Euro 3.5 million. The tax charge ratio on the profit (loss) before taxes reflects the non-deductible charges (principally the non-deductible impairment of portion of goodwill).

### De'Longhi Clima Group - Consolidated Statement of Financial Position

At 31 December 2010, the non-current pro forma assets, equal to Euro 325.4 million, include Property, Plant and Equipment for Euro 94.6 million (of which Land and Property for Euro 54.4 million and Plant and Machinery for Euro 35.1 million).

De'Longhi Clima Group's net working capital at 31 December 2010 is equal to 39.7 million, with a working capital turnover of 11.3%, and includes trade receivables for Euro 103.9 million and inventories for Euro 49.3 million.

De'Longhi Clima Group's pro forma net financial debt is stabilized at Euro 61.7 million at 31 December 2010, with a positive pro forma cash flow of Euro 22.8 million.

For the detailed pro forma net debt of the De'Longhi Clima Group at 31 December 2010, please refer to the tables in Section 2.4.2 of the Information Document.

## 6.2 PRO FORMA CONSOLIDATED PER SHARE DATA AT 31 DECEMBER 2010

### 6.2.1 Historical and pro forma per share data of the Beneficiary Company and of the Group of which it is parent

The historical data of the De'Longhi Group as of and for the year 31 December 2010 and the pro forma data per share of the De'Longhi Clima Group at 31 December 2010 are shown below.

It must be remembered that at 31 December 2010 De'Longhi S.p.A.'s share capital, fully paid-in, is represented by no. 149,500,000 ordinary shares and the company does not have any own shares in its possession.

	<u>Consolidated historical data</u> (Consolidated financial statement of the De'Longhi Group at 31 December 2010)	<u>Pro forma data for the Beneficiary Company</u> (Pro forma data for the De'Longhi Clima Group at 31 December 2010)
Ordinary shares issued at year end	149,500,000	149,500,000
Weighted average of the ordinary shares outstanding for the period	149,500,000	149,500,000
<b>Per share data (in Euro)</b>		
Net earnings per share	€ 0.50	€ 0.01
Net equity per share	€ 5.09	€ 1.81
Dividend per share	€ 0.146	-
Cash flow per share (in terms of cash and cash equivalents)	€ 0.47	€ 0.08
Cash flow per share - in terms of cash/(net debt)	€ 0.75	€ 0.15



## **6.2.2 Comment on significant differences between pro forma and historic per share data**

### **• Net earnings per share**

This per share index is computed on the net result for parent company shareholders. The exclusion of the net result of the businesses remaining under the De'Longhi Group Post Demerger and the effects of the pro forma adjustments described above have resulted in a pro forma net result per share for the Beneficiary Company which is lower than the historic consolidated data.

### **• Net equity per share**

This per share index is computed on the ratio between net equity and the number of shares.

The pro forma per share figure for the Beneficiary Company is lower than the historical consolidated data due to the portion of equity remaining with the Group of which the Demerging Company is parent and due to the pro forma adjustments already described above.

### **• Cash flow per share**

This per share index is computed on the ratio between the cash flow for the financial period, both in terms of cash and cash equivalents as well as cash/(net debt), and the number of shares.

## **6.3 PRO FORMA CONSOLIDATED INCOME STATEMENT, STATEMENT OF COMPREHENSIVE INCOME, STATEMENT OF FINANCIAL POSITION AND STATEMENT OF CASH FLOW AS OF AND FOR THE SIX MONTHS ENDED 30 JUNE 2011**

The Pro Forma Consolidated Financial Information for De'Longhi Clima Group as of and for the six months ended 30 June 2011 is based on the De'Longhi Group Consolidated Condensed Half-year Statements at 30 June 2011, prepared in accordance with the IFRS and subject to limited review by Reconta Ernst & Young S.p.A., which issued its report on 29 August 2011. The Pro forma Consolidated Financial Information of the De'Longhi Clima Group at 30 June 2011 (together with explanatory notes) is the same as presented in the Information Document of De'Longhi, which was published on 26 September 2011.

The pro forma statements contain:

- historical data taken from De'Longhi Group's Consolidated Condensed Half-Year Statements as of and for the six months ended 30 June 2011;
- the effects on De'Longhi Group's Condensed Half-Year Statements of deconsolidation of the activities transferred remaining under the Demerging Company following the Demerger;

- the effects of the reallocation of amounts related to assets and liabilities, in addition to components of income statement and statement of cash flows, attributable to transactions occurred within companies of the De'Longhi Clima Group and companies of the De'Longhi Group Post Demerger;
- pro forma adjustments to the aggregate post-demerger figures to reflect the effects of significant transactions related to the Demerger;
- the pro forma consolidated figures of the De'Longhi Clima Group.

Unless otherwise indicated, figures are stated in thousands of euro.

### 6.3.1 De'Longhi Clima Group - Pro forma Consolidated Income Statement - 1st half year 2011

(amounts in thousands of Euro)	Interim condensed consolidated financial statement at 30 June 2011 (A)	Less: items remaining with De'Longhi Group post demerger (B)	Reinstatement of intercompany items (C)	Total post-demerger (D=A+B+C)	Pro-forma adjustments (E)	Proforma consolidated income statement for Beneficiary Company (F=D+E)
Revenues from sales and services	750,244	(576,272)	831	174,803	-	174,803
Other revenues	12,826	(9,033)	174	3,967	-	3,967
<b>Total consolidated revenues</b>	<b>763,070</b>	<b>(585,305)</b>	<b>1,005</b>	<b>178,770</b>	-	<b>178,770</b>
Raw and ancillary materials, consumables and goods	(442,787)	336,068	(1,811)	(108,530)	-	(108,530)
Change in inventories of finished products and work in progress	72,930	(62,379)	-	10,551	-	10,551
Change in inventories of raw and ancillary materials, consumables and goods	11,357	(8,029)	-	3,328	-	3,328
<b>Materials consumed</b>	<b>(358,500)</b>	<b>265,660</b>	<b>(1,811)</b>	<b>(94,651)</b>	-	<b>(94,651)</b>
Payroll costs	(111,857)	78,236	-	(33,621)	(723)	(34,344)
Services and other operating expenses	(196,181)	165,744	(1,832)	(32,269)	-	(32,269)
Provisions	(10,299)	7,653	-	(2,646)	-	(2,646)
Amortization, depreciation and impairment	(19,102)	14,153	-	(4,949)	-	(4,949)
<b>EBIT</b>	<b>67,131</b>	<b>(53,859)</b>	<b>(2,638)</b>	<b>10,634</b>	<b>(723)</b>	<b>9,911</b>
Financial income (expenses)	(12,367)	10,032	(827)	(3,162)	1,111	(2,051)
<b>PROFIT (LOSS) BEFORE TAXES</b>	<b>54,764</b>	<b>(43,827)</b>	<b>(3,465)</b>	<b>7,472</b>	<b>388</b>	<b>7,860</b>
Income taxes	(20,423)	16,739	-	(3,684)	(107)	(3,791)
<b>PROFIT (LOSS) AFTER TAXES</b>	<b>34,341</b>	<b>(27,088)</b>	<b>(3,465)</b>	<b>3,788</b>	<b>281</b>	<b>4,069</b>
Profit (loss) pertaining to minority interests	317	(309)	-	8	-	8
<b>PROFIT (LOSS) PERTAINING TO THE GROUP</b>	<b>34,024</b>	<b>(26,779)</b>	<b>(3,465)</b>	<b>3,780</b>	<b>281</b>	<b>4,061</b>
<b>EBITDA</b>	<b>86,233</b>	<b>(68,012)</b>	<b>(2,638)</b>	<b>15,583</b>	<b>(723)</b>	<b>14,860</b>
Non-recurring income/(expenses)	(2,502)	1,502	-	(1,000)	-	(1,000)
<b>EBITDA before non-recurring income/(expenses)</b>	<b>88,735</b>	<b>(69,514)</b>	<b>(2,638)</b>	<b>16,583</b>	<b>(723)</b>	<b>15,860</b>

### 6.3.2 De'Longhi Clima Group - Pro forma Consolidated Statement of Comprehensive Income - 1st half year 2011

(amounts in thousands of Euro)	Interim condensed consolidated financial statement at 30 June 2011 (A)	Less: items remaining with De'Longhi Group post demerger (B)	Reinstatement of intercompany items (C)	Total post-demerger (D=A+B+C)	Pro-forma adjustments (E)	Proforma consolidated statement of comprehensive income for Beneficiary Company (F=D+E)
<b>Profit (loss) after taxes</b>	<b>34,341</b>	<b>(27,088)</b>	<b>(3,465)</b>	<b>3,788</b>	<b>281</b>	<b>4,069</b>
<b>Other components of comprehensive income</b>						
Change in fair value of cash flow hedges	(10,257)	10,215	-	(42)	-	(42)
Tax effect of change in fair value of cash flow hedges	2,826	(2,814)	-	12	-	12
Differences from translating foreign companies' financial statements into Euro	(13,767)	12,860	-	(907)	-	(907)
<b>Total comprehensive income (loss)</b>	<b>13,143</b>	<b>(6,827)</b>	<b>(3,465)</b>	<b>2,851</b>	<b>281</b>	<b>3,132</b>
<b>Total comprehensive income attributable to:</b>						
Owners of the parent	12,826	(6,518)	(3,465)	2,843	281	3,124
Minority interests	317	(309)	-	8	-	8

### 6.3.3 De'Longhi Clima Group - Pro forma Consolidated Statement of Financial Position at 30 June 2011

ASSETS (amounts in thousands of Euro)	Interim condensed consolidated financial statement at 30 June 2011 (A)	Less: items remaining with De'Longhi Group post demerger (B)	Reinstatement of intercompany items (C)	Total post-demerger (D=A+B+C)	Pro-forma adjustments (E)	Proforma consolidated statement of financial position for Beneficiary Company (F=D+E)
<b>NON-CURRENT ASSETS</b>						
INTANGIBLE ASSETS	409,417	(177,936)	-	231,481	-	231,481
- Goodwill	230,518	(41,590)	-	188,928	-	188,928
- Other intangible assets	178,899	(136,346)	-	42,553	-	42,553
PROPERTY, PLANT AND EQUIPMENT	192,133	(92,165)	-	99,968	-	99,968
- Land, property, plant and machinery	136,431	(46,442)	-	89,989	-	89,989
- Other tangible assets	55,702	(45,723)	-	9,979	-	9,979
EQUITY INVESTMENTS AND OTHER FINANCIAL ASSETS	2,884	(2,596)	-	288	-	288
- Equity investments (in other companies)	677	(673)	-	4	-	4
- Receivables	2,099	(1,815)	-	284	-	284
- Other non-current financial assets	108	(108)	-	-	-	-
DEFERRED TAX ASSETS	39,162	(37,580)	-	1,582	407	1,989
<b>TOTAL NON-CURRENT ASSETS</b>	<b>643,596</b>	<b>(310,277)</b>	<b>-</b>	<b>333,319</b>	<b>407</b>	<b>333,726</b>
<b>CURRENT ASSETS</b>						
INVENTORIES	365,209	(301,964)	-	63,245	-	63,245
TRADE RECEIVABLES	274,113	(173,783)	1,888	102,218	-	102,218
CURRENT TAX ASSETS	19,758	(18,021)	(39)	1,698	-	1,698
OTHER RECEIVABLES	16,725	(12,262)	11,354	15,817	-	15,817
CURRENT FINANCIAL RECEIVABLES AND ASSETS	13,017	(6,202)	7,670	14,485	-	14,485
CASH AND CASH EQUIVALENTS	199,996	(84,349)	2	115,649	-	115,649
<b>TOTAL CURRENT ASSETS</b>	<b>888,818</b>	<b>(596,581)</b>	<b>20,875</b>	<b>313,112</b>	<b>-</b>	<b>313,112</b>
<b>TOTAL ASSETS</b>	<b>1,532,414</b>	<b>(906,858)</b>	<b>20,875</b>	<b>646,431</b>	<b>407</b>	<b>646,838</b>
<b>NET EQUITY AND LIABILITIES</b>						
<b>NET EQUITY</b>						
GROUP PORTION OF NET EQUITY	749,920	(471,892)	(3,227)	274,800	(1,072)	273,728
MINORITY INTERESTS	1,968	(2,023)	-	(55)	-	(55)
<b>TOTAL NET EQUITY</b>	<b>751,888</b>	<b>(473,915)</b>	<b>(3,227)</b>	<b>274,745</b>	<b>(1,072)</b>	<b>273,673</b>
<b>NON-CURRENT LIABILITIES</b>						
FINANCIAL PAYABLES	99,738	(61,730)	33	38,041	-	38,041
- Bank loans and borrowings (long-term portion)	80,968	(56,425)	-	24,543	-	24,543
- Other financial payables (long-term portion)	18,770	(5,305)	33	13,498	-	13,498
DEFERRED TAX LIABILITIES	19,731	(3,128)	-	16,603	-	16,603
NON-CURRENT PROVISIONS FOR CONTINGENCIES AND OT	75,810	(60,245)	-	15,565	1,479	17,044
- Employee benefits	24,553	(18,215)	-	6,338	1,479	7,817
- Other provisions	51,257	(42,030)	-	9,227	-	9,227
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>195,279</b>	<b>(125,103)</b>	<b>33</b>	<b>70,209</b>	<b>1,479</b>	<b>71,688</b>
<b>CURRENT LIABILITIES</b>						
TRADE PAYABLES	362,220	(257,740)	5,170	109,650	-	109,650
FINANCIAL PAYABLES	125,559	(97,838)	134,359	162,081	-	162,081
- Bank loans and borrowings (short-term portion)	100,126	(75,312)	-	24,814	-	24,814
- Other financial payables (short-term portion)	25,433	(22,526)	134,359	137,267	-	137,267
CURRENT TAX LIABILITIES	39,656	(34,853)	-	4,803	-	4,803
OTHER PAYABLES	57,812	(41,074)	8,205	24,943	-	24,943
<b>TOTAL CURRENT LIABILITIES</b>	<b>585,247</b>	<b>(431,505)</b>	<b>147,734</b>	<b>301,477</b>	<b>-</b>	<b>301,477</b>
<b>TOTAL NET EQUITY AND LIABILITIES</b>	<b>1,532,414</b>	<b>(1,030,523)</b>	<b>144,540</b>	<b>646,431</b>	<b>407</b>	<b>646,838</b>
<b>CASH/ (NET DEBT)</b>						
<b>CASH/ (NET DEBT)</b>	<b>(12,141)</b>	<b>68,874</b>	<b>(126,720)</b>	<b>(69,988)</b>	<b>-</b>	<b>(69,988)</b>
of which:						
- Cash and other financial assets	213,156	(90,694)	7,672	130,134	-	130,134
- Current financial debt	(125,559)	97,838	(134,359)	(162,080)	-	(162,080)
- Non-current financial debt	(99,738)	61,730	(33)	(38,041)	-	(38,041)

### 6.3.4 De'Longhi Clima Group - Pro forma Consolidated Statement of Cash Flow - 1st half year 2011

(amounts in thousands of Euro)	Interim condensed consolidated financial statement at 30 June 2011	Less: items remaining with De'Longhi Group post demerger (B)	Reinstatement of intercompany items (C)	Total post-demerger (D=A+B+C)	Pro-forma adjustments (E)	Proforma consolidated statement of cash flow for Beneficiary Company
Profit (loss) pertaining to the group	34,024	(26,779)	(3,465)	3,780	281	4,061
Income taxes for the period	20,423	(16,739)	-	3,684	107	3,791
Amortization, depreciation and impairment	19,102	(14,153)	-	4,949	-	4,949
Net change in provisions	2,395	(2,143)	-	252	723	975
<b>Cash flow generated (absorbed) by current operations (A)</b>	<b>75,944</b>	<b>(59,814)</b>	<b>(3,465)</b>	<b>12,665</b>	<b>1,111</b>	<b>13,776</b>
<b>Change in assets and liabilities for the period:</b>						
Trade receivables	100,911	(97,185)	(616)	3,110	-	3,110
Inventories	(84,532)	70,585	-	(13,947)	-	(13,947)
Trade payables	5,161	6,011	(1,093)	10,079	-	10,079
Other current assets and liabilities	(27,106)	24,574	(4,620)	(7,152)	-	(7,152)
Payment of income taxes	(11,296)	10,345	-	(951)	-	(951)
<b>Cash flow generated (absorbed) by movements in working capital (B)</b>	<b>(16,862)</b>	<b>14,330</b>	<b>(6,329)</b>	<b>(8,861)</b>	<b>-</b>	<b>(8,861)</b>
<b>Cash flow generated (absorbed) by current operations and movements in working capital (A+B)</b>	<b>59,082</b>	<b>(45,484)</b>	<b>(9,794)</b>	<b>3,804</b>	<b>1,111</b>	<b>4,915</b>
<b>Investment activities:</b>						
Investments in intangible assets	(4,865)	3,289	-	(1,576)	-	(1,576)
Other cash flows for intangible assets	72	10	-	82	-	82
Investments in property, plant and equipment	(19,814)	12,507	-	(7,307)	-	(7,307)
Other cash flows for property, plant and equipment	185	(349)	-	(164)	-	(164)
Net investments in equity investments and other financial assets	(783)	685	-	(98)	-	(98)
<b>Cash flow generated (absorbed) by ordinary investment activities (C)</b>	<b>(25,205)</b>	<b>16,142</b>	<b>-</b>	<b>(9,063)</b>	<b>-</b>	<b>(9,063)</b>
Changes in consolidation area	(2,198)	-	-	(2,198)	-	(2,198)
<b>Non-recurring cash flow (D)</b>	<b>(2,198)</b>	<b>-</b>	<b>-</b>	<b>(2,198)</b>	<b>-</b>	<b>(2,198)</b>
Dividends paid	(21,827)	21,827	-	-	-	-
Change in currency translation reserve	(10,587)	10,007	(208)	(788)	-	(788)
Increase (decrease) in minority interests in capital and reserves	317	(309)	-	8	-	8
Capital contribution	-	150,000	-	150,000	(150,000)	-
New loans	13,761	(13,702)	-	59	-	59
Interest payment on loans	(1,635)	1,139	-	(496)	-	(496)
Repayment of loans and other net changes in sources of finance	(5,227)	(43,725)	10,004	(38,948)	68,946	29,998
<b>Cash flow generated (absorbed) by changes in net equity and by financing activities (E)</b>	<b>(25,198)</b>	<b>125,237</b>	<b>9,796</b>	<b>109,835</b>	<b>(81,054)</b>	<b>28,781</b>
<b>Cash flow for the period (A+B+C+D+E)</b>	<b>6,481</b>	<b>95,895</b>	<b>2</b>	<b>102,378</b>	<b>(79,943)</b>	<b>22,435</b>
Opening cash and cash equivalents	193,515	(180,244)	-	13,271	-	13,271
Increase (decrease) in cash and cash equivalents (A+B+C+D+E)	6,481	95,895	2	102,378	(79,943)	22,435
Pro-forma adjustments not affecting the closing cash and cash equivalents	-	-	-	-	79,943	79,943
<b>Closing cash and cash equivalents</b>	<b>199,996</b>	<b>(84,349)</b>	<b>2</b>	<b>115,649</b>	<b>-</b>	<b>115,649</b>
<b>Opening cash/ (net debt)</b>	<b>(4,709)</b>	<b>(121,964)</b>	<b>(84,991)</b>	<b>(211,664)</b>	<b>150,000</b>	<b>(61,664)</b>
Cash flow for the period in terms of net financial position	(7,432)	190,838	(41,730)	141,676	(148,889)	(7,213)
Pro-forma adjustments not affecting the closing cash/ (net debt)	-	-	-	-	(1,111)	(1,111)
<b>Closing cash/ (net debt)</b>	<b>(12,141)</b>	<b>68,874</b>	<b>(126,721)</b>	<b>(69,988)</b>	<b>-</b>	<b>(69,988)</b>

### **6.3.5 De'Longhi Clima Group - Explanatory Notes to the pro forma Consolidated Statements as of and for the six months ended 30 June 2011**

The accounting principles and evaluation criteria used in the preparation of the pro forma consolidated information are the same as those applied to the De'Longhi Group Consolidated Condensed Half-Year Statements at 30 June 2011 and the De'Longhi Group Consolidated Financial Statements at 31 December 2010, to which reference is made.

In particular, as the Demerger is considered a transaction of 'business combination involving entities or businesses under common control' and, as such, it is outside the scope of application of IFRS 3 and IFRIC 17. Accordingly, assets and liabilities of the De'Longhi Clima Group are stated in the Pro Forma Consolidated Financial Information at the carrying amount reported in the consolidated condensed half-year statements.

The Demerger involves entities already included in the scope of consolidation of the De'Longhi Group at 30 June 2011. As such, there is no change between the scope of consolidation applied for the De'Longhi Group Consolidated Condensed Half-Year Statements at 30 June 2011 and the sum of the scopes of consolidation of the Demerging Company and the Beneficiary Company considered for the preparation of the Pro Forma Consolidated Financial Information for the De'Longhi Clima Group.

In particular, the scope of consolidation of the Beneficiary Company is equivalent to that of the Professional Division considered for the purposes of providing information by operating segment in the consolidated condensed half-year statements as of and for the six months ended 30 June 2011. Therefore, the financial information of De'Longhi Clima Group before pro-forma adjustments, shown in the '*Total Post Demerger (D)*' columns corresponds to the data of the Professional Division, already highlighted in Note 37 ('*Operating segments*') in the notes to the Consolidated Condensed Half-Year Statements at 30 June 2011.

#### **● Principal assumptions used in preparation of the Pro Forma Consolidated Financial Statements**

Pursuant to the Demerger, De'Longhi S.p.A. will grant a portion of its assets to the Beneficiary Company, represented in particular by the 100% interest held by the Demerging Company in De'Longhi Professional.

Against this asset transfer, the Beneficiary Company will grant, without consideration, each De'Longhi S.p.A. shareholder an equal number of its own newly issued shares as they already hold in the Demerging Company.

De'Longhi Clima S.p.A. requested the authorities and competent bodies the admission to listing of its shares on the MTA; said admission to the listing is a prerequisite and essential condition for the Demerger. In addition to the applicable provisions of the Italian Civil Code, execution of the Deed of Demerger is therefore conditional upon obtaining the Borsa Italiana and Consob approval. In this regard, (i) on 19 December 2011 Borsa Italiana authorized the admission for all shares of the Beneficiary Company to listing on the MTA; (i) on 22 December 2011 Consob issued its decision that the Information Document was equivalent to a listing prospectus pursuant to Article 57 (1.d) of the Issuers' Regulation.

The reference date adopted in the preparation of the Pro Forma Consolidated Financial Statements of the De'Longhi Group Post Demerger for the simulation of the effects of deconsolidation arising from the Demerger does not therefore correspond to the actual financial year the Demerger will be completed in. At this date the Consolidated Financial Statements of the De'Longhi Group Post Demerger and of the De'Longhi Clima Group will be prepared (presumably in 2012).

As previously indicated in point 2.2.1, Section 2.2 of this Information Document, it is specified that the book value in the parent company of the asset to be transferred will remain unchanged, since any variations owing to the corporate dynamics that may occur by the effective date of the Demerger, will not entail any cash adjustments and the asset transferred will remain either a credit or a debt respectively.

To determine retrospectively the effects of the Demerger the following base assumptions have been adopted, also taking into account the indications contained in the Consob Communication DEM/1052803 of 5 July 2001:

- the pro forma consolidated financial statements and information have been prepared based on the Consolidated Financial Condensed Half-Year Statement of the De'Longhi Group as of and for the six months ended 30 June 2011 and integrated the same with the appropriate pro forma adjustments representing the effects of the Demerger and the preliminary corporate transactions;
- the pro forma adjustments have been calculated according to the general rule under which the transactions involving assets and liabilities are assumed to have taken place at the reference date of the Demerger, while, with reference to the income statements and statement of cash flows, the transactions are assumed to have taken place at the start of the period such information refers to. Therefore, the effects of transactions carried out and expected after 30 June 2011 have not been considered, in observance of the rules for preparing pro forma data provided by the aforementioned Consob Communication DEM/1052803 of 5 July 2001.

- **Components of profit and loss, assets and liabilities and cash flow remaining with the De'Longhi Group Post Demerger**

The column shows the effects on the consolidated data of the deconsolidation of the financial elements related to the activity remaining with the De'Longhi Group Post Demerger. As previously described in this chapter, such elements refer to De'Longhi S.p.A. and other companies of the Group under the Household Division and Corporate Division including:

- De'Longhi Appliances S.r.l., the main Italian operating company of the division, which carries out production and sales and in turn controls the principal subsidiaries in Europe (Germany, France, Spain, etc) and in North America;
- De'Longhi Household S.A., a sub-parent company of the division which controls, either directly or indirectly, the companies that carry out production or sourcing activities in Hong Kong/China, the commercial subsidiaries of the APA area (Asia-Pacific-Americas), Kenwood Group and other European commercial subsidiaries. The company

also performs services of a financial nature and management of other activities for the De'Longhi Group;

- the companies currently identified in the Corporate Division of the De'Longhi Group, namely De'Longhi Capital Services S.r.l., which performs activities of centralized management of financial services and derivative operations hedging exchange rate risk for the group, and E-Services S.r.l., subsidiary that performs ICT services for companies in the De'Longhi Group and third party clients.

- **Reinstatement of intercompany items**

The column includes the reallocation of amounts related to assets and liabilities, in addition to components of income statement and statement of cash flows, attributable to transactions occurred within between companies of the group controlled by the Demerging Company and the companies in the group controlled by the Beneficiary Company, given that subsequent to the Demerger such transactions no longer qualify as intercompany transactions and, therefore, should not be eliminated.

In particular, these are chiefly relationships arising from the following types of transactions:

- costs/payables for the supply of administrative, ICT, corporate, tax and HR management services received from companies of the De'Longhi Group, which will remain within the De'Longhi Group Post Demerger, for companies that will come under the De'Longhi Clima Group;
- costs/payables for the purchase by companies in the Household Division of finished products for fixed air conditioning systems and semi-processed products for heating;
- revenues/receivables for the sale of products for air conditioning and heating by Climaveneta S.p.A. and DL Radiators S.p.A. to some commercial subsidiaries;
- financial costs/payables mainly related to interests payable on cash pooling balances and recharges for centralized management of financial services and treasury services and derivative operations hedging exchange rate risk;
- intragroup balances (receivable/payable) related to the group's cash pooling agreement by Climaveneta S.p.A., DL Radiators S.p.A. and RC Group S.p.A. to De'Longhi Capital Services S.r.l.;
- receivables/payables for the group's domestic tax consolidation and payment of VAT;
- financial debts contracted in relation to the group's cash pooling agreement;
- receivables and payables from derivatives stipulated by companies that will be part of the De'Longhi Clima Group with De'Longhi Capital Services S.r.l.



For additional details on figures of transactions between De'Longhi Group Post Demerger and De'Longhi Clima Group, see paragraph 6.6 of the Information Document.

● **Pro-forma adjustments**

The column contains the pro forma adjustments applied to the aggregate post Demerger figures of the De'Longhi Clima Group, to reflect the effects of significant transactions related to the Demerger, as described below.

Recapitalization of De'Longhi Professional

On 30 June 2011 De'Longhi S.p.A. resolved and paid a capital contribution of Euro 150 million to the subsidiary De'Longhi Professional, to re-balance the financial position of the Household Division and Professional Division and to eliminate the financial relationships existing between the two divisions, decreasing the negative financial position of the Professional Division. Following the contribution, De'Longhi Professional and its subsidiaries will discharge infragroup financial debts within the group cash pooling.

This is a preliminary operation which is strictly functional to the Demerger; the effects of the recapitalization have been reflected in the pro forma adjustments to the data in the Income Statement and the Statement of Cash Flows, as if the transaction occurred at the beginning of the financial year 2011.

Regarding the income statement and statement of cash flows, assuming that such operation took place on 1 January 2011, the related pro forma adjustment retroactively reflects lower interest expenses for the De'Longhi Clima Group for Euro 1,111 million for the first Half-year of 2011 (determined according to an average annual rate 1.48%, in line with the average rate recognised in the period on the De'Longhi Group's cash pooling balances). Furthermore, in the financial statement only, the pro forma adjustment offsets the effect of the capital contribution on the cash flows of the period.

However, no pro forma adjustments have been reported for the assets and liabilities, since the recapitalization took place before the closing of the half year period.

Employee benefits

During 2008, De'Longhi S.p.A.'s general meeting approved a Phantom Stock Option Plan which entitles beneficiaries to cash payments based on the growth of the company's ordinary share price.

For this plan De'Longhi S.p.A. prepared the Information Document, in accordance with Article 84-*bis* of the Issuers' Regulation, prepared in accordance with Annex 3A, Schedule 7 of the Issuers' Regulation, filed with Borsa Italiana and published on the Demerging Company's internet site.

The cost of such instruments and the related liabilities are shown in the appropriate De'Longhi S.p.A. Consolidated Financial Statements, throughout the maturation period, recalculating the fair value of the options for each balance sheet date.

At 30 June 2011 the total number of exercisable options is equal to 500,000 and the relevant half-year cost for the adoption of this plan is equal to Euro 1,808 thousand. Since with regard to the Plan a portion of the options (200,000 in number) is under the Professional Division, with the chief executive officer of Climaveneta S.p.A.. (a company which is included in the activity subject of the Demerger) as beneficiary, a pro forma adjustment, reflecting the higher payroll costs and the recording of employee benefits correlated to such quota, was made to the De'Longhi Group Post Demerger data for Euro 723 thousand in the Income Statement and for Euro 1,479 thousand in the statement of financial position.

Additionally it must be remembered that on the date of the Information Document the only two beneficiaries have communicated to the Demerging Company that they will take up all the Phantom Stock Options within the effective date of the Demerger.

#### Income taxes

The tax effects of the above pro forma adjustments have been calculated, where applicable, using theoretical tax rates applicable at 30 June 2011.

For the purposes of the Pro Forma Consolidated Financial Statements of the De'Longhi Clima Group, the Italian subsidiaries to be transferred to the group headed by the Beneficiary Company have been removed from the De'Longhi Group's domestic tax consolidation (with effect from 1 January 2011), and a new theoretical domestic tax consolidation has been established with the Beneficiary Company as the parent. Based on current circumstances, it is expected that the recoverable amount of the already recognized deferred tax assets, net of the deferred tax liabilities allocated to the De'Longhi Clima Group, will remain unchanged as a result of the Demerger.

#### Other effects arising from the Demerger

- The pro forma adjustments do not include Demerger-related expenses as these are not recurrent and not yet completely defined.
- It is not expected that the expenses connected to the corporate activities of the new company heading the De'Longhi Clima Group will be material with respect to the values contained in the Beneficiary Company's Income Statement and, therefore, no pro forma adjustments were made.
- All transfers of goods and services between De'Longhi Group companies are already subject to contractual agreements stipulated at standard market conditions. Therefore the Demerger is not expected to produce any significant effects attributable to changes in the conduct and settlement of transactions between Group companies and, consequently, no such effects are reflected in the pro forma adjustments.

## **Pro forma financial performance of 1st half-year 2011**

### *Operating performance of the De'Longhi Clima Group*

In the first half of 2011 the pro forma net equity for the De'Longhi Clima Group are equal to Euro 178.8 million; performance during the first half of the year was characterized by good results in the sales of machinery for air conditioning systems and ICT industrial process chillers both for the Climaveneta and RC brands.

Water-filled radiator sales contracted due to the weak market and seasonal factors that shifted certain sales into the second half of the 2010.

With regard to the De'Longhi Clima Group earnings, the pro forma EBITDA before non-recurring expenses was equal to Euro 15.9 million in the first half of 2011, with a margin on revenues equal to 8.9%. This performance reflects the results from the large thermo-cooling systems and the machines for ICT industrial process chillers, which have greatly compensated for the lower earnings from the company operating in heating.

The pro forma EBIT, equal to Euro 9.9 million, with a margin on net revenues of 5.5%, includes non-recurring expenses of Euro 1 million in relation to the reorganization of DL Radiators.

Net financial expenses, equal to Euro 2.1 million, include payable interest for Euro 1.2 million and other financial expenses for Euro 0.9 million (including bank charges and charges for the management of hedge operations).

### *De'Longhi Clima Group - Consolidated Statement of Financial Position at 30 June 2011*

At 30 June 2011, the non-current assets equal Euro 333.7 million.

The Intangible Assets include goodwill related to the acquisition of a new commercial company which distributes chillers in the UK market. Property, Plant and Equipment include investments made to equip DL Radiators with a photovoltaic plant for Euro 5.2 million.

Current Assets, equal to Euro 313.1 million at 30 June 2011, include trade receivables for Euro 102.2 million and inventories for Euro 63.2 million, and reflect the seasonality effect (particularly with regard to DL Radiators), which caused a higher level of stock at 30 June which was much higher than that at the end of the year.

De'Longhi Clima Group's net working capital is equal to 43.6 million at 30 June 2011 (with a margin on rolling revenues equal to 11.6%).

At 30 June 2011, De'Longhi Clima Group's pro forma net financial debt is equal to Euro 70 million, and positively reflects the effects of the recapitalization of De'Longhi Professional equal to Euro 150 million, described above. Comparison with the data at 31 December 2010 reflects the aforementioned non-recurring investments made during the half-year period to equip DL Radiators with a photovoltaic system for Euro 5.2 million, the flow regarding the acquisition of the company Climaveneta UK Ltd for Euro 2.2 million, seasonal phenomena and a lower benefit deriving from receivables factored without recourse.

For the detailed pro forma net debt of the De'Longhi Clima Group at 30 June 2011, please refer to the tables in Section 2.4.2 of the Information Document.

## 6.4 PRO FORMA CONSOLIDATED PER SHARE DATA AT 30 JUNE 2011

### 6.4.1 Historical and pro forma per share data of the Beneficiary Company and of the Group of which it is parent

The historical data of the De'Longhi Group at 30 June 2011 and the pro forma data per share of the De'Longhi Clima Group at 30 June 2011 are shown below.

It must be remembered that at 30 June 2011 De'Longhi S.p.A.'s share capital, fully paid-in, is represented by no. 149,500,000 ordinary shares and the company does not have any own shares in its possession.

	<u>Consolidated historical data</u> (Consolidated financial statement of the De'Longhi Group at 30 June 2011)	<u>Pro forma data for the Beneficiary Company</u> (Pro forma data for the De'Longhi Clima Group at 30 June 2011)
Ordinary shares issued at year end	149,500,000	149,500,000
Weighted average of the ordinary shares outstanding for the period	149,500,000	149,500,000
<b>Per share data (in Euro)</b>		
Net earnings per share	€ 0.23	€ 0.03
Net equity per share	€ 5.03	€ 1.83
Cash flow per share (in terms of cash and cash equivalents)	€ 0.04	€ 0.15
Cash flow per share - in terms of cash/(net debt)	- € 0.05	- € 0.05

### 6.4.2 Comment on significant differences between pro forma and historical per share data

#### • Net earnings per share

This per share index is computed on the net result for the parent company. The exclusion of the net result of the businesses remaining under the De'Longhi Group Post Demerger and the effects of the pro forma adjustments described above have resulted in a pro forma net result per share for the Beneficiary Company which is lower than the historical consolidated data.

- **Net equity per share**

This per share index is computed based on the ratio between net equity and the number of shares.

The pro forma per share figure for the Beneficiary Company is lower than the historical consolidated data due to the portion of equity remaining with the group under the Demerging Company and due to the pro forma adjustments already described above.

- **Cash flow per share**

This per share index is computed on the ratio between the cash flow for the financial period, both in terms of cash and cash equivalents as well as cash/(net debt), and the number of shares.

## **6.5 AUDITOR'S REPORT ON THE PRO FORMA CONSOLIDATED FINANCIAL DATA**

### **6.5.1 Auditor's Report on the pro forma consolidated financial data at 31 December 2010**

The Auditor's Report on the Pro forma Consolidated Financial Information of De'Longhi Clima Group (income statement, statement of comprehensive income, financial position and cash flows) as of and for the year ended 31 December 2010 is attached to this Information Document.

As indicated in paragraph 6.1 above, the same Pro Forma Consolidated Financial Information at 31 December 2010 (and related notes) was included in the Information Document of De'Longhi, which was published on 26 September 2011. The report of the independent auditors on that financial information, issued on 23 September 2011, was included as an annex to the mentioned Information Document of De'Longhi.

### **6.5.2 Auditor's Report on the pro forma consolidated financial data at 30 June 2011**

The Auditor's Report on the Pro forma Consolidated Financial Information of De'Longhi Clima Group (income statement, statement of comprehensive income, financial position and cash flows) as of and for the six months ended 30 June 2011 is attached to this Information Document.

As indicated in paragraph 6.1 above, the same Pro Forma Consolidated Financial Information at 30 June 2011 (and related notes) was included in the Information Document of De'Longhi, which was published on 26 September 2011. The report of the independent auditors on that financial information, issued on 23 September 2011, was included as an annex to the mentioned Information Document of De'Longhi.

## 6.6 DE' LONGHI CLIMA GROUP - TRANSACTIONS WITH RELATED PARTIES

### 6.6.1 Transactions with related parties of De'Longhi Clima Group for the year ended 31 December 2010

Transactions with related parties of the De'Longhi Clima Group as of 31 December 2010 refer chiefly to transactions with the De'Longhi Group Post Demerger. Such transactions concern mainly the supply of goods and services governed by contracts concluded at market conditions. They are mainly several services of various kinds (administrative, tax, legal, HR management, IT and financial) including other services ancillary to the business activity.

The effects of transactions with related parties on the consolidated income statement and on the consolidated statement of financial position of the De'Longhi Clima Group at 31 December 2010 are shown below:

(in thousands of Euro)	Total 2010 (before pro forma adjustments)	Unconsolidated subsidiaries	Jointly controlled entities	Associates	De'Longhi Group Post-Demerger	Other related parties	Total related parties	Percentage of line item
<b>Consolidated income statement</b>								
Net revenues	352,614	-	-	-	1,157	-	1,157	0.3
Materials consumed	192,692	-	-	-	3,178	-	3,178	1.6
Services and other operating expenses	64,521	-	-	-	3,800	1,084	4,884	7.6
Financial (income) expenses	6,145	-	-	-	1,866	-	1,866	30.4
<b>Consolidated statement of financial position</b>								
Trade receivables	103,901	-	-	-	1,276	-	1,276	1.2
Other receivables	9,967	-	-	-	4,623	-	4,623	46.4
Current financial receivables and assets	11,911	-	-	-	6,129	-	6,129	51.5
Trade payables	98,059	-	-	-	6,264	-	6,264	6.4
Other payables	22,978	-	-	-	6,143	-	6,143	26.7
Current financial payables	188,630	-	-	-	91,120	-	91,120	48.3

### **Relations with companies in the De'Longhi Group Post Demerger:**

#### *Net revenues*

Including revenues for the supply of goods and services to the following companies.

<b>(in thousands of Euro)</b>	<b>2010</b>
Sales of air conditioning products by Climaveneta S.p.A. to DL Brasil	390
Sales of heating products from DL Radiators S.p.A. to Kenwood Limited	251
Revenues for the recharge of technical assistance expenses on air conditioning products by Climaveneta S.p.A. to De'Longhi Appliances S.r.l.	415
Other	101
<b>Total net revenues</b>	<b>1,157</b>

#### *Materials consumed*

This item includes the costs for the purchase by companies in the Household Division of finished products for fixed air conditioning systems and semi-processed products for heating. The breakdown is as follows:

<b>(in thousands of Euro)</b>	<b>2010</b>
Costs for purchases of finished products for fixed air conditioning systems made by Climaveneta S.p.A. from De'Longhi Kenwood A.P.A. Ltd.	2,398
Costs for purchases of semi-processed products for heating made by DL Radiators S.p.A. from Tricom Industrial Co. Ltd.	706
Other	74
<b>Total materials consumed</b>	<b>3,178</b>

Services and other operating expenses

Include the costs for the supply of administrative, ICT, corporate, tax and HR management services supplied by companies of the De'Longhi Group Post Demerger. The breakdown is as follows:

<b>(in thousands of Euro)</b>	<b>2010</b>
Costs for services related to the commercial structure provided by Kenwood Limited to DL Radiators S.p.A.	938
Costs borne by the Italian companies of the De'Longhi Clima Group for administrative, corporate, tax and HR management services received during the year	744
Costs for the recharge of insurance costs on centrally managed Group policies	513
Costs for IT services provided by E-Services S.r.l. to companies in the De'Longhi Clima Group	510
Costs for use rights of trademarks held by De'Longhi Appliances S.r.l.	463
Ordinary management costs for real estate property recharged by De'Longhi Appliances S.r.l. to Climaveneta S.p.A.	352
Travel expenses borne by De'Longhi S.p.A. on behalf of Climaveneta S.p.A. and DL Radiators S.p.A.	201
Other	79
<b>Total services and other operating expenses</b>	<b>3,800</b>

Financial (income)/expenses

Including interests receivable and payable on cash pooling balances and recharges for centralized management of financial services and treasury services and revenues and charges on derivative operations hedging exchange rate risk. The breakdown is as follows:

<b>(in thousands of Euro)</b>	<b>2010</b>
Net interest payable on cash pooling balances	1,165
Costs of recharges for financial services	366
Other (principally charges on operations hedging exchange rate risk)	335
<b>Total financial (income)/expenses</b>	<b>1,866</b>



### Trade receivables

Including receivables for the supply of goods and services to the following companies:

<b>(in thousands of Euro)</b>	<b>2010</b>
Receivables of Climaveneta S.p.A. due from DL Brasil for sales of air conditioning products	388
Receivables of DL Radiators S.p.A. due from Kenwood Limited for sales of heating products	251
Receivables of Climaveneta S.p.A. for the recharge of technical assistance costs on air conditioning products to De'Longhi Appliances S.r.l.	415
Other	222
<b>Total trade receivables</b>	<b>1,276</b>

### Other receivables

These include receivables for the Group's fiscal consolidation and payment of VAT:

<b>(in thousands of Euro)</b>	<b>2010</b>
Tax credits of Climaveneta S.p.A. towards De'Longhi S.p.A.	1,062
Tax credits of DL Radiators S.p.A. towards De'Longhi S.p.A.	3,554
Other	7
<b>Total other receivables</b>	<b>4,623</b>

### Receivables and other current financial assets

These include mainly the credit balances to De'Longhi Capital Services S.p.A. on Group cash pooling and assets deriving from the assessment of derivatives hedging exchange rate risk.

<b>(in thousands of Euro)</b>	<b>2010</b>
Cash pooling asset balances of RC Group S.p.A.	4,071
Fair value assessment of existing derivative contracts	631
Other	1,427
<b>Total receivables and other current financial assets</b>	<b>6,129</b>

### Trade payables

Including payables for the purchase of goods and services already described above. The main amounts are detailed below by company:

<b>(in thousands of Euro)</b>	<b>2010</b>
Payables for purchases of finished products for fixed air conditioning systems made by Climaveneta S.p.A. from De'Longhi Kenwood A.P.A. Ltd.	397
Payables for purchases of semi-processed products for heating made by DL Radiators S.p.A. from Tricom Industrial Co. Ltd.	180
Payables of DL Radiators S.p.A. for services supplied by companies of the De'Longhi Group Post Demerger	2,891
Payables of Climaveneta S.p.A. for services supplied by companies of the De'Longhi Group Post Demerger	1,226
Other trade payables	1,570
<b>Total trade payables</b>	<b>6,264</b>

### Other payables

These include payables for the Group's fiscal consolidation and payment of VAT:

<b>(in thousands of Euro)</b>	<b>2010</b>
Tax payables of Climaveneta S.p.A. towards De'Longhi S.p.A.	4,527
Tax payables of RC Group S.p.A. towards De'Longhi S.p.A.	1,133
Other	483
<b>Total other payables</b>	<b>6,143</b>

### Current financial debt

These include mainly the debit balances to De'Longhi Capital Services S.p.A. on Group cash pooling and liabilities deriving from the assessment of derivatives hedging exchange rate risk.

### **Relations with other related parties:**

The costs for services provided to related parties refer only to the costs incurred by Climaveneta S.p.A. and DL Radiators S.p.A. with Gamma S.r.l., company indirectly controlled by the same main shareholder of the De'Longhi Clima Group Post Demerger, for rents and management services for the real estate in Mignagola (for Climaveneta S.p.A.) and in Treviso and Gorgo al Monticano (for DL Radiators S.p.A.).

### **6.6.2 Transactions with related parties for the six months ended 30 June 2011**

Transactions with related parties of the De'Longhi Clima Group as of 30 June 2011 refer chiefly to transactions with the De'Longhi Group Post Demerger. Such transactions concern mainly the supply of goods and services governed by contracts concluded at market conditions. They are principally several services of various kinds (administrative, tax, legal, HR management, IT and financial) including other services ancillary to the business activity.

The effects of transactions with related parties on the consolidated income statement and on the consolidated statement of financial position of the De'Longhi Clima Group at 30 June 2011 are shown below:

<b>(in thousands of Euro)</b>	<b>Total 30 June 2011 (before pro forma adjustments)</b>	<b>Unconsolidated subsidiaries</b>	<b>Jointly controlled entities</b>	<b>Associates</b>	<b>De'Longhi Group Post-Demerger</b>	<b>Other related parties</b>	<b>Total related parties</b>	<b>Percentage of line item</b>
<b>Consolidated income statement</b>								
Net revenues	178,770	-	-	-	1,005	-	1,005	0.6
Materials consumed	94,651	-	-	-	1,811	-	1,811	1.9
Services and other operating expenses	32,269	-	-	-	1,832	528	2,360	7.3
Financial (income) expenses	3,162	-	-	-	827	-	827	26.2
<b>Consolidated statement of financial position</b>								
Trade receivables	102,218	-	-	-	1,888	-	1,888	1.8
Other receivables	17,515	-	-	-	11,315	3	11,318	64.6
Current financial receivables and assets	14,485	-	-	-	7,670	-	7,670	53.0
Trade payables	109,650	-	-	-	5,170	-	5,170	4.7
Other payables	24,943	-	-	-	8,205	-	8,205	32.9
Current financial payables	200,122	-	-	-	134,392	-	134,392	67.2

### **Relations with companies in the De'Longhi Group Post Demerger:**

#### *Net revenues*

Including revenues for the supply of goods and services to the following companies.

<b>(in thousands of Euro)</b>	<b>30 June 2011</b>
Sales of air conditioning products by Climaveneta S.p.A. to DL Brasil	351
Sales of heating products from DL Radiators S.p.A. to Kenwood Limited	469
Revenues for the recharge of technical assistance expenses on air conditioning products by Climaveneta S.p.A. to De'Longhi Appliances S.r.l.	168
Other	176
<b>Total net revenues</b>	<b>1,005</b>

#### *Materials consumed*

These include the costs for the purchase by companies in the Household Division of finished products for fixed air conditioning systems and semi-processed products for heating. The breakdown is as follows:

<b>(in thousands of Euro)</b>	<b>30 June 2011</b>
Costs for purchases of finished products for fixed air conditioning systems made by Climaveneta S.p.A. from De'Longhi Kenwood A.P.A. Ltd.	1,467
Costs for purchases of semi-processed products for heating made by DL Radiators S.p.A. from De'Longhi Kenwood A.P.A. Ltd.	318
Other	26
<b>Total materials consumed</b>	<b>1,811</b>

### Services and other operating expenses

Include the costs for the supply of administrative, ICT, corporate, tax and HR management services supplied by companies of the De'Longhi Group Post Demerger. The breakdown is as follows:

<b>(in thousands of Euro)</b>	<b>30 June 2011</b>
Costs for services related to the commercial structure provided by Kenwood Limited to DL Radiators S.p.A.	396
Costs borne by the Italian companies of the De'Longhi Clima Group for administrative, corporate, tax and HR management services received during the half-year period	349
Costs for the recharge of insurance costs on centrally managed Group policies	257
Costs for IT services provided by E-Services S.r.l. to companies in the De'Longhi Clima Group	225
Costs for use rights of trademarks held by De'Longhi Appliances S.r.l.	159
Ordinary management costs for real estate property recharged by De'Longhi Appliances S.r.l. to Climaveneta S.p.A.	174
Travel expenses borne by De'Longhi S.p.A. on behalf of Climaveneta S.p.A. and DL Radiators S.p.A.	183
Other	89
<b>Total services and other operating expenses</b>	<b>1,832</b>

### Financial (income)/expenses

Including interests receivable and payable on cash pooling balances and recharges for centralized management of financial services and treasury services and derivative operations hedging exchange rate risk. The breakdown is as follows:

<b>(in thousands of Euro)</b>	<b>30 June 2011</b>
Net interest payable on cash pooling balances	842
Costs of recharges for financial services	158
Other (principally net revenues on operations hedging exchange rate risk)	(173)
<b>Total financial (income)/expenses</b>	<b>827</b>

### Trade receivables

Including receivables for the supply of goods and services to the following companies:

<b>(in thousands of Euro)</b>	<b>30 June 2011</b>
Receivables of Climaveneta S.p.A. due from DL Brasil for sales of air conditioning products	684
Receivables of DL Radiators S.p.A. due from Kenwood Limited for sales of heating products	311
Receivables of Climaveneta S.p.A. for the recharge of technical assistance costs on air conditioning products to De'Longhi Appliances S.r.l.	676
Other	217
<b>Total trade receivables</b>	<b>1,888</b>

### Other receivables

These include receivables for the Group's fiscal consolidation and payment of VAT:

<b>(in thousands of Euro)</b>	<b>30 June 2011</b>
Tax credits of Climaveneta S.p.A. towards De'Longhi S.p.A.	3,479
Tax credits of DL Radiators S.p.A. towards De'Longhi S.p.A.	7,868
Other (consolidation adjustments on other receivables)	(32)
<b>Total other payables</b>	<b>11,315</b>

### Receivables and other current financial assets

These include mainly the credit balances to De'Longhi Capital Services S.p.A. on Group cash pooling and assets deriving from the assessment of derivatives hedging exchange rate risk.

<b>(in thousands of Euro)</b>	<b>30 June 2011</b>
Cash pooling asset balances of RC Group S.p.A.	6,271
Fair value assessment of existing derivative contracts	645
Other	754
<b>Total receivables and other current financial assets</b>	<b>7,670</b>

### Trade payables

Including payables for the purchase of goods and services already described above. The main amounts are detailed below by company:

<b>(in thousands of Euro)</b>	<b>30 June 2011</b>
Payables for purchases of finished products for fixed air conditioning systems made by Climaveneta S.p.A. from De'Longhi Kenwood A.P.A. Ltd.	1,052
Payables for purchases of semi-processed products for heating made by DL Radiators S.p.A. from De'Longhi Kenwood A.P.A. Ltd.	303
Payables of DL Radiators S.p.A. for services supplied by companies of the De'Longhi Group Post Demerger	1,960
Payables of Climaveneta S.p.A. for services supplied by companies of the De'Longhi Group Post Demerger	1,643
Other trade payables	212
<b>Total trade payables</b>	<b>5,170</b>

### Other payables

These include payables for the Group's fiscal consolidation and payment of VAT:

<b>(in thousands of Euro)</b>	<b>30 June 2011</b>
Tax payables of Climaveneta S.p.A. towards De'Longhi S.p.A.	7,473
Tax payables of RC Group S.p.A. towards De'Longhi S.p.A.	732
<b>Total other payables</b>	<b>8,205</b>

### Current financial debt

These include mainly the debit balances to De'Longhi Capital Services S.p.A. on Group cash pooling and liabilities deriving from the assessment of derivatives hedging exchange rate risk.

<b>(in thousands of Euro)</b>	<b>30 June 2011</b>
Cash pooling liabilities of Climaveneta S.p.A.	53,424
Cash pooling liabilities by DL Radiators S.p.A.	59,717
Financing of DL Professional S.A. received from De'Longhi S.p.A.	20,000
Liabilities for fair value assessment of existing derivative contracts	192
Other financial payables	1,058
<b>Total current financial payables</b>	<b>134,392</b>

### **Relations with other related parties:**

The costs for services provided to related parties refer exclusively to the costs incurred by Climaveneta S.p.A. and DL Radiators S.p.A. with Gamma S.r.l., company indirectly controlled by the same main shareholder of the De'Longhi Clima Group Post Demerger, for rents and management services for the real estate in Mignagola (for Climaveneta S.p.A.) and in Treviso and Gorgo al Monticano (for DL Radiators S.p.A.).

### **6.6.3 Transactions with related parties of De'Longhi Clima Group for the year ended 31 December 2009 and 2008**

Transactions with related parties of the De'Longhi Clima Group as of 31 December 2009 and 31 December 2008 refer chiefly to transactions with the De'Longhi Group Post Demerger. Such transactions concern mainly the supply of goods and services of various kinds (administrative, tax, legal, HR management, IT and financial) governed by contracts concluded at market conditions. They also include economic and equity balances on cash pooling relations and recharges for centralized management of financial and treasury services and derivative operations hedging exchange rate risk.

Relations with other related parties refer exclusively to the costs incurred by Climaveneta S.p.A. and DL Radiators S.p.A. with Gamma S.r.l., company indirectly controlled by the same main shareholder of the De'Longhi Clima Group Post Demerger, for rents and management services for the real estate in Mignagola, Treviso and Gorgo al Monticano. In 2008 this company was included in the consolidation area of the De'Longhi Group, therefore the balances of the transactions with this company are due to the De'Longhi Group Post Demerger.



Receivables due from other related parties at 31 December 2008 refer primarily to balances deriving from commercial relations with the company Omas S.r.l.

There are no transactions with unconsolidated subsidiary companies, jointly-controlled companies and associated companies.

The effects of transactions with related parties on the consolidated income statement and on the consolidated statement of financial position of the De'Longhi Clima Group at 31 December 2009 and at 31 December 2008 are shown below:

(in thousands of Euro)	Total 2009 (before pro forma adjustments)	De'Longhi Group Post-Demerger	Other related parties	Total related parties	Percentage of line item	Total 2008 (before pro forma adjustments)	De'Longhi Group Post-Demerger	Other related parties	Total related parties	Percentage of line item
<b>Consolidated income statement</b>										
Net revenues	333,976	782	-	782	0.2	411,204	1,046	-	1,046	0.3
Materials consumed	178,345	6,815	-	6,815	3.8	232,433	14,009	-	14,009	6.0
Services and other operating expenses	63,265	3,636	1,119	4,755	7.5	75,952	4,661	-	4,661	6.1
Financial (income) expenses	8,397	2,579	-	2,579	30.7	16,466	3,841	-	3,841	23.3
<b>Consolidated statement of financial position</b>										
Trade receivables	96,279	894	-	894	0.9	110,419	1,098	289	1,387	1.3
Other receivables	11,261	4,778	-	4,778	42.4	10,490	5,802	-	5,802	55.3
Current financial receivables and assets	8,554	1,795	-	1,795	21.0	3,212	814	-	814	25.3
Trade payables	82,308	4,854	-	4,854	5.9	93,656	4,686	-	4,686	5.0
Other payables	25,731	4,999	-	4,999	19.4	24,601	6,143	-	6,143	25.0
Current financial payables	183,458	156,499	-	156,499	85.3	200,670	162,926	-	162,926	81.2

## **CHAPTER VII - OUTLOOK FOR THE DEMERGING COMPANY AND GROUP**

### **7.1 OUTLOOK FOR THE CURRENT FINANCIAL YEAR**

The Demerger will have no impact on the overall 2011 outlook for the DeLonghi Group, in its current form.

The markets are currently influenced by conditions of uncertainty resulting from the tension on financial markets. Nevertheless, at 2011 closing the Group expects a growth in both the divisions it operates in.

The Household division's extensive international presence (with growth in mature markets and especially in emerging markets), combined with a business concentrated in growing product segments, especially coffee machines, should allow its targets to be achieved.

In the Professional Division, the growth trend (in terms of revenues and EBITDA) should be confirmed, despite the current macroeconomic conditions, thanks to the good growth in air conditioning and refrigeration products and the Group's presence on principal markets and in some emerging countries including China and India that have high growth rates.

### **7.2 FORECASTS AND ESTIMATES**

No forecasts or estimates have been provided.

### **7.3 REPORT BY THE AUDIT FIRM ON THE FORECASTS AND ESTIMATES**

As no forecasts or estimates have been provided, the independent auditors have not issued the relative report.

## **CHAPTER VIII - OUTLOOK FOR THE BENEFICIARY COMPANY AND GROUP**

### **8.1 OVERVIEW OF THE PERFORMANCE OF DE'LONGHI CLIMA S.P.A. AND GROUP SINCE 31 DECEMBER 2010**

Since incorporation, the Beneficiary Company's only activities have been those directly related to the Demerger.

### **8.2 PROSPECTS FOR THE CURRENT FINANCIAL YEAR**

As illustrated above, since incorporation, the Beneficiary Company's only activities have been those directly related to the Demerger (which will be included in its annual report for 2011) and no other activity is expected prior to the effective date of the Demerger.

On the contrary, the Pro forma Consolidated Financial Information of the De'Longhi Clima Group at 30 June 2011 on paragraph 6.3 contains transactions which are included under the activity of the De'Longhi Clima Group, had the Demerger occurred on 1 January 2011.

### **8.3 FORECASTS AND ESTIMATES**

No forecasts or estimates have been provided.

### **8.4 REPORT BY THE AUDIT FIRM ON THE ESTIMATES**

As no forecasts or estimates have been provided, the independent auditors have not issued the relative report.

## **CHAPTER IX - INFORMATION CONCERNING THE ADMISSION OF SECURITIES TO LISTING**

This chapter contains information on the shares of the Beneficiary Company for which Borsa Italiana admitted to listing on the MTA with notice no. 7094 dated 19 December 2011.

### **9.1 TYPE AND CLASS OF SECURITIES TO BE LISTED**

The listed securities are the shares of the Beneficiary Company, having a par value of Euro 1.50 each (jointly, the "Shares").

For this share capital increase which was decided for the purposes of the Demerger by the shareholders' meeting of De'Longhi Clima on 11 October 2011, the Beneficiary Company will issue new shares that will be granted to the shareholders of the Demerging Company on the basis of one share in the Demerging Company for one share in the Beneficiary Company.

### **9.2 LAW GOVERNING ISSUANCE OF THE SHARES**

The Shares will be issued by the Beneficiary Company under Italian law.

### **9.3 RULES GOVERNING THE TRANSFER OF SHARES**

The Shares that will be issued by the Beneficiary Company are nominative, freely transferable and issued in dematerialized form and under the centralized management of Monte Titoli S.p.A.

### **9.4 CURRENCY OF THE SHARE ISSUE**

The shares are issued in Euros.

## **9.5 DESCRIPTION OF THE RIGHTS ATTACHED TO THE SHARES, INCLUDING ANY LIMITATIONS, AND PROCEDURES FOR THE EXERCISE OF THOSE RIGHTS**

Pursuant to Article 5 of the Articles of Association of De'Longhi Clima S.p.A., which will enter into force on the effective date of the Demerger, the share capital may be increased more than once as allowed by law, also with the issuing of shares with different rights from those already in circulation.

The issuing of new ordinary shares or also shares with different rights from ordinary shares, having the same characteristics as the shares already in circulation, shall not require further approvals from the special meetings of shareholders of the different categories.

The meeting that decides on the capital increase may, in observance of the terms and methods provided by the law, exclude or limit the option rights when the interest of the Company requires it, when the newly issued shares must be freed by contributions in kind, and within the limit of ten percent of the pre-existing share capital pursuant to Art. 2441, subsection 4 of the Italian Civil Code.

The extraordinary shareholders' meeting may delegate to the Board of Directors, pursuant to Art. 2443 of the Italian Civil Code, the faculty to increase the share capital, also with the exclusion of the option rights, observing the methods and within the limits provided by the same Art. 2443 of the Italian Civil Code.

The shares are nominative and indivisible.

Each share shall carry the right to one vote, unless the shareholders' meeting resolves to issue shares without voting rights or with limited voting rights. At the Date of the Information Document the shareholders' meeting has only issued ordinary shares.

Pursuant to Article 23 of the Articles of Association of De'Longhi Clima S.p.A., which will enter into force on the effective date of the Demerger, profit after taxes resulting from the balance sheet shall be allocated as follows:

- to the legal reserve, for a share equal to 5% until the same reaches one fifth of the share capital;
- the remaining Profit after taxes shall be placed at the disposal of the Shareholders' Meeting which may allocate them to be distributed shareholders or to increase company reserves, or both.

Dividends that are not claimed within five years from the day that they are collectable shall be reclaimed by the Company. Advances on dividends may be made in accordance with the law.

Article 24 of the Articles of Association of De'Longhi Clima S.p.A., which will enter into force on the effective date of the Demerger, lastly states that, at any time and for any reason whatsoever, the winding up of the Company shall be decided by the shareholders' meeting, which shall establish the liquidation procedures.

No shares granting special rights of control will be issued, there will be no restrictions on voting or transfer of shares and no management or employee stock ownership plans.

## **9.6 RESOLUTIONS, AUTHORIZATIONS AND APPROVALS FOR THE CREATION AND/OR ISSUE OF SECURITIES**

The new Shares will be issued on the effective date of the Demerger pursuant to the approval of the Beneficiary Company's shareholders at the Extraordinary General Meeting held on 11 October 2011 and called to approve the Demerger itself.

The new Shares will be issued in relation to a Euro 224,370,000.00 increase in share capital, through the issue of 149,500,000 shares with a par value of Euro 1.50 each which the Beneficiary Company's Extraordinary General Meeting was required to approve for the purposes of executing the Demerger.

## **9.7 DESCRIPTION OF ANY RESTRICTIONS ON THE FREE TRANSFER OF SHARES**

The Beneficiary Company's Articles of Association that will be adopted at the effective date of the Demerger will not impose any particular restriction regarding the purchase or transfer of Shares. Therefore, at the Initial date of trading, the Shares will be freely transferable.

## **9.8 APPLICABILITY OF THE RULES CONCERNING PUBLIC OFFERS TO BUY AND/OR RESIDUAL OFFERS**

At the Effective Date of the Demerger, the Beneficiary Company will be a company whose shares are listed on a regulated market and will therefore also be subject to the rules on public offers to purchase and exchange referred to in Articles 101-bis and following of the Consolidated Finance Law and the related implementing regulations, including the provisions on mandatory public purchase offers (Articles 105 and following of the Consolidated Finance Law), purchase obligation (Article 108 of the Consolidated Finance Law) and right to purchase (Article 111 of the Consolidated Finance Law).

## **CHAPTER X - ADMISSION TO TRADING AND PROCEDURES**

### **10.1 LISTINGS**

The De'Longhi S.p.A. shares are listed on the Mercato Telematico Azionario (MTA) organized and managed by Borsa Italiana and will continue to be listed on this market at the effective date of the Demerger.

On 19 December 2011 Borsa Italiana issued the order of admission of all the classes of shares in the Beneficiary Company to listing on the MTA. No admission of shares in De'Longhi Clima to listing on other markets has been requested.

Mediobanca Banca di Credito Finanziario S.p.A. holds the role of Sponsor for the aforementioned listing pursuant to Article 2.3.4 (2) (a) of the Borsa Italiana Regulations. On this point it must be specified that, at the Date of the Information Document, between the Group's companies which after the Demerger will constitute the De'Longhi Clima Group (including the Beneficiary Company) and the companies in the Sponsor's Group (including the Sponsor itself) there are no equity relations, nor relations that may represent situations with conflicts of interest.

Subsequent to the Deed of Demerger being filed with the relevant Companies Register, but prior to the Effective Date of the Demerger, Borsa Italiana will set the initial date of trading.

Upon completion of the Demerger, therefore, the Beneficiary Company's shares will be listed on Borsa Italiana's Mercato Telematico Azionario.

### **10.2 INITIAL DATE OF TRADING**

Borsa Italiana will set the commencement date for trading, with the notice pursuant to Article 2.4.2 (4) of the Borsa Italiana Regulations, subsequent to the Deed of Demerger being filed with the relevant Companies Register.

The initial date for trading will coincide with the effective date of the Demerger (or the first subsequent trading day, in the event the effective date of the Demerger falls on a non-trading day).

## **Annexes**

- Report of the Board of Directors of De'Longhi S.p.A. on the partial and proportional Demerger of De'Longhi S.p.A. to De'Longhi Clima S.p.A., prepared pursuant to Article 2506-ter of the Italian Civil Code
- Report of the Board of Directors of De'Longhi Clima S.p.A. on the partial and proportional Demerger of De'Longhi S.p.A. to De'Longhi Clima S.p.A., prepared pursuant to Article 2506-ter of the Italian Civil Code.
- Demerger Plan pursuant to Article 2506-bis of the Italian Civil Code.
- Financial Statements pursuant to Article 2506-ter of the Italian Civil Code.
- Auditor's Report on the pro forma Consolidated Financial Statements of the Demerging Company De'Longhi S.p.A. and its subsidiaries (De'Longhi Group Post Demerger) for the year ended 31 December 2010.
- Auditor's Report on the pro forma Consolidated Financial Statements of the Demerging Company De'Longhi S.p.A. and its subsidiaries (De'Longhi Group Post Demerger) for the half year ended 30 June 2011.
- Auditor's Report on the pro forma Consolidated Financial Statements of the Beneficiary Company De'Longhi Clima S.p.A. and its subsidiaries (De'Longhi Clima Group) for the year ended 31 December 2010.
- Auditor's Report on the pro forma Consolidated Financial Statements of the Beneficiary Company De'Longhi Clima S.p.A. and its subsidiaries (De'Longhi Group Post Demerger) for the half year ended 30 June 2011.
- Auditor's Report on the limited audit of the Consolidated Interim Financial Statement of the Demerging Company De'Longhi S.p.A. and its subsidiaries (De'Longhi Group) at 30 September 2011.
- Auditor's Report on the limited audit of the Consolidated Half-Year Interim Financial Statements of the Demerging Company De'Longhi S.p.A. and its subsidiaries (De'Longhi Group) at 30 June 2011.
- Auditor's Report on the audit of the consolidated financial statements of the Demerging Company De'Longhi S.p.A. and its subsidiaries (De'Longhi Group) for the year ending 31 December 2010.
- Auditor's Report on the audit of the consolidated financial statements of the Demerging Company De'Longhi S.p.A. and its subsidiaries (De'Longhi Group) for the year ending 31 December 2009.
- Auditor's Report on the audit of the consolidated financial statements of the Demerging Company De'Longhi S.p.A. and its subsidiaries (De'Longhi Group) for the year ending 31 December 2008.



\* \* \*

*The manager charged with preparing the company's financial and corporate reports, Stefano Biella, in accordance with paragraph 2, Article 154-bis of the Consolidated Finance Law, declares the conformity of the information provided in this Information Document against document results, books and accounts records.*

## **ANNEXES**



**REPORT BY THE BOARD OF DIRECTORS OF DE' LONGHI S.P.A.  
ON THE PLAN FOR THE PARTIAL AND PROPORTIONAL DEMERGER OF  
DE' LONGHI S.P.A. TO DE' LONGHI CLIMA S.P.A.**

pursuant to and in accordance with Articles 2501-quinquies, 2506-ter of the Civil Code  
and Article 70, subsection 2 of the Regulation adopted by Consob with Resolution n° 11971 dated 14 May  
1999, as subsequently modified ("Issuers' Regulation")

Treviso, 21 July 2011

## SUMMARY

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**Report by the Board of Directors of De' Longhi S.p.A. regarding the partial and proportional demerger plan of De' Longhi S.p.A. to De' Longhi Clima S.p.A., pursuant to and in accordance with Articles 2501-quinquies, 2506-ter of the Civil Code and Article 70 (2) of the Issuers' Regulation.**

Dear Shareholders,

We would like you to examine and approve the plan for the partial and proportional demerger of De' Longhi S.p.A. (hereinafter, “**De' Longhi**” or “**Demerging Company**”), to the company De' Longhi Clima S.p.A. (hereinafter, “**DL Clima**” or “**Beneficiary Company**”) drafted, filed and registered in accordance with the law based on the financial situation of De' Longhi at 30 June 2011 and DL Clima at 20 July 2011 (hereinafter “**Demerger Plan**”).

This report (hereinafter the “**Report**”) intends to illustrate the Demerger Plan, from a legal and economic perspective, in accordance with that provided under Articles 2501-*quinquies* and 2506-*ter* of the Civil Code and Article 70, subsection 2 of the Issuers' Regulation.

\* \* \*

**1. ILLUSTRATION AND RATIONALE OF THE TRANSACTION WITH PARTICULAR REGARD TO THE OPERATIONAL OBJECTIVES OF THE COMPANIES PARTY TO THE DEMERGER AND THE PROGRAMMES DEVELOPED TO ACHIEVE THEM**

**1.1 Description of the Companies party to the Demerger**

**De' Longhi S.p.A.**, with registered office in Via L. Seitz 47, Treviso, tax code and Companies Register of Treviso n° 11570840154, Treviso Economic and Administrative Business Register n° 224758 at the Chamber of Commerce of Treviso.

At the Date of this Report, the fully subscribed and paid-in share capital is equal to Euro 448,500,000.00 (four hundred and forty-eight million five hundred thousand) represented by 149,500,000 (one hundred and forty-nine million five hundred thousand) shares each with a par value of Euro 3.00 (three).

**De' Longhi Clima S.p.A.**, with registered office in Via L. Seitz 47, Treviso, tax code and Companies Register of Treviso n° 06830580962, Treviso Economic and Administrative Business Register n° 352567.

On the date of the Demerger Plan, the Articles of Association of DL Clima has a share capital of Euro 120,000.00 (one hundred and twenty thousand) divided into 40,000 (forty thousand) shares each with a par value of Euro 3.00 (three).

The share capital of the Beneficiary Company is, at the date of this Report, wholly owned by De' Longhi.

## **1.2 Rationale and objectives of the Demerger**

The transaction submitted for approval is the partial and proportional demerger of De'Longhi to the wholly-owned company DL Clima, in accordance with Articles 2506 and following of the Italian Civil Code, by means of the assignment of shares in the Beneficiary Company to the shareholders of De'Longhi proportional to their share in the Demerging Company (hereinafter, "**Demerger**" or "**Transaction**").

The objective of the Demerger is primarily industrial and consists in the separation of the activities from two distinct business areas the De'Longhi Group currently operates in, and in particular the separation of the activities involving the manufacturing and marketing of machines for air conditioning and refrigeration systems in ICT (Information Communication Technology) processes for industrial purposes, and water-filled radiators (under the Professional Division), from the production and marketing of small household appliances and portable air conditioning (under the so-called Household Division).

In particular, the principal objective of the Demerger is that of allowing the independent development of the two separate businesses heading each of the two divisions, which lack operational synergies. The decision to bring this Demerger to your attention lies principally in the consideration that the Professional Division (subject of the Demerger) has characteristics which are substantially different to those of the Household Division in terms of clients and core market and also different profiles of potential investors.

The business under the Household Division concerns the manufacturing and marketing of small household appliances for the preparation of food, cooking, home cleaning and ironing, portable air conditioning and heating, distributed through 'business-to-consumer' retail channels, chiefly with the brands De'Longhi, Kenwood and Ariete. Such business is aimed particularly towards a highly competitive but not cyclical market.

The business under the Professional Division, however, concerns the manufacture and marketing of machines for air conditioning systems, heating technology, heat pumps and climate control in industrial processes and in data centres and mobile telecommunications, distributed through the professional channel, using 'business-to-business'. The reference market for this business, as opposed to that for the Household Division products, is characterized by more marked cyclical demand and the presence of operators competing on levels of technology and product processes.

Two distinct groups will result from the Demerger, each focused on its core business and with well-defined targets that can be clearly identified and understood by the market.

We expect that the two groups, when provided with the necessary autonomy and efficiency, will have the potential to improve strategic development and, in particular, they will have the freedom of movement and a very precise operational profile which will allow them to fully express their worth which otherwise could be partially unexpressed.

On one hand, De'Longhi, with the small electrical appliance business, will have the opportunity to express the unexpressed value of the Household Division by focusing and simplifying the equity story, and positioning itself as world leader in the production of high-end coffee makers.

On the other, DL Clima will have the opportunity to seize the role as global competitor in the sector of high energy efficiency products and act as consolidator of the *Heating, Ventilation and Air Conditioning* (HVAC) market.

As a result of the Demerger, each De'Longhi shareholder will hold, in place of each existing De'Longhi share, two shares representing the two main business areas (Household and Professional) which make up the company's activity today, and which will allow them and all their potential investors, to choose whether to invest in both the business areas or to focus on just one.

### **1.3 Legal profiles of the Demerger**

From the statutory perspective, the transaction is a demerger executed in accordance with Articles 2506 and following of the Italian Civil Code, in the manner and according to the terms and conditions contained in the Demerger Plan approved by the Boards of Directors of De'Longhi and DL Clima on 21 July 2011.

In particular, the Demerger, if approved, will consist in the partial and proportional demerger of De'Longhi to the Beneficiary Company and it will be executed by the transfer by De'Longhi of a portion of its assets and liabilities represented by the 100% shareholding held in DL Professional S.A. better described in section 2.1 below.

Against the allocation of the assets subject to the Demerger, the De'Longhi shareholders will be assigned shares in the Beneficiary Company, without consideration and at the rate of 1 (one) share for 1 (one) share.

The transaction submitted for the approval of De'Longhi shareholders therefore constitutes a partial and proportional demerger and will be implemented on the basis of De'Longhi's financial statement at 30 June 2011, approved by the Board of Directors pursuant to Article 2501-*quater* of the Italian Civil Code (as referred to in Article 2506-*ter* (1) of the Italian Civil Code) and made available to the shareholders together with the subsequent relevant documentation in accordance with the law.

As the Demerger entails a transfer of assets and liabilities to a company that, at the date of this Report, is wholly owned by the Demerging Company and will continue to be until the effective date of the Demerger, the Demerger will not result in any change in the value of



shares held by shareholders of the Demerging Company and, therefore, the conditions exist - consistent also with the opinion expressed by the Milan Council of Notaries in *Massima* 23 of 18 March 2004, issued by the *Commissione Società del Consiglio Notarile di Milano* - for the exemption pursuant to Article 2506-ter (3) of the Italian Civil Code from the requirement for a report from an independent expert under Article 2501-sexies of the Italian Civil Code.

As a result of the Demerger, the share capital and reserves of the Demerging Company will be reduced by an amount equivalent to the net value of the assets and liabilities transferred.

The share capital will be reduced through a proportional reduction in the par value per De'Longhi share; therefore such value will be reduced from Euro 3.00 to Euro 1.50.

Completion of the Demerger is conditional upon the issuance, by Borsa Italiana S.p.A. (hereinafter "**Borsa Italiana**"), of the admission of shares in the Beneficiary Company to listing, and the decision from Consob, pursuant to Article 57 (1.d) of the Issuers' Regulation, concerning the equivalence of the Information Document and subsequent amendments, pursuant to said Article 57.

Therefore, admission to trading on the Mercato Telematico Azionario (hereinafter "**MTA**"), organized and managed by Borsa Italiana, will be requested for shares in the Beneficiary Company.

Subsequent to the Deed of Demerger being filed with the relevant Companies Register, but prior to the Effective Date of the Demerger, Borsa Italiana will provide formal notification of the initial date for trading of shares in the Beneficiary Company on the MTA, starting from which the Demerger will have effect (probably 1 January 2012).

### ***1.3.1 Modifications to the Articles of Association of the Demerging Company***

The Articles of Association of the Demerging Company, annexed to the Demerger Plan, will not be subjected to amendment as a result of the Demerger, except for:

(i) for the amendments that will be made to Article 5 (“*Share Capital*”), which reflect the reduction in the Demerging Company's share capital following completion of the Demerger, in the amount indicated in the following section 2.2 of this Report.

In particular, following completion of the Demerger, the new Article 5 of the Demerging Company's Articles of Association will be amended as follows: "*The share capital is Euro 224,250,000.00 (two hundred and twenty-four million two hundred and fifty thousand) divided into 149,500,000 (one hundred and forty-nine million five hundred thousand) shares each with a par value of Euro 1.50 (one euro fifty cents).*" At the date of this Report the par value of the Demerging Company's shares is equal to Euro 3.00 and will decrease to Euro 1.50;

(ii) for the introduction of Article 13-ter, which exempts directors of the Demerging Company from observing the non-competition obligation contained in Article 2390 of the Italian Civil Code - states that: "*Members of the Board of Directors are not subject to the non-competition obligation contained in Article 2390 of the Italian Civil Code.*".

Such amendment allows the Demerging Company and the Beneficiary Company to take advantage of the contribution of those people who have developed significant experience in both sectors that the De'Longhi Group S.p.A. has operated in until now. Departing from the prohibition on competition established in Article 2390 of the Italian Civil Code, directors will be able to hold such a position in both the Demerging Company and the Beneficiary Company.

### ***1.3.2 Modifications to the Articles of Association of the Beneficiary Company***

A prerequisite and essential condition of the Demerger is that the shares in the Beneficiary Company, at the moment of their allotment to shareholders of De'Longhi, be admitted to trading on the MTA, organized and managed by Borsa Italiana.

Consequently, the Shareholders' Meeting of the DL Clima, called to approve the Demerger, shareholders will also be called to vote on the adoption, with effect from the Effective Date of the Demerger, of Articles of Association that conform to the requirements for listed companies established by Legislative Decree 58 of 24 February 1998 (hereafter the "**Consolidated Finance Law**") and related implementing regulations. The Board of Directors has assessed the opportunity to modify the name of the Beneficiary Company contained in Article 1 of the Articles of Association which will come into force on the Date of the Demerger, from De'Longhi Clima S.p.A. to DelClima S.p.A.; the verifications in progress on the feasibility of said modification have not allowed, at the Date of this Report, the question to be settled. Therefore, the decision concerning this modification will be decided directly by the shareholders at the Meeting for the approval of the Demerger.

The aforementioned Articles of Association, annexed to the Demerger Plan in Annex B, reproduces exactly those of De'Longhi post Demerger, except for Article 1 ("*Name*") and Article 5 ("*Share Capital*"), which as a consequence of the Demerger will be changed to implement (i) the share capital increase of Euro 224,250,000.00 from Euro 120,000.00 to Euro 224,370,000.00, and (ii) the division of the current 40,000 shares each with a par value of Euro 3.00 into 80,000 shares each with a par value of Euro 1.50.

Following the coming into effect of the Demerger, the share capital of the Beneficiary Company will therefore be equal to Euro 224,370,000.00 constituted by 149,580,000 shares each with a par value of Euro 1.50, 149,500,000 of which will be assigned proportionally to the shareholders of De'Longhi.

Therefore, following the Demerger, Article 5 (“*Share Capital*”) of the Beneficiary Company's Articles of Association will provide that “*The share capital is Euro 224,370,000.00 (two hundred and twenty-four million three hundred and seventy thousand), divided into 149,580,000 (one hundred and forty-nine million five hundred and eighty thousand) shares each with a par value of Euro 1.50 (one Euro fifty cents)*”.

## **2. DESCRIPTION OF THE ASSETS AND LIABILITIES TO BE TRANSFERRED TO THE BENEFICIARY COMPANY**

### **2.1 Assets and liabilities to be transferred**

As a result of the Demerger, the entire shareholding held by De'Longhi in the company DL Professional S.A., with registered office in the Grand Duchy of Luxembourg, registered in the Companies Register with number B 116737, share capital equal to Euro 30,205,000.00 (thirty million two hundred and five thousand) (hereinafter "**DL Professional**") will be transferred to the Beneficiary Company, the carrying amount of which in the financial statements of De'Longhi at 30 June 2011 is Euro 261,205,300.00.

With regard to DL Professional, it is specified that the same holds the following direct shareholdings at the date of this Report:

- 100% shareholding in the company *Climaveneta S.p.A.* (hereinafter also "**Climaveneta**") with registered office in Via Seitz 47, Treviso, registered with the Companies Register of Treviso with number 02603430139, share capital equal to Euro 10,000,000.00 (ten million), specialized in the manufacture of large equipment for commercial and industrial climate control; Climaveneta in turn holds (i) 80.88% of the operating company *Climaveneta Polska S.P. ZOO*; (ii) 100% of the share capital in *Climaveneta Deutschland GMBH*, *Climaveneta France SAS*, *Climaveneta UK Limited*, and 100% control through options in *Climaveneta Climate Technologies Private Limited* and *Top Clima S.L.*, specialized in the distribution of large climate control systems in Germany, France, UK, India and Spain respectively; (iii) 50% of the share capital in *Chat Union Climaveneta*

*Company Limited*, in turn 100% owner of two companies that distribute the group's products in the Chinese market, *Climaveneta Chat Union Refrigeration Equipment (Shanghai) CO.LTD.* - that holds a 100% shareholding in *Chat Union Climaveneta Trading (Shanghai) CO.LTD.* - and in *Climaveneta Chat Union Trading (Shanghai) CO.LTD.*;

- 100% shareholding in *R.C. Group S.p.A.* (hereinafter also "**RC Group**") with registered office in Valle Salimbene (PV), registered with the Companies Register of Pavia, with the number 01744470186 and share capital equal to Euro 10,680,000.00 (ten million six hundred and eighty thousand), is active in the production and marketing of equipment for climate control in mobile radio communication stations, precision climate control in computer rooms and land-line telephone rooms, liquid chillers and heat pumps. RC Group is in turn the owner of the whole share capital of *Foshan RC Air Conditioning R.E. CO. LTD.*;
  
- 100% shareholding in the company *DL Radiators S.p.A.* (hereinafter also "**DL Radiators**") with registered office in Treviso, Via L. Seitz 47, registered with the Companies Register of Treviso, with the number 00730970266, share capital equal to Euro 5,000,000.00 (five million) active in the production and marketing of thermal units for fixed heating systems. DL Radiators is in turn the owner of the whole share capital of *De'Longhi Clima Polska S.P.ZO.O.* and another German company controlled through a trust.

## **2.2 Variations to the net equity of De'Longhi and capital increase of the Beneficiary Company**

As a consequence of the Demerger, the equity of the Demerging Company will be proportionally reduced by Euro 261,205,300.00, through a reduction in share capital of Euro 224,250,000.00 and in reserves of Euro 36,955,300.00. More specifically, the legal reserve will be reduced to Euro 4,847,229.00; the share premium reserve will be reduced to Euro 162,545.00; the extraordinary reserve/other reserves will be reduced to Euro 29,351,399.00 and therefore by Euro 31,945,526.00.

The reduction in share capital owing to the Demerger will take place without cancellation of shares in the Demerging Company, but rather through a reduction in par value per De'Longhi share. The par value of Euro 3.00 prior to the Demerger will be reduced to Euro 1.50 pursuant to the Demerger.

The Euro 1.50 per share reduction in the par value of shares in the Demerging Company (corresponding to the pro rata reduction in net assets resulting from the Demerger) will be fully offset by the issue of new shares in the Beneficiary Company, with a par value of Euro 1.50 each, equivalent in number to the shares in the Demerging Company at the date of the Demerger and having identical rights as De'Longhi shares.

Pursuant to the Demerger, the book equity of the Beneficiary Company will be increased by Euro 261,205,300.00, through an increase in the share capital of Euro 224,250,000.00 from the current Euro 120,000.00 to Euro 224,370,000.00 through the issue of 149,500,000 new shares with a par value of Euro 1.50 each.

Furthermore, the equity of the Beneficiary Company will further increase by Euro 36,955,300.00 which will be attributed to the reserves following the reduction in equity of the Demerging Company. More specifically, the legal reserve will be increased by Euro 4,847,229.00; the share premium reserve will be increased by Euro 162,545.00; the extraordinary reserve/other reserves will increase to Euro 31,952,439.00, and therefore by Euro 31,945,526.00.

The following is a summary of the impacts already recorded on the equity of both the Demerging Company and Beneficiary Company. In particular, the first column reports values for the equity of the Demerging Company at 30 June 2011. The second and third columns show the composition of those items for the Beneficiary Company and the Demerging Company, respectively, following completion of the Demerger.

	De'Longhi S.p.A. prior to demerger	De'Longhi Clima S.p.A. post demerger	De'Longhi S.p.A. post demerger
<b>Share Capital</b>	448,500,000.00	*224,370,000.00	224,250,000.00
<b>Legal reserve</b>	9,694,458.00	4,847,229.00	4,847,229.00
<b>Share premium reserve</b>	325,090.00	162,545.00	162,545.00
<b>Extraordinary Reserve/Other Reserves</b>	61,296,925.00	31,952,439.00	29,351,399.00
<b>Reserve for unrealised foreign currency gains</b>	129,080.00	0	129,080.00
<b>Profits carried forward from the IAS/IFRS transition</b>	12,686,589.00	0	12,686,589.00
<b>Profit (loss) after taxes at 30 June 2011**</b>	4,348,924.00	(3,842.00)	4,348,924.00
<b>TOTAL</b>	<b>536,981,066.00</b>	<b>261,328,371.00</b>	<b>275,775,766.00</b>

\* Including Euro 120,000.00 of the share capital prior to Demerger.

\*\* Profit (loss) after taxes of De'Longhi Clima S.p.A. at 20 July 2011.

It is specified that any differences in the book values of the asset to be transferred, owing to corporate dynamics that may occur between 30 June 2011 and the effective date of the Demerger, will not entail cash adjustments, remaining either a credit or a debt respectively.

### **2.3 Actual values of the net equity transferred to the Beneficiary Company and the net equity that will remain in the Demerging Company.**

Pursuant to Article 2506-ter (2) of the Italian Civil Code, it is declared that: (i) the actual value of the net equity that will be transferred to the Beneficiary Company as a result of the Demerger is not lower than the related carrying value (which at 30 June 2011 is equal to Euro 261,205,300.00); (ii) the actual value of the net equity that will remain with the Demerging Company is not lower than the related carrying value (which at 30 June 2011 is equal to Euro 275,775,766.00).

### **3. ALLOTMENT OF SHARES TO THE BENEFICIARY COMPANY AND MANNER OF ALLOTMENT**

As already mentioned above, it is anticipated that as a result of the Demerger all the shareholders of the Demerging Company will be assigned shares in the Beneficiary Company based on a criteria of proportional allotment. In particular, the shareholders of the Demerging Company will be allotted a share in the Beneficiary Company for each share held in the Demerging Company.

Therefore, no cash adjustment is anticipated.

Shares in the Beneficiary Company will be allotted to those having entitlement, through authorized intermediaries and in dematerialized form, from the effective date of the Demerger, within the period and in the manner to be announced in the appropriate notice.

At the moment of allocation, the shares of the Beneficiary Company will be admitted for trading on the MTA, organized and managed by Borsa Italiana. Borsa Italiana will set the commencement date for trading of the DL Clima shares in the notice.



#### **4. RIGHT OF WITHDRAWAL**

A pre-condition for the Demerger is the listing of the Beneficiary Company's shares on the MTA to ensure liquidity for those shares. The Demerger is, in fact, subject inter alia to admission of the Beneficiary Company's shares to listing on the MTA. As such, the pre-conditions necessary for De'Longhi S.p.A. shareholders to exercise the right of withdrawal stipulated under Article 2437-*quinques* of the Italian Civil Code exist.

Neither do the pre-conditions for the right of withdrawal stipulated under Article 2437 of the Italian Civil Code exist. In particular, with reference to Article 2437 (1)(a) of the Italian Civil Code, it should be noted that, subsequent to the Demerger, the corporate purpose of the Demerging Company will remain unchanged and the Beneficiary Company will adopt the same company purpose.

#### **5. FORECASTED COMPOSITION OF THE SHAREHOLDING OF THE DEMERGING COMPANY AND THE BENEFICIARY COMPANY FOLLOWING THE DEMERGER**

As already mentioned, the transaction submitted for the approval of the De'Longhi shareholders constitutes a partial and proportional demerger. Therefore:

- a) following the conclusion of the Demerger, no variations to the shareholder structure of the Demerging companies are anticipated;
- b) the shareholders in the Demerging Company will become shareholders in the Beneficiary Company proportionally to the shares held in the Demerging Company; the Beneficiary Company's shareholding will reflect the actual composition of that of the Demerging Company.

The list of shareholders in the Demerging Company which, according to the shareholders' book and communications received and other information available to De'Longhi at the date of this Report, currently possess, either directly or indirectly, shares in the Demerging Company which amount to more than 2% of the share capital with voting rights is listed below.

<b>De Longhi shareholders</b>	<b>Number of shares</b>	<b>% of Share capital</b>
The Long e Trust Indirectly through De'Longhi Soparfi S.A.	112,134,660	75.006

*Source: Consob and De'Longhi S.p.A.*

## **6. EFFECTS OF THE DEMERGER ON ANY SHAREHOLDER AGREEMENTS**

At the date of this Report , as far as the Demerging Company is aware, no shareholder agreements exist, as defined under Article 122 of the Consolidated Finance Law, that concern De'Longhi shares.

## **7. DESCRIPTION OF THE RIGHTS ATTACHED TO THE SHARES TO BE TRANSFERRED TO THE SHAREHOLDERS OF THE DEMERGING COMPANY**

The shareholders of the Demerging Company will be allotted shares in the Beneficiary Company in the amount and according to the allotment criteria illustrated in section 3.

It is expected that only ordinary shares in the Beneficiary Company will be issued.

Shareholders of the Demerging Company will be allotted shares in the Beneficiary Company with entitlement to the Beneficiary Company's profits from the effective date of the Demerger.

## **8. EFFECTIVE DATE OF THE DEMERGER**

Pursuant to Article 2506-*quater* of the Italian Civil Code, the Demerger shall have effect for third parties from the date indicated in the Deed of Demerger, to be subsequent to the date of the last registration of the Deed with the competent Companies Register, having

given warning that the Deed of Demerger may be executed provided that the following conditions are fulfilled:

- a) admission by Borsa Italiana of all the classes of shares in the Beneficiary Company to listing on the MTA; and
- b) decision from Consob, pursuant to Article 57 (1.d) of Consob Regulation n° 11971/1999, as to the equivalence to a listing prospectus of the information provided by the Information Document and its subsequent integrations, pursuant to said Article 57.

Subsequent to the Deed of Demerger being filed with the relevant Companies Register, but prior to the Effective Date of the Demerger, Borsa Italiana will provide formal notification of the initial date for trading of shares in the Beneficiary Company on the MTA, starting from which the Demerger will take effect.

Bearing in mind the above, the effective date of the Demerger is expected to be 1 January 2012.

Fiscal and accounting effects of the Demerger shall start from the date stated in the Deed of Demerger.

## **9. INCENTIVE PLANS**

The Demerging Company has a "*Phantom Stock Option Plan*" (hereinafter the "**Incentive Plan**"), decided by the General Meeting of Shareholders on 22 April 2008 which grants the current Chief Executive Officer of De'Longhi and that of Climaveneta (current beneficiaries of the Incentive Plan), the right to the payment of monies corresponding to the growth of the share value of De'Longhi S.p.A. traded on the MTA, which is organized and managed by Borsa Italiana (hereinafter the "**Right**"). The Demerging Company's Board of Directors will adopt, with regard to the Incentive Plan and pursuant to the authorization granted it by the *Phantom Stock Option Plan* rules (hereinafter the "**Rules**") in a future meeting which will be held before stipulation of the Deed of Demerger, the minimum adjustments necessary, to allow incentive instruments to continue to achieve the purposes for which they were adopted, also in the context of the Demerger.

## **10. TAX IMPLICATIONS OF THE TRANSACTION**

For the purposes of direct taxation and pursuant to Article 173 (1) of Presidential Decree 917 of 22 December 1986 (the Consolidated Law on Income Taxes, hereinafter the "TUIR"), the Demerger is tax neutral and therefore does not constitute either a realized or distributed gain or loss for the Demerging Company's assets and liabilities being transferred.

The Demerging Company's assets and liabilities to be transferred to the Beneficiary Company will keep the same tax values as those recognized in the Demerging Company.

All tax positions of the Demerging Company and related commitments are attributed to the Beneficiary Company and Demerging Company in proportion to the respective portion of equity transferred or retained, except where they specifically related to a transferred asset or liability or group of assets and/or liabilities and, as such, follow said elements to their respective owners.

Tax losses generated by the Demerging Company will be attributed to the Beneficiary Company in proportion to their respective portions of the equity to be transferred or retained, and the provisions shall apply of Article 172 (7) of the Consolidated Law on Income Tax regarding mergers, referred to in Article 172 (10), referring the provisions concerning merging or incorporating companies to the Demerging Company and those concerning the company resulting from the merger or absorbed company to the Beneficiary Company.

In relation to the effects of the Demerger for the shareholders of the Demerging Company, the Demerger is tax neutral and does not constitute either a realized or distributed gain or loss, nor entailing the achievement of revenues. However, with regard to the tax cost of the Demerging Company's shares, this is divided between the shares of the Demerging Company and those of the Beneficiary Company in proportion to the respective portions of equity transferred or retained.

Shareholders of the Demerging Companies who are not resident in Italy should verify their status with the tax advisors in their country of residence.

For everything not expressly indicated for the purposes of income taxes, the provisions contained in Article 173 of the Consolidated Law on Income Taxes apply.

For the purposes of indirect taxation, the demerger transaction is exempt from the application of VAT pursuant to Article 2 (3) (f) of Presidential Decree n° 633 of 26 October 1972 and is subject to fixed stamp duty as per part one of Article 4 (b) of the schedule of tariffs attached to Presidential Decree 131/1986. Fixed mortgage and cadastral duties are due where applicable.

Treviso, 21 July 2011

For the Board of Directors

CHIEF EXECUTIVE OFFICER

(Fabio De' Longhi)



**De'Longhi Clima S.p.A.**

**REPORT BY THE BOARD OF DIRECTORS OF DE' LONGHI CLIMA S.P.A.  
ON THE PLAN FOR THE PARTIAL AND PROPORTIONAL DEMERGER OF  
DE' LONGHI S.P.A. TO DE' LONGHI CLIMA S.P.A.**

pursuant to and in accordance with Articles 2501-quinquies, 2506-ter of the Civil Code  
and Article 70, subsection 2 of the Regulation adopted by Consob with Resolution n° 11971 dated 14 May  
1999, as subsequently modified ("Issuers' Regulation")

Treviso, 21 July 2011

**De'Longhi Clima S.p.A. single-member company**, with registered office in Treviso, Via L. Seitz 47  
Share Capital Euro 120,000.00 - Register of Companies of Treviso & Tax Identification Code 06830580962 -  
Treviso Economic and Administrative Business Register n° 352567

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**Report by the Board of Directors of De'Longhi Clima S.p.A. on the partial and proportional Demerger Plan of De'Longhi S.p.A. to De'Longhi Clima S.p.A., pursuant to and in accordance with Articles 2501-quinquies, 2506-ter of the Civil Code and Article 70 (2) of the Issuers' Regulation.**

Dear Shareholders,

We would like you to examine and approve the plan for the partial and proportional demerger of De' Longhi S.p.A. (hereinafter "**De'Longhi**" or the "**Demerging Company**"), to De'Longhi Clima S.p.A. (hereinafter, "**DL Clima**" or "**Beneficiary Company**") drafted, filed and registered in accordance with the law based on the financial situation of De' Longhi at 30 June 2011 and DL Clima at 20 July 2011 (hereinafter "**Demerger Plan**").

This report (hereinafter the "**Report**") intends to illustrate the Demerger Plan, from a legal and economic perspective, in accordance with that provided under Articles 2501-*quinquies* and 2506-*ter* of the Civil Code and Article 70, subsection 2 of the Issuers' Regulation.

\* \* \*

**1. ILLUSTRATION AND RATIONALE OF THE TRANSACTION WITH PARTICULAR REGARD TO THE OPERATIONAL OBJECTIVES OF THE COMPANIES PARTY TO THE DEMERGER AND THE PROGRAMMES DEVELOPED TO ACHIEVE THEM**

**1.1 Description of the Companies party to the Demerger**

**De' Longhi Clima S.p.A.**, with registered office in Via L. Seitz 47, Treviso, tax code and Companies Register of Treviso n° 06830580962, Treviso Economic and Administrative Business Register n° 352567.

On the date of the Demerger Plan, the Articles of Association of DL Clima has a share capital of Euro 120,000.00 (one hundred and twenty thousand) divided into 40,000 (forty thousand) shares each with a par value of Euro 3.00 (three).

The share capital of the Beneficiary Company is, at the date of this Report, wholly owned by De' Longhi.

**De' Longhi S.p.A.**, with registered office in Via L. Seitz 47, Treviso, tax code and Companies Register of Treviso n° 11570840154, Treviso Economic and Administrative Business Register n° 224758 at the Chamber of Commerce of Treviso.

At the Date of this Report, the fully subscribed and paid-in share capital is equal to Euro 448,500,000.00 (four hundred and forty-eight million five hundred thousand) represented by 149,500,000 (one hundred and forty-nine million five hundred thousand) shares each with a par value of Euro 3.00 (three).

## **1.2 Rationale and objectives of the Demerger**

The transaction submitted for approval is the partial and proportional demerger of De'Longhi to the wholly-owned company DL Clima, in accordance with Articles 2506 and following of the Italian Civil Code, by means of the assignment of shares in the Beneficiary Company to the shareholders of De'Longhi proportional to their share in the Demerging Company (hereinafter, "**Demerger**" or "**Transaction**").

The objective of the Demerger is primarily industrial and consists in the separation of the activities from two distinct business areas the De'Longhi Group currently operates in, and in particular the separation of the activities involving the manufacturing and marketing of machines for air conditioning and refrigeration systems in ICT (Information Communication Technology) processes for industrial purposes, and water-filled radiators (under the Professional Division), from the production and marketing of small household appliances and portable air conditioning (under the so-called Household Division).

In particular, the principal objective of the Demerger is that of allowing the independent development of the two separate businesses heading each of the two divisions, which lack operational synergies. The decision to bring this Demerger to your attention lies principally

in the consideration that the Professional Division (subject of the Demerger) has characteristics which are substantially different to those of the Household Division in terms of clients and core market and also different profiles of potential investors.

The business under the Household Division concerns the manufacturing and marketing of small household appliances for the preparation of food, cooking, home cleaning and ironing, portable air conditioning and heating, distributed through 'business-to-consumer' retail channels, chiefly with the brands De'Longhi, Kenwood and Ariete. Such business is aimed particularly towards a highly competitive but not cyclical market.

The business under the Professional Division, however, concerns the manufacture and marketing of machines for air conditioning systems, heating technology, heat pumps and climate control in industrial processes and in data centres and mobile telecommunications, distributed through the professional channel, using 'business-to-business'. The reference market for this business, as opposed to that for the Household Division products, is characterized by more marked cyclical demand and the presence of operators competing on levels of technology and product processes. Two distinct groups will result from the Demerger, each focused on its core business and with well-defined targets that can be clearly identified and understood by the market.

We expect that the two groups, when provided with the necessary autonomy and efficiency, will have the potential to improve strategic development and, in particular, they will have the freedom of movement and a very precise operational profile which will allow them to fully express their worth which otherwise could be partially unexpressed.

On one hand, De'Longhi, with the small electrical appliance business, will have the opportunity to express the unexpressed value of the Household Division by focusing and simplifying the equity story, and positioning itself as world leader in the production of high-end coffee makers.

On the other, DL Clima will have the opportunity to seize the role as global competitor in the sector of high energy efficiency products and act as consolidator of the *Heating, Ventilation and Air Conditioning* (HVAC) market.

As a result of the Demerger, each De'Longhi shareholder will hold, in place of each existing De'Longhi share, two shares representing the two main business areas (Household and Professional) which make up the company's activity today, and which will allow them and all their potential investors, to choose whether to invest in both the business areas or to focus on just one.

### **1.3 Legal profiles of the Demerger**

From the statutory perspective, the transaction is a demerger executed in accordance with Articles 2506 and following of the Italian Civil Code, in the manner and according to the terms and conditions contained in the Demerger Plan approved by the Boards of Directors of De'Longhi and DL Clima on 21 July 2011.

In particular, the Demerger, if approved, will consist in the partial and proportional demerger of De'Longhi to the Beneficiary Company and it will be executed by the transfer to DL Clima by De'Longhi of a portion of its assets and liabilities represented by the 100% shareholding held in DL Professional better described in section 2.1.

Against the allocation of the assets subject to the Demerger, the De'Longhi shareholders will be assigned shares in the Beneficiary Company, without consideration and at the rate of 1 (one) share for 1 (one) share.

The transaction submitted for the approval of De'Longhi Clima shareholders therefore constitutes a partial and proportional demerger and will be implemented on the basis of the relevant data resulting from the financial statement of De'Longhi at 30 June 2011, approved by the Board of Directors of the Demerging Company pursuant to Article 2501-*quater* of the Italian Civil Code (as referred to in Article 2506-*ter* (1) of the Italian Civil

Code) and made available to the shareholders together with the subsequent relevant documentation in accordance with the law.

As the Demerger entails a transfer of assets and liabilities to a company that, at the date of this Report, is wholly owned by the Demerging Company and will continue to be until the effective date of the Demerger, the Demerger will not result in any change in the value of shares held by shareholders of the Demerging Company and, therefore, the conditions exist - consistent also with the opinion expressed by the Milan Council of Notaries in *Massima* 23 of 18 March 2004, issued by the *Commissione Società del Consiglio Notarile di Milano* - for the exemption pursuant to Article 2506-ter (3) of the Italian Civil Code from the requirement for a report from an independent expert under Article 2501-sexies of the Italian Civil Code.

As a result of the Demerger, the share capital and reserves of the Beneficiary Company will be increased by an amount equivalent to the net value of the assets and liabilities transferred.

Completion of the Demerger is conditional upon the issuance, by Borsa Italiana S.p.A. (hereinafter "**Borsa Italiana**"), of the admission of shares in the Beneficiary Company to listing, and the decision from Consob, pursuant to Article 57 (1.d) of the Issuers' Regulation, concerning the equivalence of the Information Document and subsequent amendments, pursuant to said Article 57.

Therefore, admission to trading on the Mercato Telematico Azionario (hereinafter "**MTA**"), organized and managed by Borsa Italiana, will be requested for shares in the Beneficiary Company.

Subsequent to the Deed of Demerger being filed with the relevant Companies Register, but prior to the Effective Date of the Demerger, Borsa Italiana will provide formal notification of the initial date for trading of shares in the Beneficiary Company on the MTA, starting from which the Demerger will have effect (probably 1 January 2012).

### ***1.3.1 Modifications to the Articles of Association of the Demerging Company***

The Articles of Association of the Demerging Company, annexed to the Demerger Plan, will not be subjected to amendment as a result of the Demerger, except for:

(i) for the amendments that will be made to Article 5 (“*Share Capital*”), which reflect the reduction in the Demerging Company's share capital following completion of the Demerger, in the amount indicated in the following section 2.2 of this Report.

In particular, following the completion of the Demerger, the new Article 5 of the Articles of Association of the Demerging Company shall be amended as follows: "*The share capital is 224,250,000.00 Euros (two hundred and twenty-four million two hundred and fifty thousand), divided into 149,500,000 (one hundred and forty-nine million five hundred thousand) shares each with a par value of 1.50 Euro (one euro fifty cents).*" At the date of this Report the par value of the Demerging Company's shares is equal to Euro 3.00 and will decrease to Euro 1.50;

(ii) for the introduction of Article 13-ter, which exempts directors of the Demerging Company from observing the non-competition obligation contained in Article 2390 of the Italian Civil Code - states that: "*Members of the Board of Directors are not subject to the non-competition obligation contained in Article 2390 of the Italian Civil Code.*".

Such amendment allows the Demerging Company and the Beneficiary Company to take advantage of the contribution of those people who have developed significant experience in both sectors that the De'Longhi Group S.p.A. has operated in until now. Departing from the prohibition on competition established in Article 2390 of the Italian Civil Code, directors will be able to hold such a position in both the Demerging Company and the Beneficiary Company.

### ***1.3.2 Modifications to the Articles of Association of the Beneficiary Company***

A prerequisite and essential condition of the Demerger is that the shares in the Beneficiary Company, at the moment of their allotment to shareholders of De'Longhi, be admitted to trading on the MTA, organized and managed by Borsa Italiana.

Consequently, the Shareholders' Meeting of the DL Clima, called to approve the Demerger, shareholders will also be called to vote on the adoption, with effect from the Effective Date of the Demerger, of Articles of Association that conform to the requirements for listed companies established by Legislative Decree 58 of 24 February 1998 (hereafter the "**Consolidated Finance Law**") and related implementing regulations. The Board of Directors has assessed the opportunity to modify the name of the Beneficiary Company contained in Article 1 of the Articles of Association which will come into force on the Date of the Demerger, from De'Longhi Clima S.p.A. to DelClima S.p.A.; the verifications in progress on the feasibility of said modification have not allowed, at the Date of this Report, the question to be settled. Therefore, the decision concerning this modification will be decided directly by the shareholders at the Meeting for the approval of the Demerger.

The aforementioned Articles of Association, annexed to the Demerger Plan in Annex B, reproduces exactly those of De'Longhi post Demerger, except for Article 1 ("*Name*") and Article 5 ("*Share Capital*"), which as a consequence of the Demerger will be changed to implement (i) the share capital increase of Euro 224,250,000.00 from Euro 120,000.00 to Euro 224,370,000.00, and (ii) the division of the current 40,000 shares each with a par value of Euro 3.00 into 80,000 shares each with a par value of Euro 1.50.

Following the coming into effect of the Demerger, the share capital of the Beneficiary Company will therefore be equal to Euro 224,370,000.00 constituted by 149,580,000 shares each with a par value of Euro 1.50, 149,500,000 of which will be assigned proportionally to the shareholders of De'Longhi.

Therefore, following the Demerger, Article 5 ("*Share Capital*") of the Beneficiary Company's Articles of Association will provide that "*The share capital is Euro*

224,370,000.00 (two hundred and twenty-four million three hundred and seventy thousand), divided into 149,580,000 (one hundred and forty-nine million five hundred and eighty thousand) shares each with a par value of Euro 1.50 (one Euro fifty cents)".

## **2. DESCRIPTION OF THE ASSETS AND LIABILITIES TO BE TRANSFERRED TO THE BENEFICIARY COMPANY**

### **2.1 Assets and liabilities to be transferred**

As a result of the Demerger, the entire shareholding held by De'Longhi in the company DL Professional S.A., with registered office in the Grand Duchy of Luxembourg, registered in the Companies Register with number B 116737, share capital equal to Euro 30,205,000.00 (thirty million two hundred and five thousand) (hereinafter "**DL Professional**") will be transferred to the Beneficiary Company, the carrying amount of which in the financial statements of De'Longhi at 30 June 2011 is Euro 261,205,300.00.

With regard to DL Professional, it is specified that the same holds the following direct shareholdings at the date of this Report:

- 100% shareholding in the company *Climaveneta S.p.A.* (hereinafter also "**Climaveneta**") with registered office in Via Seitz 47, Treviso, registered with the Companies Register of Treviso with number 02603430139, share capital equal to Euro 10,000,000.00 (ten million), specialized in the manufacture of large equipment for commercial and industrial climate control; Climaveneta in turn holds (i) 80.88% of the operating company *Climaveneta Polska S.P. ZOO*; (ii) 100% of the share capital in *Climaveneta Deutschland GMBH*, *Climaveneta France SAS*, *Climaveneta UK Limited*, and 100% control through put/call options in *Climaveneta Climate Technologies Private Limited* and *Top Clima S.L.*, specialized in the distribution of large climate control systems in Germany, France, UK, India and Spain respectively; (iii) 50% of the share capital in *Chat Union Climaveneta Company Limited*, in turn 100% owner of two companies that produce and distribute air conditioners and refrigerators to the Chinese market, *Climaveneta*



- Chat Union Refrigeration Equipment (Shanghai) CO.LTD.* - that holds a 100% shareholding in *Chat Union Climaveneta Trading (Shanghai) CO.LTD.* - and in *Climaveneta Chat Union Trading (Shanghai) CO.LTD.*;
- 100% shareholding in *R.C. Group S.p.A.* (hereinafter also "**RC Group**") with registered office in Valle Salimbene (PV), registered with the Companies Register of Pavia, with the number 01744470186 and share capital equal to Euro 10,680,000.00 (ten million six hundred and eighty thousand), is active in the production and marketing of equipment for climate control in mobile radio communication stations, precision climate control in computer rooms and land-line telephone rooms, liquid chillers and heat pumps. RC Group is in turn the owner of the whole share capital of *Foshan RC Air Conditioning R.E. CO. LTD.*;
  
  - 100% shareholding in the company *DL Radiators S.p.A.* (hereinafter also "DL Radiators") with registered office in Treviso, Via L. Seitz 47, registered with the Companies Register of Treviso, with the number 00730970266, share capital equal to Euro 5,000,000.00 (five million) active in the production and marketing of thermal units for fixed heating systems. DL Radiators is in turn the owner of the whole share capital of *De'Longhi Clima Polska S.P.ZO.O.* and another German company controlled through a trust.

## **2.2 Variations to the net equity of De'Longhi and capital increase of the Beneficiary Company**

As a consequence of the Demerger, the equity of the Demerging Company will be proportionally reduced by Euro 261,205,300.00, through a reduction in share capital of Euro 224,250,000.00 and in reserves of Euro 36,955,300.00. More specifically, the legal reserve will be reduced to Euro 4,847,229.00; the share premium reserve will be reduced to Euro 162,545.00; the extraordinary reserve/other reserves will be reduced to Euro 29,351,399.00 and therefore by Euro 31,945,526.00.

The reduction in share capital owing to the Demerger will take place without cancellation of shares in the Demerging Company, but rather through a reduction in par value per De'Longhi share. The par value of Euro 3.00 prior to the Demerger will be reduced to Euro 1.50 pursuant to the Demerger.

The Euro 1.50 per share reduction in the par value of shares in the Demerging Company (corresponding to the pro rata reduction in net assets resulting from the Demerger) will be fully offset by the issue of new shares in the Beneficiary Company, with a par value of Euro 1.50 each, equivalent in number to the shares in the Demerging Company at the date of the Demerger and having identical rights as De'Longhi shares.

Pursuant to the Demerger, the book equity of the Beneficiary Company will be increased by Euro 261,205,300.00, through an increase in the share capital of Euro 224,250,000.00 from the current Euro 120,000.00 to Euro 224,370,000.00 through the issue of 149,500,000 new shares with a par value of Euro 1.50 each.

Furthermore, the equity of the Beneficiary Company will further increase by Euro 36,955,300.00 which will be attributed to the reserves following the reduction in equity of the Demerging Company. More specifically, the legal reserve will be increased by Euro 4,847,229.00; the share premium reserve will be increased by Euro 162,545.00; the extraordinary reserve/other reserves will increase to Euro 31,952,439.00, and therefore by Euro 31,945,526.00.

The following is a summary of the impacts already recorded on the equity of both the Demerging Company and Beneficiary Company. In particular, the first column reports values for the equity of the Demerging Company at 30 June 2011. The second and third columns show the composition of those items for the Beneficiary Company and the Demerging Company, respectively, following completion of the Demerger.

	De'Longhi S.p.A. prior to demerger	De'Longhi Clima S.p.A. post demerger	De'Longhi S.p.A. post demerger
<b>Share Capital</b>	448,500,000.00	*224,370,000.00	224,250,000.00
<b>Legal reserve</b>	9,694,458.00	4,847,229.00	4,847,229.00
<b>Share premium reserve</b>	325,090.00	162,545.00	162,545.00
<b>Extraordinary Reserve/Other Reserves</b>	61,296,925.00	31,952,439.00	29,351,399.00
<b>Reserve for unrealised foreign currency gains</b>	129,080.00	0	129,080.00
<b>Profits carried forward from the IAS/IFRS transition</b>	12,686,589.00	0	12,686,589.00
<b>Profit (loss) after taxes at 30 June 2011**</b>	4,348,924.00	(3,842.00)	4,348,924.00
<b>TOTAL</b>	<b>536,981,066.00</b>	<b>261,328,371.00</b>	<b>275,775,766.00</b>

\* Including Euro 120,000.00 of the share capital prior to Demerger.

\*\* Profit (loss) after taxes of De'Longhi Clima S.p.A. at 20 July 2011.

It is specified that any differences in the book values of the asset to be transferred, owing to corporate dynamics that may occur between 30 June 2011 and the effective date of the Demerger, will not entail cash adjustments, remaining either a credit or a debt respectively.

### **2.3 Actual values of the net equity transferred to the Beneficiary Company and the net equity that will remain in the Demerging Company.**

Pursuant to Article 2506-ter (2) of the Italian Civil Code, it is declared that: (i) the actual value of the net equity that will be transferred to the Beneficiary Company as a result of the Demerger is not lower than the related carrying value (which at 30 June 2011 is equal to Euro 261,205,300.00); (ii) the actual value of the net equity that will remain with the Demerging Company is not lower than the related carrying value (which at 30 June 2011 is equal to Euro 275,775,766.00).

### **3. ALLOTMENT OF SHARES TO THE BENEFICIARY COMPANY AND MANNER OF ALLOTMENT**

As already mentioned above, it is anticipated that as a result of the Demerger all the shareholders of the Demerging Company will be assigned shares in the Beneficiary Company based on a criteria of proportional allotment. In particular, the shareholders of the Demerging Company will be allotted a share in the Beneficiary Company for each share held in the Demerging Company.

Therefore, no cash adjustment is anticipated.

Shares in the Beneficiary Company will be allotted to those having entitlement, through authorized intermediaries and in dematerialized form, from the effective date of the Demerger, within the period and in the manner to be announced in the appropriate notice.

At the moment of allocation, the shares of the Beneficiary Company will be admitted for trading on the MTA. Borsa Italiana will set the commencement date for trading of the DL Clima shares in the notice.

#### **4. FORECASTED COMPOSITION OF THE SHAREHOLDING OF THE DEMERGING COMPANY AND THE BENEFICIARY COMPANY FOLLOWING THE DEMERGER**

As already mentioned, the transaction submitted for the approval of the DL Clima shareholders constitutes a partial and proportional demerger. Therefore:

a) following the conclusion of the Demerger, no variations to the shareholder structure of the Demerging companies are anticipated;

b) the shareholders in the Demerging Company will become shareholders in the Beneficiary Company proportionally to the shares held in the Demerging Company; the Beneficiary Company's shareholding will reflect the actual composition of that of the Demerging Company.

The list of shareholders in the Demerging Company which, according to the shareholders' book and communications received and other information available to De'Longhi at the date of this Report, currently possess, either directly or indirectly, shares in the Demerging Company which amount to more than 2% of the share capital with voting rights is listed below.

<b>De Longhi shareholders</b>	<b>Number of shares</b>	<b>% of Share capital</b>
The Long e Trust Indirectly through De'Longhi Soparfi S.A.	112,134,660	75.006

*Source: Consob and De'Longhi S.p.A.*

#### **5. EFFECTS OF THE DEMERGER ON ANY SHAREHOLDER AGREEMENTS**

At the date of this Report DL Clima has one sole shareholder.

## **6. DESCRIPTION OF THE RIGHTS ATTACHED TO THE SHARES TO BE TRANSFERRED TO THE SHAREHOLDERS OF THE DEMERGING COMPANY**

The shareholders of the Demerging Company will be allotted shares in the Beneficiary Company in the amount and according to the allotment criteria illustrated in section 3.

It is expected that only ordinary shares in the Beneficiary Company will be issued.

Shareholders of the Demerging Company will be allotted shares in the Beneficiary Company with entitlement to the Beneficiary Company's profits from the effective date of the Demerger.

## **7. EFFECTIVE DATE OF THE DEMERGER**

Pursuant to Article 2506-*quater* of the Italian Civil Code, the Demerger shall have effect for third parties from the date indicated in the Deed of Demerger, to be subsequent to the date of the last registration of the Deed with the competent Companies Register, having given warning that the Deed of Demerger may be executed provided that the following conditions are fulfilled:

- a) admission by Borsa Italiana of all the classes of shares in the Beneficiary Company to listing on the MTA; and
- b) decision from Consob, pursuant to Article 57 (1.d) of Consob Regulation n° 11971/1999, as to the equivalence to a listing prospectus of the information provided by the Information Document and its subsequent integrations, pursuant to said Article 57.

Subsequent to the Deed of Demerger being filed with the relevant Companies Register, but prior to the Effective Date of the Demerger, Borsa Italiana will provide formal notification of the initial date for trading of shares in the Beneficiary Company on the MTA, starting from which the Demerger will take effect.

Bearing in mind the above, the effective date of the Demerger is expected to be 1 January 2012.

Fiscal and accounting effects of the Demerger shall start from the date stated in the Deed of Demerger.

## **8. INCENTIVE PLANS**

The Beneficiary Company does not have any incentive plans in place for directors or employees.

## **9. TAX IMPLICATIONS OF THE TRANSACTION**

For the purposes of direct taxation and pursuant to Article 173 (1) of Presidential Decree 917 of 22 December 1986 (the Consolidated Law on Income Taxes, hereinafter the "TUIR"), the Demerger is tax neutral and therefore does not constitute either a realized or distributed gain or loss for the Demerging Company's assets and liabilities being transferred.

The Demerging Company's assets and liabilities to be transferred to the Beneficiary Company will keep the same tax values as those recognized in the Demerging Company.

All tax positions of the Demerging Company and related commitments are attributed to the Beneficiary Company and Demerging Company in proportion to the respective portion of equity transferred or retained, except where they specifically related to a transferred asset or liability or group of assets and/or liabilities and, as such, follow said elements to their respective owners.

Tax losses generated by the Demerging Company will be attributed to the Beneficiary Company in proportion to their respective portions of the equity to be transferred or retained, and the provisions shall apply of Article 172 (7) of the Consolidated Law on Income Tax regarding mergers, referred to in Article 172 (10), referring the provisions concerning merging or incorporating companies to the Demerging Company and those concerning the company resulting from the merger or absorbed company to the Beneficiary Company.

In relation to the tax cost of the Demerging Company's shares, this is divided between the shares of the Demerging Company and those of the Beneficiary Company in proportion to the respective portions of equity transferred or retained.

For everything not expressly indicated for the purposes of income taxes, the provisions contained in Article 173 of the Consolidated Law on Income Taxes apply.

For the purposes of indirect taxation, the demerger transaction is exempt from the application of VAT pursuant to Article 2 (3) (f) of Presidential Decree n° 633 of 26 October 1972 and is subject to fixed stamp duty as per part one of Article 4 (b) of the schedule of tariffs attached to Presidential Decree 131/1986. Fixed mortgage and cadastral duties are due where applicable.

Treviso, 21 July 2011

For the Board of Directors  
CHIEF EXECUTIVE OFFICER  
(Carlo Grossi)



**PARTIAL AND PROPORTIONAL DEMERGER PLAN  
OF DE'LONGHI S.p.A.  
TO THE WHOLLY-OWNED COMPANY  
DE' LONGHI CLIMA S.P.A.**

*Pursuant to Articles 2506-bis and 2501-ter of the Italian Civil Code*

De' Longhi S.p.A. – Registered office in Treviso, Via L. Seitz 47  
Share Capital Euro 448,500,000.00 fully paid-in – Treviso Companies Register  
Tax Code 11570840154

De'Longhi Clima S.p.A. single-member company - Registered office in Treviso, Via L. Seitz  
47  
Share Capital Euro 120,000 fully paid-in – Treviso Companies Register  
Tax Code 06830580962

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## **INTRODUCTION**

The Boards of Directors of De'Longhi S.p.A. (hereinafter also “**De’Longhi**” or “**Demerging Company**”) – company listed on the Mercato Telematico Azionario (“**MTA**”) organized and managed by Borsa Italiana S.p.A. (“**Borsa Italiana**”) – and of De’ Longhi Clima S.p.A. (hereinafter also “**DL Clima**” or “**Beneficiary Company**”) – whose entire share capital is held by De’ Longhi – have drafted and prepared the following partial and proportional demerger plan pursuant to Article 2506-*bis* of the Italian Civil Code (hereinafter the “**Demerger Plan**”; the demerger transaction, subject of the Demerger Plan, is hereinafter defined the “**Demerger**”).

The objective of the Demerger is primarily industrial and consists in the separation of the activities from the two distinct business areas De'Longhi currently operates in, and in particular the separation of the activities involving the manufacturing and marketing of machines for air conditioning and refrigeration systems in ICT (Information Communication Technology) processes for industrial purposes and water-filled radiators (under the Professional Division) from the manufacturing and marketing of small household appliances and portable air conditioning units (under the Household Division).

The transaction which is the subject of this Demerger Plan consists in the partial and proportional demerger of De'Longhi to the Beneficiary Company and, if approved, it will be executed by the transfer by De'Longhi of a portion of its assets and liabilities, represented in particular by the 100% shareholding held by the Demerging Company in De'Longhi Professional S.A., with registered office in the Grand Duchy of Luxembourg, registered in the Companies Register of the Grand Duchy of Luxembourg with the number B 116737, share capital equal to Euro 30,205,000.00 (thirty million two hundred and five thousand) (hereinafter “**DL Professional**”).

As a consequence of the Demerger, each De'Longhi shareholder will be allotted, without consideration, an equal number of shares in the Beneficiary Company as they hold in the Demerging Company.

DL Clima will request the authorities and competent bodies for admission to listing of its shares on the MTA; said admission to the listing is a prerequisite and essential condition for the Demerger.

In addition to the applicable provisions of the Italian Civil Code, execution of the Deed of Demerger is, therefore, conditional upon:

- (i) admission by Borsa Italiana of all the classes of shares in the Beneficiary Company to listing on the Mercato Telematico Azionario (hereinafter the “**MTA**”) organized and managed by Borsa Italiana S.p.A. (hereinafter “**Borsa Italiana**”); and
- (ii) decision from Consob, pursuant to Article 57 (1.d) of Consob Regulation n° 11971/1999, as to the equivalence to a listing prospectus of the information provided by the Information Document and its subsequent amendments, pursuant to said Article 57.

Subsequent to the Deed of Demerger being filed with the relevant Companies Register, Borsa Italiana will provide formal notification of the initial date for trading of shares in the Beneficiary Company on the MTA, starting from which the Demerger will take effect (probably 1 January 2012).

## **1. TYPE, NAME AND REGISTERED OFFICE OF THE COMPANIES PARTY TO THE DEMERGER**

### **1.1 Demerging Company**

**De'Longhi S.p.A.**, with registered office in Treviso, Via L. Seitz 47, Treviso, tax code and Companies Register of Treviso n° 11570840154, Treviso Economic and Administrative Business Register n° 224758.

At the date of this Demerger Plan, the Articles of Association of De'Longhi indicates a share capital which is fully subscribed and paid in of Euro 448,500,000.00 (four hundred and forty-eight million five hundred thousand) represented by 149,500,000 (one hundred and forty-nine million five hundred thousand) shares each with a par value of Euro 3.00 (three).

De'Longhi shares are listed on the MTA organized and managed by Borsa Italiana.

### **1.2 Beneficiary Company**

**De'Longhi Clima S.p.A.**, with registered office in Treviso, Via L. Seitz 47, Treviso, tax code and Companies Register of Treviso n° 06830580962, Treviso Economic and Administrative Business Register n° 352567.

At the date of this Demerger Plan, the Articles of Association of De'Longhi Clima indicates a share capital of Euro 120,000.00 (one hundred and twenty thousand) divided into 40,000 (forty thousand) shares each with a par value of Euro 3.00 (three), entirely held by De'Longhi.

## 2. ARTICLES OF ASSOCIATION OF THE DEMERGING COMPANY AND THE BENEFICIARY COMPANY

### 2.1 Articles of the Demerging Company

The Articles of Association of the Demerging Company, annexed to the Demerger Plan and which are an integral and essential part of the same (**Annex A**), will not be subjected to amendment as a result of the Demerger, except for:

- (i) for the amendments that will be made to Article 5 ("*Share Capital*"), which reflect the reduction in the Demerging Company's share capital following completion of the Demerger, in the amount indicated in the following section 3.2 of this Demerger Plan.

In particular, following completion of the Demerger, the new Article 5 of the Demerging Company's Articles of Association will be amended as follows: "*The share capital is Euro 224,250,000.00 (two hundred and twenty-four million two hundred and fifty thousand) divided into 149,500,000 (one hundred and forty-nine million five hundred thousand) shares each with a par value of Euro 1.50 (one euro fifty cents).*" At the date of this Demerger Plan the par value of the Demerging Company's shares is equal to Euro 3.00 and will decrease to Euro 1.50;

- (ii) for the introduction of Article 13-ter which exempts directors of the Demerging Company from observing the non-competition obligation contained in Article 2390 of the Italian Civil Code, and states that: "Members of the Board of Directors are not subject to the non-competition obligation contained in Article 2390 of the Italian Civil Code."

## **2.2 Articles of Association of the Beneficiary Company**

A prerequisite and essential condition of the Demerger is that the shares in the Beneficiary Company, at the moment of their allotment to shareholders of De'Longhi, be admitted to trading on the MTA, organized and managed by Borsa Italiana.

Consequently, the Shareholders' Meeting of the DL Clima, called to approve the Demerger, shareholders will also be called to vote on the adoption, with effect from the Effective Date of the Demerger, of Articles of Association that conform to the requirements for listed companies established by Legislative Decree 58 of 24 February 1998 (hereafter the "**Consolidated Finance Law**") and related implementing regulations. At the same General Meeting of the Beneficiary Company shareholders may decide to modify, starting from the effective date the Demerger, the actual name of De'Longhi Clima S.p.A. indicated in Article 1 of the Articles of Association.

Said Articles, annexed to the Demerger Plan and which are an integral and essential part of the same (**Annex B**), reproduces exactly those of De' Longhi post Demerger, except for Article 1 ("*Name*") and Article 5 ("*Share Capital*"), which as a consequence of the Demerger will be changed to implement (i) the share capital increase of Euro 224,250,000.00 from Euro 120,000.00 to Euro 224,370,000.00, and (ii) the division of the current 40,000 shares each with a par value of Euro 3.00, into 80,000 shares each with a par value of Euro 1.50.

Following the coming into effect of the Demerger, the share capital of the Beneficiary Company will therefore be equal to Euro 224,370,000.00 constituted by 149,580,000 shares each with a par value of Euro 1.50, 149,500,000 of which will be assigned proportionally to the shareholders of De'Longhi.

Therefore, following the Demerger, Article 5 ("*Share Capital*") of the Beneficiary Company's Articles of Association will provide that "*The share*

*capital is Euro 224,370,000.00 (two hundred and twenty-four million three hundred and seventy thousand), divided into 149,580,000.00 (one hundred and forty-nine million five hundred and eighty thousand) shares each with a par value of Euro 1.50 (one Euro fifty cents)."*

### **3. ASSETS AND LIABILITIES SUBJECT TO THE DEMERGER**

#### **3.1. Type of demerger and the financial statements**

The partial and proportional Demerger of De'Longhi to De'Longhi Clima (a pre-existing company that, at the date of the Demerger Plan, is wholly owned by De'Longhi) will involve the transfer to the Beneficiary Company of an asset represented by the entire 100% shareholding held by the Demerging Company in DL Professional, better described in section 3.2 below.

As the Demerger entails a transfer of assets and liabilities to a company that, at the date of the Demerger Plan, is wholly owned by the Demerging Company and will continue to be until the effective date of the Demerger, the transaction will not result in any change in the value of shares held in total by shareholders of the Demerging Company and, therefore, the conditions exist - consistent also with the opinion expressed by the Milan Council of Notaries in *Massima* 23 of 18 March 2004, issued by the *Commissione Società del Consiglio Notarile di Milano* - for the exemption pursuant to Article 2506-ter (3) of the Italian Civil Code from the requirement for a report from an independent expert under Article 2501-sexies of the Italian Civil Code.

In accordance with the combined provisions of Articles 2506-ter and 2501-*quater* of the Italian Civil Code, the following have been drafted: (i) the financial statements for De'Longhi S.p.A. as at 30 June 2011 and (ii) the financial statements for the Beneficiary Company as at 20 July 2011, approved by the respective Boards of Directors on 21 July 2011.



### **3.2. Assets and liabilities to be transferred under the Demerger**

Pursuant to the Demerger, the whole shareholding held by De'Longhi in De'Longhi Professional will be transferred to the Beneficiary Company, the carrying value of which in the De'Longhi financial statements at 30 June 2011 is Euro 261,205,300.00.

The above shareholding will be transferred by the Demerging Company to the Beneficiary Company at book value.

It is specified that any differences in the book values of the asset to be transferred, owing to corporate dynamics that may occur between 30 June 2011 and the effective date of the Demerger, will not entail cash adjustments, remaining either a credit or a debt respectively.

The net value of the asset to be transferred, amounting to Euro 261,205,300.00 at 30 June 2011, corresponds to the value of the shareholding in DL Professional recorded in De'Longhi S.p.A.'s books.

### **3.3. Equity effects of the Demerger on the financial situations of the companies party to the Demerger**

As a consequence of the Demerger, the equity of the Demerging Company will be proportionally reduced by Euro 261,205,300.00, through a reduction in share capital of Euro 224,250,000.00 and in reserves of Euro 36,955,300.00. More specifically, the legal reserve will be reduced to Euro 4,847,229.00; the share premium reserve will be reduced to Euro 162,545.00; the extraordinary reserve/other reserves will be reduced to Euro 29,351,399.00 and therefore by Euro 31,945,526.00.

The reduction in share capital owing to the Demerger will take place without cancellation of shares in the Demerging Company, but rather through a reduction in par value per De'Longhi share. As explained above, the par value

of the Demerging Company's shares, before the Demerger is equal to Euro 3.00 and, owing to the Demerger, will decrease to Euro 1.50.

The Euro 1.50 per share reduction in the par value of shares in the Demerging Company (corresponding to the pro rata reduction of the share capital) will be fully offset by the issue of new shares in the Beneficiary Company, with a par value of Euro 1.50 each, equivalent in number to the shares held in the Demerging Company at the date of the Demerger and having identical rights as De'Longhi shares.

Therefore, pursuant to the Demerger the share capital of the Beneficiary Company will be represented by a total of 149,580,000 shares with a par value of Euro 1.50 each, of which (i) 149,500,000 new shares issued by DL Clima against the capital increase consequent to the Demerger; and (ii) 80,000 recovered from the division of 40,000 with a par value of Euro 3.00 each representing the share capital of the Beneficiary Company at the Date of this Demerger Plan.

The following is a summary of the impacts already recorded on the equity of both the Demerging Company and Beneficiary Company. In particular, the first column reports values for the equity of the Demerging Company at 30 June 2011. The second and third columns show the composition of those items for the Beneficiary Company and the Demerging Company, respectively, following completion of the Demerger.

	De'Longhi S.p.A. prior to demerger	De'Longhi Clima S.p.A. post demerger	De'Longhi S.p.A. post demerger
Share Capital	448,500,000.00	*224,370,000.00	224,250,000.00
Legal reserve	9,694,458.00	4,847,229.00	4,847,229.00
Share premium reserve	325,090.00	162,545.00	162,545.00
Extraordinary Reserve/Other Reserves	61,296,925.00	31,952,439.00	29,351,399.00
Reserve for unrealised foreign currency gains	129,080.00	0	129,080.00
Profits carried forward from the IAS/IFRS transition	12,686,589.00	0	12,686,589.00
Profit (loss) after taxes at 30 June 2011**	4,348,924.00	(3,842.00)	4,348,924.00
<b>TOTAL</b>	<b>536,981,066.00</b>	<b>261,328,371.00</b>	<b>275,775,766.00</b>

\* Including Euro 120,000.00 of the share capital prior to Demerger.

\*\* Profit (loss) after taxes of De'Longhi Clima S.p.A. at 20 July 2011.

#### **4. EXCHANGE RATIO AND ANY CASH ADJUSTMENT**

The Beneficiary Company's shareholders will have a shareholding in the same in the same proportion as their shareholding in the Demerging Company.

All the Demerging Company's shareholders will be allotted shares in the Beneficiary Company on the basis of one share in the Beneficiary Company for one share in the Demerging Company.

No cash adjustment is anticipated.

## **5. ALLOTMENT OF SHARES IN THE BENEFICIARY COMPANY**

Allotment of the shares in the Beneficiary Company to shareholders of the Demerging Company will take place through authorized intermediaries and in dematerialized form, from the effective date of the Demerger, within the period and in the manner to be announced in the appropriate notice in at least one national daily newspaper.

At the moment of allocation, formal notification will show that shares in the Beneficiary Company are listed for trading on the MTA, which is organized and managed by Borsa Italiana.

## **6. DATE OF PROFIT PARTICIPATION OF THE SHARES IN THE BENEFICIARY COMPANY.**

Shares in the Beneficiary Company allotted to the shareholders of the Demerging Company will entitle them to participate in the Beneficiary Company's profits, starting from the effective date of the Demerger, as per section 7 of this Demerger Plan.

## **7. EFFECTIVE DATE OF THE DEMERGER**

The Demerger shall have effect for third parties, pursuant to Article 2506-*quater* of the Italian Civil Code, from the date indicated in the Deed of Demerger, to be subsequent to the date of the last registration of the Deed with the competent Companies Register, having given warning that the Deed of Demerger may be executed provided that the following conditions are fulfilled:

- a) admission by Borsa Italiana of all the classes of shares in the Beneficiary Company to listing on the MTA; and
- b) decision from Consob, pursuant to Article 57 (1.d) of Consob Regulation n° 11971/1999, as to the equivalence to a listing prospectus of the information provided by the Information Document and subsequent amendments, pursuant to said Article 57.

Subsequent to the Deed of Demerger being filed with the relevant Companies Register, but prior to the Effective Date of the Demerger, Borsa Italiana will

provide formal notification of the initial date for trading of shares in the Beneficiary Company on the MTA, starting from which the Demerger will take effect.

Bearing in mind the above, the effective date of the Demerger is expected to be 1 January 2012.

Fiscal and accounting effects of the Demerger shall start from the date stated in the Deed of Demerger.

## **8. TREATMENT RESERVED TO PARTICULAR CATEGORIES OF SHAREHOLDERS**

The Demerging Company has only issued ordinary shares.

## **9. PARTICULAR ADVANTAGES FOR DIRECTORS**

No particular advantages are envisaged for directors of the companies party to the Demerger.

\* \* \*

This is without prejudice to any variations requested by the competent Authorities and numerical updates connected and/or consequent to that provided in this Demerger Plan, as well as any modifications that do not impact on the rights of the shareholders or third parties, pursuant to Article 2502 (2) of the Italian Civil Code.

**ANNEXES**

Annex A: Articles of Association of De' Longhi S.p.A. *post Demerger*;

Annex B: Articles of Association of De' Longhi Clima S.p.A. *post Demerger*.

Treviso, 21 July 2011

For the Demerging Company De' Longhi S.p.A.

CHIEF EXECUTIVE OFFICER

(Fabio De' Longhi)

For the Beneficiary Company De' Longhi Clima S.p.A.

CHIEF EXECUTIVE OFFICER

(Carlo Grossi)

**ARTICLES OF ASSOCIATION  
"DE' LONGHI S.P.A."**

**TITLE I NAME - REGISTERED OFFICE - DURATION - CORPORATE PURPOSE**

**Art. 1 - Name**

The company is named "DE' LONGHI S.P.A."

**Art. 2 - Registered Office**

The Company's registered office is in Treviso, Italy.

The Company may establish and close subsidiaries, branches, agencies and representative offices elsewhere in Italy and abroad.

**Art. 3 - Duration**

The duration of the Company is set until 31 December 2100 and may be extended by a resolution of the extraordinary general shareholders' meeting.

**Art. 4 - Corporate Purpose**

The Company has as its purpose: the activities of construction, light engineering and trading, including without limitation, the design, development, manufacture, assembly, purchase, trading and sale of household appliances, electric and electronic appliances, air conditioning systems for civil and/or industrial use, also by contracting out such activities to third parties.

Such activities may be executed both directly and by acquiring shareholdings in other companies operating in the sector; the wholesale and retail trading of the products, subject of the Company's activities referred to in the first paragraph; the management, both in the name of the Company and on behalf of third parties, of retail outlets and stores for the products, subject of the activities referred to in the first paragraph, in Italy and abroad; the execution of activities related or in any case useful for the pursuit of the corporate purpose, including advertising, IT, telecommunications and multimedia, and generally commercial, financial, real estate, research, training and consultant activities connected with the activities referred to in previous paragraphs; the acquiring of shareholdings in general, not for their transfer, including the acquisition, holding and management of the rights, represented or not represented by shares, over the capital of other companies, and the technical and financial coordination of the entities in which shareholdings have been acquired; the activity of financing, which may only be practiced to parent, subsidiary or affiliated companies pursuant to Art. 2359 of the Italian Civil Code and controlled by the same parent and however part of the group, including the said activity of financing comprising the issuing of guarantees as a substitute for financing and the underwriting of financial undertakings including operations for the acquisition of credit, issuing guarantees and sureties, opening of documentary credit, acceptance of bills of exchange, endorsements and commitments to grant credit.

The company may also conclude all commercial, financial, industrial, personal and real property operations, grant guarantees, sureties and guarantees in general, also in favour of third parties, and all the operations the company deems essential for the achievement of the corporate purpose.

The corporate purpose strictly excludes the practice of financial operations involving the general public pursuant to Art. 106 of Legislative Decree 385/93, the subscription of savings from the general public and the practice of credit activities and those activities reserved solely to members registered with professional chartered bodies.

**TITLE II SHARE CAPITAL - SHARES**

**Art. 5 - Share capital**

The share capital is 224,250,000.00 Euros (two hundred and twenty-four million two hundred and fifty thousand), divided into 149,500,000 (one hundred and forty-nine million five hundred thousand) shares each with a nominal value of 1.50 Euro (one euro fifty cents).

**Art. 5 bis**

The share capital may be increased more than once as allowed by law, also with the issuing of shares with different rights from those already in circulation.

The issuing of new ordinary shares or also shares with different rights from ordinary shares, having the same characteristics as the shares already in circulation, shall not require further approvals from the special meetings of shareholders of the different categories.

The meeting that decides on the capital increase may, in observance of the terms and methods provided by the law, exclude or limit the option rights when the interest of the Company requires it, when the newly issued shares must be freed by contributions in kind, and within the limit of ten percent of the pre-existing share capital pursuant to Art. 2441, subsection 4 of the Italian Civil Code.

The extraordinary shareholders' meeting may delegate to the Board of Directors, pursuant to Art. 2443 of the Italian Civil Code, the faculty to increase the share capital, also with the exclusion of the option rights, observing the methods and within the limits provided by the same Art. 2443 of the Italian Civil Code.

The shares are nominative and indivisible.

Each share shall carry the right to one vote, unless the shareholders' meeting resolves to issue shares without voting rights or with limited voting rights.

**Art. 5 ter**

The company may issue bonds, also bonds that are convertible into shares, and participative financial instruments provided by the law, in observance and within the limits set by the regulations in force at the time of issue.

The issue of bonds that are not convertible into shares shall be the competence of the administrative body in accordance with the law. The issue of bonds that are convertible into shares shall be the competence of the extraordinary shareholders' meeting in accordance with the law.

The extraordinary shareholders' meeting may delegate to the Board of Directors the faculty to decide to issue bonds that are convertible into shares, one or more times, also excluding option rights, observing and within the limits set by law.

**Art. 6 - Share transferability**

Shares may be freely transferred both in the event of death and by act between living persons.

**TITLE III GENERAL SHAREHOLDERS' MEETING****Art. 7 - Formalities for calling the meeting, right of attendance and representation**

Calling the General Annual and Extraordinary Shareholders' Meeting, which may be held at the company's registered office and elsewhere provided this is within the European Union, the right of attendance and the representation at the meeting as well as the constitutional majorities and those for carrying resolutions are governed by the law and regulations in force at the time.

Proxy to represent a shareholder at the General Shareholders' Meeting may be granted also electronically in observance of the law and regulations in force at the time, and may be notified to the Company by certified e-mail sent to the address indicated in the notice of call, in observance of the applicable provisions and regulations in force.

The Company shall not designate representatives that the shareholders can appoint proxy with voting instructions.

The General Shareholders' Meeting must be held at least once a year within 120 (one hundred and twenty) days from the end of the company's financial year. The General Shareholders' Meeting may however be held with the extended term of 180 (one hundred and eighty) days from the end of the company's financial year in one of the following cases:

- when the Company must approve the consolidated financial statements;
- when there are particular requirements connected to new fiscal, accounting or company legislation, or when new bookkeeping systems require it. In these cases the directors shall give the reasons for this postponement in the report provided by Art. 2428 of the Italian Civil Code.



#### **Art. 7 bis - General Shareholders' Meeting by videoconference**

The meeting may also be held by videoconference; in this case the Directors must indicate, in the Notice of Call, the audio/video locations, connected by the Company, where it is possible to participate.

In any case, the following must be permitted:

- the Chairperson of the Meeting, also availing him/herself of the Chairperson's Office, is able to ascertain the identity and legitimisation of the persons present, verify whether the Meeting is duly convened and the correct number of shareholders is present to carry a resolution, manage and regulate the discussion, set the order and procedures for the voting and announce the result;
- the person taking the minutes is able to adequately perceive the meeting events to be minuted;
- all the attendees are able to participate in the discussion and simultaneously vote on the topics on the agenda, as well as view, receive and transmit documents.

The meeting is deemed as being held in the place where both the Chairperson of the Meeting and the person taking the minutes of the meeting are in attendance together.

#### **Art. 8 - Chairperson of the Meeting**

The Shareholders' Meeting shall be chaired by, in this order, the Chairperson of the Board of Directors, the Vice Chairperson, if nominated, or in their absence by a person appointed by the attendees.

The Chairperson shall be assisted by a Secretary, nominated by the Shareholders' Meeting, who may also be someone who is not a shareholder. The assistance of the Secretary shall not be necessary when the minutes of the Shareholders' Meeting are recorded by a notary. The Chairperson of the Meeting shall be responsible for ascertaining the identity and legitimisation of the persons present, verifying whether the Meeting is duly convened and the correct number of shareholders is present to carry a resolution, managing and regulating the discussion, establishing the order and procedures for voting and announcing the result.

The resolutions carried by the Shareholders' Meeting must be recorded in the minutes signed by the Chairperson and the Secretary, or by the notary if nominated.

#### **Art. 8 bis**

The competences of the annual general and extraordinary shareholders' meetings shall be those set by the law, unless otherwise provided in these Articles of Association.

### **TITLE IV COMPANY ADMINISTRATION**

#### **Art. 9 - Administrative Body**

The company shall be administered by a Board of Directors consisting of a minimum of three and a maximum of thirteen members. The Shareholders' Meeting shall determine the number of members constituting the Board of Directors, which shall remain unaltered until otherwise amended by a resolution, and shall fix the annual remuneration, without prejudice to the provisions of Art. 2389, subsection 3 of the Italian Civil Code.

The Board of Directors shall remain in office for the term established at the time of their appointment by the Shareholders' Meeting, and in any case shall not exceed three financial years. Board Members may be re-elected. Should more than half of the Directors appointed by the Shareholders' Meeting fall from office, due to resignation or for any other cause whatsoever, the entire Board of Directors shall be deemed expired with immediate effect. The Board of Directors must be urgently convened by the Board of Statutory Auditors, which may in the meantime perform all the actions of ordinary administration.

Appointment of the directors shall be carried out based on the lists presented by the shareholders.

Shareholders possessing a holding equal to at least that determined by Consob shall have the faculty to present lists of candidates, in accordance with the law and regulations.

Each candidate may only be indicated on one single list or shall be deemed ineligible. Candidates who do not possess the requisites required by law, by these Articles of Association or other applicable provisions for their respective offices may not be included in the lists (without prejudice to any other cause of ineligibility or forfeiture). Each list shall contain a number of candidates up to a maximum of thirteen, listed using sequential numbers. At least two candidates, always indicated at least at the second and seventh place of each list, must possess the requirements of independence established by Art. 147 *ter* of Legislative Decree no. 58/98.

The lists submitted by the shareholders must be filed at the Company's registered office in the manner and within the terms provided by the law and regulations in force at the time. The following documents must be filed, together with each list, at the Company's registered office: (i) the special certificate issued by an authorised intermediary in accordance with the law proving ownership of the number of shares necessary to present the list; (ii) a curriculum vitae of each candidate included in the list, containing a detailed description of the candidates' personal and professional characteristics; and (iii) the statement in which each candidate accepts candidacy and certifies, at their own responsibility and under penalty of being excluded from the list, that there is no known impediment preventing election or incompatibility with the office of director and that the requisites required by the law in force and by these Articles of Association have been met, and that they possess the requirements of independence established by Art. 147 *ter* of Legislative Decree no. 58/98 (and subsequent amendments).

The certificate issued by an authorised intermediary proving ownership of the number of shares necessary to present the lists may also be submitted after filing, provided that it is submitted within the term provided by the law and regulations in force at the time concerning the publications of the lists by the Company.

Any list which does not observe the rules referred to above shall be deemed as not submitted.

The following procedure shall determine which candidates are elected to the office of director:

- a) all the directors except one are taken from the list which has obtained the greatest number of votes from the shareholders, respecting the sequential order of the candidates as they appear on the list itself;
- b) the remaining director is taken from the list which obtained the second greatest number of votes from the shareholders and who is not connected in any way, not even indirectly, with the shareholders who have submitted or voted for the list referred to in point a).

In the event that only one list is submitted or admitted to the vote, the candidates of said list will be nominated directors, respecting the sequential order of the candidates as they appear on the list itself.

Should it not be possible to nominate the directors using this list method, the Shareholders' Meeting shall resolve with a legal majority, without observing the procedure above.

#### **Art. 10 - Powers of the Board of Directors**

The Board of Directors is vested with the widest powers for the general and extraordinary administration of the Company, without any restrictions, with the faculty to execute and implement all the acts it deems necessary to meet the corporate purpose, excepting only those actions that the law and these Articles of Association assign to the Shareholders' Meeting.

In particular, the Board of Directors shall have exclusive authority, in addition to the non-delegable functions assigned to members by the law,

- to approve budgets and three-year plans,
- to fix the criteria for the drafting and amending of company bylaws,
- the appointment and removal of general managers. For the execution of its own resolutions and management of the Company, the Board of Directors, within the limits of the law, may:
  - establish an Executive Committee, determining its powers, the number of members and its working methods,
  - delegating appropriate powers, determining the limits of this authority, to one or more directors,
  - nominate one or more Committees with advisory functions, also with the purpose of bringing the company management system in line with the corporate governance recommendations,
  - appoint one or more managing directors, determining their functions and powers,
  - appoint, or grant directors the power to appoint managers, deputy managers, attorneys in fact and, in general, agents, for the fulfilment of certain acts or categories of acts or for certain operations.

The Board of Directors also shall have the authority to resolve on:

- mergers in the cases provided by Articles 2505 and 2505 *bis* of the Italian Civil Code;
- establishing and closing subsidiaries;
- reduction of capital in the event of withdrawal of shareholders;
- bringing the Articles of Association into line with the provisions of law;
- transfer of the company offices within the national territory.

Transactions with related parties are concluded in observance of the procedures approved by the Board of Directors in application of the law and regulations in force at the time.

In cases of urgency - also if connected to situations of company crisis - the procedures may provide for particular methods to conclude transactions with related parties, departing from the ordinary rules, and in observance of the terms set by the law and regulations applicable at the time.

#### **Art. 10 bis - Information**

The Chairperson and/or the managing directors, report to the Board of Directors and to the Board of Statutory Auditors on the activity carried out, on the general progress of management and its foreseeable evolution, and on the transactions of greater economic, financial and equity importance, concluded by the Company or by its subsidiaries; in particular they report on those transactions involving a potential conflict of interest, always in observance of the provisions set out in Article 2391 of the Italian Civil Code. This communication is carried out in a timely manner and in any case at least every quarter, at the meetings of the Board of Directors or by written report addressed to each director and to the Chairperson of the Board of Statutory Auditors.

#### **Art. 11 - Functioning of the Board of Directors**

The Board of Directors shall elect a Chairperson from among its members - where this has not been implemented by the Shareholders' Meeting - and may appoint a Vice Chairperson. Both may be re-elected.

The meetings of the Board of Directors shall be chaired by the Chairperson, or the Vice Chairperson in the case of absence or impediment of the Chairperson. In the absence of the Vice Chairman, the meeting is chaired by the director nominated by those present.

The Board of Directors shall appoint a Secretary who may also be a person who is not a member of the Board.

#### **Art. 12 - Validity of Board resolutions**

For the validity of the resolutions carried by the Board of Directors the majority of the directors in office must be present.

Resolutions are carried by an open vote and by the absolute majority of the voters, therefore excluding abstentions from the counting of the vote. While in the case of an equal number of votes the Chairman shall have the casting vote.

#### **Art. 13 - Calling the Board Meetings**

Without prejudice to the calling powers provided by specific provisions of law, the Chairperson, or acting Chairperson, shall call the meeting of the Board of Directors at the registered office or elsewhere (in Italy or in the European Union or in the United States of America), each time he/she deems it appropriate for the company's interest or in the case that a written request is made indicating the topics to be discussed by the majority of officers in office or by the Board of Statutory Auditors, or by at least one of its members, and an agenda is prepared.

The notice of call shall indicate the date of the meeting, the time and place as well as the topics to be discussed.

Said notice shall be given by registered letter, telegram, telex or fax or e-mail with read receipt sent at least five days before the meeting, except in cases of urgency when such term may be reduced to a minimum of twenty-four hours. Notice of the meeting shall also be given to the Board of Statutory Auditors within the terms.

The meetings of the Board of Directors may be validly held in audiovideoconference, or just audioconference, provided that the Chairperson is able to establish the exact identification of the persons present and their legitimisation to attend, all the attendees are able to participate verbally, in real time, on all the topics, as well as view, receive and transmit the documentation. The meeting of the Board of Directors is deemed as being held in the place where both the Chairperson and the Secretary of the meeting are in attendance together.

#### **Art. 13 bis - Manager responsible for the drafting of the company accounts**

The Board of Directors shall nominate, subject to the obligatory opinion of the Board of Statutory Auditors, a Manager responsible for the drafting of the company accounts and discharging of the duties provided by the provisions of law and regulations in force, choosing from among those persons who have

at least three years qualified experience in accounting or administration of a listed company or large company.

**Article 13 *ter* - Exception to the non-competition obligation**

Members of the Board of Directors are not subject to the non-competition obligation contained in Article 2390 of the Italian Civil Code.

**TITLE V THE BOARD OF STATUTORY AUDITORS**

**Art. 14 - The Board of Statutory Auditors**

The Board of Statutory Auditors shall be composed of three statutory auditors and two substitute auditors who possess the requisites provided by law and the regulations in force; to this end specialisation in the subject matters and areas of activity strictly related to those of the company indicated in the corporate purpose, with particular reference to companies or entities operating in the industrial, commercial, property, IT finance sectors and the services sector in general shall be taken into consideration.

The General Shareholders' Meeting shall elect the Board of Statutory Auditors and establish their remuneration. Minority shareholders shall have the right to elect one statutory auditor and one substitute auditor. The appointment of the Board of Statutory Auditors shall be carried out, except in the case provided by the penultimate paragraph of this article, based on the lists submitted by the shareholders in which the candidates are listed using sequential numbers. Each list contains a number of candidates which is not greater than the number of members to be elected. Shareholders possessing a holding equal to at least that determined by Consob shall have the faculty to present a list for the appointment of directors in accordance with the law and regulations.

The lists of candidates, signed by those shareholders submitting them, must be filed at the Company's registered office within the terms provided by the law and regulations in force at the time. Each list shall be accompanied by the information required in accordance with the provisions of law and regulations in force at the time, including a description of the curriculum vitae of each candidate and the statements in which each candidate accepts candidacy and certifies, at their own responsibility, that there is no known impediment preventing election or incompatibility with the office and that the requisites required by the law and regulations in force and by these Articles of Association have been met.

Each candidate may only be indicated on one single list or shall be deemed ineligible. Candidates who do not possess the requisites required by the applicable laws or who do not observe the limits to the number of offices held as established by the applicable laws and the related implementation rules in force at the time may not be elected auditors.

A shareholder may not submit or vote for more than one list, even through a third party or trust company; shareholders belonging to the same group and shareholders who are party to a shareholder agreement concerning Company shares may not submit or vote for more than one list, even through a third party or trust company.

Lists which do not observe the provisions above shall be deemed as not submitted.

In the event that at the date the term referred to in paragraph three expires only one list has been filed, or lists have been submitted only by shareholders who are connected to each other as per the provisions of law and regulations in force, further lists may be submitted until the subsequent term provided by the rules

and regulations in force at the time. In this case the thresholds provided in accordance with paragraph two are reduced by half.

Appointment of the members of the Board of Statutory Auditors shall be carried out as follows:

- two statutory auditors and one substitute auditor are taken from the list which has obtained the greatest number of votes at the shareholders' meeting, respecting the sequential order of the candidates as they appear on the list itself;
- the remaining statutory auditor and second substitute auditor are taken from the list which obtained the second greatest number of votes from shareholders, who are not connected in any way, not even indirectly, with the shareholders who have submitted or voted for the list with the greatest number of votes, respecting the sequential order of the candidates as they appear on the list itself.

- in the event that more than one list has obtained the same number of votes, these lists must be put to a second ballot by the shareholders at the meeting, and the candidates on the list that obtains a simple majority of votes shall be elected.

The Chairperson of the Board of Statutory Auditors shall be the statutory auditor taken from the list with the second greatest number of votes.

In the event of the death, resignation or forfeiture of a statutory auditor, the office shall be taken by the substitute on the same list of the member no longer in office. In the event that it is the Chairperson of the Board of Statutory Auditors who should be replaced, the office of chairperson is taken by the member substituting the chairperson no longer in office. Should it not be possible to proceed to the substitution according to the above criteria, a shareholders' meeting shall be called to elect the required number of members for the Board of Statutory Auditors which shall be carried by a relative majority vote. When the Shareholders' Meeting must, pursuant to the dispositions of the previous paragraph, appoint the statutory and/or substitute auditors necessary to integrate the requisite number for the Board of Statutory Auditors, the following procedure shall be followed:

- when the substitution of auditors concerns those elected from the majority list, appointment is by relative majority vote without list restrictions;

- when, however, the substitution of auditors concerns those elected from the minority list, the shareholders' meeting substitutes them by relative majority vote, choosing, where possible, from among the candidates indicated on the list with the name of the auditor to be substituted, and in any case in such a way that the principal of minority representation is observed.

In the event that only one list is submitted, the shareholders' meeting shall vote on this list; in the event this list obtains a relative majority, the first three candidates indicated, respecting the sequential order, shall be elected statutory auditors, and the fourth and fifth candidate shall be elected substitute auditors. The Chairperson is the candidate indicated in first place on the list submitted; in the event of the death, resignation or forfeiture of a statutory auditor, and in the event of substitution of the Chairperson of the Board of Statutory Auditors, the offices shall be taken by the substitute auditor and the statutory auditor, respectively, in the sequential order indicated in the list itself.

In the event no lists are submitted, the Board of Statutory Auditors and its Chairman are nominated by the Shareholders' Meeting by legal majority.

Auditors coming to the end of their office may be re-elected.

#### **Art. 14 bis**

The meetings of the Board of Statutory Auditors may be validly held in audiovideoconference, or just audioconference, provided that the Chairperson is able to establish the exact identification of the persons present and their legitimisation to attend, all the attendees are able to participate verbally, in real time, on all the topics, as well as view, receive and transmit the documentation. The meeting of the Board of Statutory Auditors is deemed as being held at the place the Chairperson is in attendance.

### **TITLE VI LEGAL REPRESENTATION AND THE AUTHORITY TO SIGN ON BEHALF OF THE COMPANY**

#### **Art. 15 - Legal representation**

Legal representation of the Company and the authority to sign on behalf of the company, with all the powers these functions entail, including those of acting before all levels of the courts and jurisdictions and the faculty to appoint legal counsel or attorneys, also with general powers of attorney, shall be the responsibility of the Chairperson of the Board of Directors and, if nominated, by the Vice Chairperson and the directors who have been vested with these specific powers, within the limits of the authority assigned to them by the Board of Directors.

Each of the representatives above shall have the power to act singly, and shall have the power to grant legal representation and signing on behalf of the company to legal counsel or attorneys for certain acts and operations or for categories of acts and operations.

## TITLE VII FINANCIAL STATEMENTS AND PROFITS

### **Art. 16 - Company's financial year and financial statements**

The Company's financial year shall end on 31 December of each year.

### **Art. 17 - Allocation of profits**

After tax profits resulting from the balance sheet shall be allocated as follows:

- the legal reserve, for a share equal to 5% until the same reaches one fifth of the share capital;
- the remaining after tax profits shall be placed at the disposal of the Shareholders' Meeting which may allocate them to shareholders or to increasing company reserves, or both.

Dividends that are not claimed within five years from the day that they are collectable shall be reclaimed by the Company. Advances on dividends may be made in accordance with the law.

## TITLE VIII FINAL PROVISIONS

### **Art. 18 - Winding up and liquidation**

At any time and for any reason whatsoever, the winding up of the Company shall be decided by the shareholders' meeting, which shall establish the liquidation procedures.

The shareholders' meeting shall also nominate one or more receivers and shall establish their functions and remuneration.

### **Art. 18 bis - Right of Withdrawal**

The right of withdrawal is expressly excluded for those shareholders who have not voted approval of the resolutions concerning:

- the extension of the Company's duration;
- the introduction, modification or removal of restrictions to the circulation of shares.

### **Art. 19 - Governing law**

For any provision not made in these Articles of Association, reference is made to the Italian Civil Code and the applicable laws governing the subject matter.

**ARTICLES OF ASSOCIATION  
"DE' LONGHI CLIMA S.P.A."**

**TITLE I NAME - REGISTERED OFFICE - DURATION - CORPORATE PURPOSE**

**Art. 1 - Name**

The company is named "DE' LONGHI CLIMA S.P.A."

**Art. 2 - Registered Office**

The Company's registered office is in Treviso, Italy.

The Company may establish and close subsidiaries, branches, agencies and representative offices elsewhere in Italy and abroad.

**Art. 3 - Duration**

The duration of the Company is set until 31 December 2100 and may be extended by a resolution of the extraordinary general shareholders' meeting.

**Art. 4 - Corporate Purpose**

The Company has as its purpose: the activities of construction, light engineering and trading, including without limitation, the design, development, manufacture, assembly, purchase, trading and sale of household appliances, electric and electronic appliances, air conditioning systems for civil and/or industrial use, also by contracting out such activities to third parties.

Such activities may be executed both directly and by acquiring shareholdings in other companies operating in the sector; the wholesale and retail trading of the products, subject of the Company's activities referred to in the first paragraph; the management, both in the name of the Company and on behalf of third parties, of retail outlets and stores for the products, subject of the activities referred to in the first paragraph, in Italy and abroad; the execution of activities related or in any case useful for the pursuit of the corporate purpose, including advertising, IT, telecommunications and multimedia, and generally commercial, financial, real estate, research, training and consultant activities connected with the activities referred to in previous paragraphs; the acquiring of shareholdings in general, not for the their transfer, including the acquisition, holding and management of the rights, represented or not represented by shares, over the capital of other companies, and the technical and financial coordination of the entities in which shareholdings have been acquired; the activity of financing, which may only be practiced to parent, subsidiary or affiliated companies pursuant to Art. 2359 of the Italian Civil Code and controlled by the same parent and however part of the group, including the said activity of financing comprising the issuing of guarantees as a substitute for financing and the underwriting of financial undertakings including operations for the acquisition of credit, issuing guarantees and sureties, opening of documentary credit, acceptance of bills of exchange, endorsements and commitments to grant credit.

The company may also conclude all commercial, financial, industrial, personal and real property operations, grant guarantees, sureties and guarantees in general, also in favour of third parties, and all the operations the company deems essential for the achievement of the corporate purpose.

The corporate purpose strictly excludes the practice of financial operations involving the general public pursuant to Art. 106 of Legislative Decree 385/93, the subscription of savings from the general public and the practice of credit activities and those activities reserved solely to members registered with professional chartered bodies.

## TITLE II SHARE CAPITAL - SHARES

### **Art. 5 - Share capital**

The share capital is Euro 224,370,000.00 (two hundred and twenty-four million three hundred and seventy thousand), divided into 149,580,000 (one hundred and forty-nine million five hundred and eighty thousand)

shares each with a par value of Euro 1.50 (one Euro fifty cents).

The share capital may be increased more than once as allowed by law, also with the issuing of shares with different rights from those already in circulation.

The issuing of new ordinary shares or also shares with different rights from ordinary shares, having the same characteristics as the shares already in circulation, shall not require further approvals from the special meetings of shareholders of the different categories.

The meeting that decides on the capital increase may, in observance of the terms and methods provided by the law, exclude or limit the option rights when the interest of the Company requires it, when the newly issued shares must be freed by contributions in kind, and within the limit of ten percent of the pre-existing share capital pursuant to Art. 2441, subsection 4 of the Italian Civil Code.

The extraordinary shareholders' meeting may delegate to the Board of Directors, pursuant to Art. 2443 of the Italian Civil Code, the faculty to increase the share capital, also with the exclusion of the option rights, observing the methods and within the limits provided by the same Art. 2443 of the Italian Civil Code.

The shares are nominative and indivisible.

Each share shall carry the right to one vote, unless the shareholders' meeting resolves to issue shares without voting rights or with limited voting rights.

### **Art. 6 - Bonds**

The company may issue bonds, also bonds that are convertible into shares, and participative financial instruments provided by the law, in observance and within the limits set by the regulations in force at the time of issue.

The issue of bonds that are not convertible into shares shall be the competence of the administrative body in accordance with the law. The issue of bonds that are convertible into shares shall be the competence of the extraordinary shareholders' meeting in accordance with the law.

The extraordinary shareholders' meeting may delegate to the Board of Directors the faculty to decide to issue bonds that are convertible into shares, one or more times, also excluding option rights, observing and within the limits set by law.

### **Art. 7 - Share transferability**

Shares may be freely transferred both in the event of death and by act between living persons.

## TITLE III GENERAL SHAREHOLDERS' MEETING

### **Art. 8 - Formalities for calling the meeting, right of attendance and representation**

Calling the General Annual and Extraordinary Shareholders' Meeting, which may be held at the company's registered office and elsewhere provided this is within the European Union, the right of attendance and the representation at the meeting as well as the constitutional majorities and those for carrying resolutions are governed by the law and regulations in force at the time.

Proxy to represent a shareholder at the General Shareholders' Meeting may be granted also electronically in observance of the law and regulations in force at the time, and may be notified to the Company by certified e-mail sent to the address indicated in the notice of call, in observance of the applicable provisions and regulations in force.

The Company shall not designate representatives that the shareholders can appoint proxy with voting instructions.

The General Shareholders' Meeting must be held at least once a year within 120 (one hundred and twenty) days from the end of the company's financial year. The General Shareholders' Meeting may however be held with the extended term of 180 (one hundred and eighty) days from the end of the company's financial year in one of the following cases:

- when the Company must approve the consolidated financial statements;



- when there are particular requirements connected to new fiscal, accounting or company legislation, or when new bookkeeping systems require it. In these cases the directors shall give the reasons for this postponement in the report provided by Art. 2428 of the Italian Civil Code.

The meeting may also be held by videoconference; in this case the Directors must indicate, in the Notice of Call, the audio/video locations, connected by the Company, where it is possible to participate.

In any case, the following must be permitted:

- the Chairperson of the Meeting, also availing him/herself of the Chairperson's Office, is able to ascertain the identity and legitimisation of the persons present, verify whether the Meeting is duly convened and the correct number of shareholders is present to carry a resolution, manage and regulate the discussion, set the order and procedures for the voting and announce the result;

- the person taking the minutes is able to adequately perceive the meeting events to be minuted;

- all the attendees are able to participate in the discussion and simultaneously vote on the topics on the agenda, as well as view, receive and transmit documents.

The meeting is deemed as being held in the place where both the Chairperson of the Meeting and the person taking the minutes of the meeting are in attendance together.

#### **Art. 9 - Chairperson of the Meeting**

The Shareholders' Meeting shall be chaired by, in this order, the Chairperson of the Board of Directors, the Vice Chairperson, if nominated, or in their absence by a person appointed by the attendees.

The Chairperson shall be assisted by a Secretary, nominated by the Shareholders' Meeting, who may also be someone who is not a shareholder. The assistance of the Secretary shall not be necessary when the minutes of the Shareholders' Meeting are recorded by a notary. The Chairperson of the Meeting shall be responsible for ascertaining the identity and legitimisation of the persons present, verifying whether the Meeting is duly convened and the correct number of shareholders is present to carry a resolution, managing and regulating the discussion, establishing the order and procedures for voting and announcing the result.

The resolutions carried by the Shareholders' Meeting must be recorded in the minutes signed by the Chairperson and the Secretary, or by the notary if nominated.

#### **Art. 10 - Competences of the Meeting**

The competences of the annual general and extraordinary shareholders' meetings shall be those set by the law, unless otherwise provided in these Articles of Association.

### **TITLE IV COMPANY ADMINISTRATION**

#### **Art. 11 - Administrative Body**

The company shall be administered by a Board of Directors consisting of a minimum of three and a maximum of thirteen members. The Shareholders' Meeting shall determine the number of members constituting the Board of Directors, which shall remain unaltered until otherwise amended by a resolution, and shall fix the annual remuneration, without prejudice to the provisions of Art. 2389, subsection 3 of the Italian Civil Code.

The Board of Directors shall remain in office for the term established at the time of their appointment by the Shareholders' Meeting, and in any case shall not exceed three financial years. Board Members may be re-elected. Should more than half of the Directors appointed by the Shareholders' Meeting fall from office, due to resignation or for any other cause whatsoever, the entire Board of Directors shall be deemed expired with immediate effect. The Board of Directors must be urgently convened by the Board of Statutory Auditors, which may in the meantime perform all the actions of ordinary administration.

Appointment of the directors shall be carried out based on the lists presented by the shareholders.

Shareholders possessing a holding equal to at least that determined by Consob shall have the faculty to present lists of candidates, in accordance with the law and regulations.

Each candidate may only be indicated on one single list or shall be deemed ineligible. Candidates who do not possess the requisites required by law, by these Articles of Association or other applicable provisions for their respective offices may not be included in the lists (without prejudice to any other cause of ineligibility or forfeiture). Each list shall contain a number of candidates up to a maximum of thirteen, listed using sequential numbers. At least two candidates, always indicated at least at the second and

seventh place of each list, must possess the requirements of independence established by Art. 147 *ter* of Legislative Decree no. 58/98.

The lists submitted by the shareholders must be filed at the Company's registered office in the manner and within the terms provided by the law and regulations in force at the time. The following documents must be filed, together with each list, at the Company's registered office: (i) the special certificate issued by an authorised intermediary in accordance with the law proving ownership of the number of shares necessary to present the list; (ii) a curriculum vitae of each candidate included in the list, containing a detailed description of the candidates' personal and professional characteristics; and (iii) the statement in which each candidate accepts candidacy and certifies, at their own responsibility and under penalty of being excluded from the list, that there is no known impediment preventing election or incompatibility with the office of director and that the requisites required by the law in force and by these Articles of Association have been met, and that they possess the requirements of independence established by Art. 147 *ter* of Legislative Decree no. 58/98 (and subsequent amendments).

The certificate issued by an authorised intermediary proving ownership of the number of shares necessary to present the lists may also be submitted after filing, provided that it is submitted within the term provided by the law and regulations in force at the time concerning the publications of the lists by the Company.

Any list which does not observe the rules referred to above shall be deemed as not submitted.

The following procedure shall determine which candidates are elected to the office of director:

- a) all the directors except one are taken from the list which has obtained the greatest number of votes from the shareholders, respecting the sequential order of the candidates as they appear on the list itself;
- b) the remaining director is taken from the list which obtained the second greatest number of votes from the shareholders and who is not connected in any way, not even indirectly, with the shareholders who have submitted or voted for the list referred to in point a).

In the event that only one list is submitted or admitted to the vote, the candidates of said list will be nominated directors, respecting the sequential order of the candidates as they appear on the list itself.

Should it not be possible to nominate the directors using this list method, the Shareholders' Meeting shall resolve with a legal majority, without observing the procedure above.

## **Art. 12 - Powers of the Board of Directors**

The Board of Directors is vested with the widest powers for the general and extraordinary administration of the Company, without any restrictions, with the faculty to execute and implement all the acts it deems necessary to meet the corporate purpose, excepting only those actions that the law and these Articles of Association assign to the Shareholders' Meeting.

In particular, the Board of Directors shall have exclusive authority, in addition to the non-delegable functions assigned to members by the law,

- to approve budgets and three-year plans,
- to fix the criteria for the drafting and amending of company bylaws,
- the appointment and removal of general managers. For the execution of its own resolutions and management of the Company, the Board of Directors, within the limits of the law, may:
  - establish an Executive Committee, determining its powers, the number of members and its working methods,
  - delegating appropriate powers, determining the limits of this authority, to one or more directors,
  - nominate one or more Committees with advisory functions, also with the purpose of bringing the company management system in line with the corporate governance recommendations,
  - appoint one or more managing directors, determining their functions and powers,
  - appoint, or grant directors the power to appoint managers, deputy managers, attorneys in fact and, in general, agents, for the fulfilment of certain acts or categories of acts or for certain operations.

The Board of Directors also shall have the authority to resolve on:

- mergers in the cases provided by Articles 2505 and 2505 *bis* of the Italian Civil Code;
- establishing and closing subsidiaries;
- reduction of capital in the event of withdrawal of shareholders;
- bringing the Articles of Association into line with the provisions of law;
- transfer of the company offices within the national territory.

Transactions with related parties are concluded in observance of the procedures approved by the Board of Directors in application of the law and regulations in force at the time.

In cases of urgency - also if connected to situations of company crisis - the procedures may provide for particular methods to conclude transactions with related parties, departing from the ordinary rules, and in observance of the terms set by the law and regulations applicable at the time.

#### **Art. 13 - Information**

The Chairperson and/or the managing directors, report to the Board of Directors and to the Board of Statutory Auditors on the activity carried out, on the general progress of management and its foreseeable evolution, and on the transactions of greater economic, financial and equity importance, concluded by the Company or by its subsidiaries; in particular they report on those transactions involving a potential conflict of interest, always in observance of the provisions set out in Article 2391 of the Italian Civil Code. This communication is carried out in a timely manner and in any case at least every quarter, at the meetings of the Board of Directors or by written report addressed to each director and to the Chairperson of the Board of Statutory Auditors.

#### **Art. 14 - Functioning of the Board of Directors**

The Board of Directors shall elect a Chairperson from among its members - where this has not been implemented by the Shareholders' Meeting - and may appoint a Vice Chairperson. Both may be re-elected.

The meetings of the Board of Directors shall be chaired by the Chairperson, or the Vice Chairperson in the case of absence or impediment of the Chairperson. In the absence of the Vice Chairman, the meeting is chaired by the director nominated by those present.

The Board of Directors shall appoint a Secretary who may also be a person who is not a member of the Board.

#### **Art. 15 - Validity of Board resolutions**

For the validity of the resolutions carried by the Board of Directors the majority of the directors in office must be present.

Resolutions are carried by an open vote and by the absolute majority of the voters, therefore excluding abstentions from the counting of the vote. While in the case of an equal number of votes the Chairman shall have the casting vote.

#### **Art. 16 - Calling the Board Meetings**

Without prejudice to the calling powers provided by specific provisions of law, the Chairperson, or acting Chairperson, shall call the meeting of the Board of Directors at the registered office or elsewhere (in Italy or in the European Union or in the United States of America), each time he/she deems it appropriate for the company's interest or in the case that a written request is made indicating the topics to be discussed by the majority of officers in office or by the Board of Statutory Auditors, or by at least one of its members, and an agenda is prepared.

The notice of call shall indicate the date of the meeting, the time and place as well as the topics to be discussed.

Said notice shall be given by registered letter, telegram, telex or fax or e-mail with read receipt sent at least five days before the meeting, except in cases of urgency when such term may be reduced to a minimum of twenty-four hours. Notice of the meeting shall also be given to the Board of Statutory Auditors within the terms.

The meetings of the Board of Directors may be validly held in audiovideoconference, or just audioconference, provided that the Chairperson is able to establish the exact identification of the persons present and their legitimisation to attend, all the attendees are able to participate verbally, in real time, on all the topics, as well as view, receive and transmit the documentation. The meeting of the Board of Directors is deemed as being held in the place where both the Chairperson and the Secretary of the meeting are in attendance together.

#### **Article 17 - Exception to the non-competition obligation**

Members of the Board of Directors are not subject to the non-competition obligation contained in Article 2390 of the Italian Civil Code.

### **Art. 18 - Manager responsible for the drafting of the company accounts**

The Board of Directors shall nominate, subject to the obligatory opinion of the Board of Statutory Auditors, a Manager responsible for the drafting of the company accounts and discharging of the duties provided by the provisions of law and regulations in force, choosing from among those persons who have at least three years qualified experience in accounting or administration of a listed company or large company.

## **TITLE V THE BOARD OF STATUTORY AUDITORS**

### **Art. 19 - The Board of Statutory Auditors**

The Board of Statutory Auditors shall be composed of three statutory auditors and two substitute auditors who possess the requisites provided by law and the regulations in force; to this end specialisation in the subject matters and areas of activity strictly related to those of the company indicated in the corporate purpose, with particular reference to companies or entities operating in the industrial, commercial, property, IT finance sectors and the services sector in general shall be taken into consideration.

The General Shareholders' Meeting shall elect the Board of Statutory Auditors and establish their remuneration. Minority shareholders shall have the right to elect one statutory auditor and one substitute auditor. The appointment of the Board of Statutory Auditors shall be carried out, except in the case provided by the penultimate paragraph of this article, based on the lists submitted by the shareholders in which the candidates are listed using sequential numbers. Each list contains a number of candidates which is not greater than the number of members to be elected. Shareholders possessing a holding equal to at least that determined by Consob shall have the faculty to present a list for the appointment of directors in accordance with the law and regulations.

The lists of candidates, signed by those shareholders submitting them, must be filed at the Company's registered office within the terms provided by the law and regulations in force at the time. Each list shall be accompanied by the information required in accordance with the provisions of law and regulations in force at the time, including a description of the curriculum vitae of each candidate and the statements in which each candidate accepts candidacy and certifies, at their own responsibility, that there is no known impediment preventing election or incompatibility with the office and that the requisites required by the law and regulations in force and by these Articles of Association have been met.

Each candidate may only be indicated on one single list or shall be deemed ineligible. Candidates who do not possess the requisites required by the applicable laws or who do not observe the limits to the number of offices held as established by the applicable laws and the related implementation rules in force at the time may not be elected auditors.

A shareholder may not submit or vote for more than one list, even through a third party or trust company; shareholders belonging to the same group and shareholders who are party to a shareholder agreement concerning Company shares may not submit or vote for more than one list, even through a third party or trust company.

Lists which do not observe the provisions above shall be deemed as not submitted.

In the event that at the date the term referred to in paragraph three expires only one list has been filed, or lists have been submitted only by shareholders who are connected to each other as per the provisions of law and regulations in force, further lists may be submitted until the subsequent term provided by the rules

and regulations in force at the time. In this case the thresholds provided in accordance with paragraph two are reduced by half.

Appointment of the members of the Board of Statutory Auditors shall be carried out as follows:

- two statutory auditors and one substitute auditor are taken from the list which has obtained the greatest number of votes at the shareholders' meeting, respecting the sequential order of the candidates as they appear on the list itself;
- the remaining statutory auditor and second substitute auditor are taken from the list which obtained the second greatest number of votes from shareholders, who are not connected in any way, not even indirectly, with the shareholders who have submitted or voted for the list with the greatest number of votes, respecting the sequential order of the candidates as they appear on the list itself.

- in the event that more than one list has obtained the same number of votes, these lists must be put to a second ballot by the shareholders at the meeting, and the candidates on the list that obtains a simple majority of votes shall be elected.

The Chairperson of the Board of Statutory Auditors shall be the statutory auditor taken from the list with the second greatest number of votes.

In the event of the death, resignation or forfeiture of a statutory auditor, the office shall be taken by the substitute on the same list of the member no longer in office. In the event that it is the Chairperson of the Board of Statutory Auditors who should be replaced, the office of chairperson is taken by the member substituting the chairperson no longer in office. Should it not be possible to proceed to the substitution according to the above criteria, a shareholders' meeting shall be called to elect the required number of members for the Board of Statutory Auditors which shall be carried by a relative majority vote. When the Shareholders' Meeting must, pursuant to the dispositions of the previous paragraph, appoint the statutory and/or substitute auditors necessary to integrate the requisite number for the Board of Statutory Auditors, the following procedure shall be followed:

- when the substitution of auditors concerns those elected from the majority list, appointment is by relative majority vote without list restrictions;

- when, however, the substitution of auditors concerns those elected from the minority list, the shareholders' meeting substitutes them by relative majority vote, choosing, where possible, from among the candidates indicated on the list with the name of the auditor to be substituted, and in any case in such a way that the principal of minority representation is observed.

In the event that only one list is submitted, the shareholders' meeting shall vote on this list; in the event this list obtains a relative majority, the first three candidates indicated, respecting the sequential order, shall be elected statutory auditors, and the fourth and fifth candidate shall be elected substitute auditors. The Chairperson is the candidate indicated in first place on the list submitted; in the event of the death, resignation or forfeiture of a statutory auditor, and in the event of substitution of the Chairperson of the Board of Statutory Auditors, the offices shall be taken by the substitute auditor and the statutory auditor, respectively, in the sequential order indicated in the list itself.

In the event no lists are submitted, the Board of Statutory Auditors and its Chairman are nominated by the Shareholders' Meeting by legal majority.

Auditors coming to the end of their office may be re-elected.

#### **Art. 20 - Meetings of the Board of Statutory Auditors**

The meetings of the Board of Statutory Auditors may be validly held in audiovideoconference, or just audioconference, provided that the Chairperson is able to establish the exact identification of the persons present and their legitimisation to attend, all the attendees are able to participate verbally, in real time, on all the topics, as well as view, receive and transmit the documentation. The meeting of the Board of Statutory Auditors is deemed as being held at the place the Chairperson is in attendance.

### **TITLE VI LEGAL REPRESENTATION AND THE AUTHORITY TO SIGN ON BEHALF OF THE COMPANY**

#### **Art. 21 - Legal representation**

Legal representation of the Company and the authority to sign on behalf of the company, with all the powers these functions entail, including those of acting before all levels of the courts and jurisdictions and the faculty to appoint legal counsel or attorneys, also with general powers of attorney, shall be the responsibility of the Chairperson of the Board of Directors and, if nominated, by the Vice Chairperson and the directors who have been vested with these specific powers, within the limits of the authority assigned to them by the Board of Directors.

Each of the representatives above shall have the power to act singly, and shall have the power to grant legal representation and signing on behalf of the company to legal counsel or attorneys for certain acts and operations or for categories of acts and operations.

## **TITLE VII FINANCIAL STATEMENTS AND PROFITS**

### **Art. 22 - Company's financial year and financial statements**

The Company's financial year shall end on 31 December of each year.

### **Art. 23 - Allocation of profits**

After tax profits resulting from the balance sheet shall be allocated as follows:

- the legal reserve, for a share equal to 5% until the same reaches one fifth of the share capital;
- the remaining after tax profits shall be placed at the disposal of the Shareholders' Meeting which may allocate them to shareholders or to increasing company reserves, or both.

Dividends that are not claimed within five years from the day that they are collectable shall be reclaimed by the Company. Advances on dividends may be made in accordance with the law.

## **TITLE VIII FINAL PROVISIONS**

### **Art. 24 - Winding up and liquidation**

At any time and for any reason whatsoever, the winding up of the Company shall be decided by the shareholders' meeting, which shall establish the liquidation procedures.

The shareholders' meeting shall also nominate one or more receivers and shall establish their functions and remuneration.

### **Art. 25 - Right of Withdrawal**

The right of withdrawal is expressly excluded for those shareholders who have not voted approval of the resolutions concerning:

- the extension of the Company's duration;
- the introduction, modification or removal of restrictions to the circulation of shares.

### **Art. 26 - Governing law**

For any provision not made in these Articles of Association, reference is made to the Italian Civil Code and the applicable laws governing the subject matter.

Financial Statements

of

De'Longhi S.p.A.

at 30 June 2011

(pursuant to Article 2506-ter of the Italian Civil Code)

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## INCOME STATEMENT

(€/000)	Notes	1st half 2011	of which non-recurring	1st half 2010 <sup>(*)</sup>	of which non-recurring
Other revenues	1	3,015		2,295	
<b>Total revenues</b>		<b>3,015</b>		<b>2,295</b>	
Raw and ancillary materials, consumables and goods	2	(28)		(31)	
<b>Materials consumed</b>		<b>(28)</b>		<b>(31)</b>	
Payroll costs	3	(3,876)		(774)	
Services and other operating expenses	4	(5,704)	(625)	(4,556)	
Provisions	5	91		81	
Amortization, depreciation and impairment	6	(19)		(27)	
<b>EBIT</b>		<b>(6,521)</b>		<b>(3,012)</b>	
Financial income (expenses)	7	9,069		16,019	
<b>PROFIT (LOSS) BEFORE TAXES</b>		<b>2,548</b>		<b>13,007</b>	
Income taxes	8	1,801		(23)	
<b>PROFIT (LOSS) AFTER TAXES</b>		<b>4,349</b>		<b>12,984</b>	

## STATEMENT OF COMPREHENSIVE INCOME

(€/000)	1st half 2011	1st half 2010 <sup>(*)</sup>
<b>Profit (loss) after taxes</b>	<b>4,349</b>	<b>12,984</b>
<b>Other components of comprehensive income</b>		
<b>Total comprehensive income (loss)</b>	<b>4,349</b>	<b>12,984</b>

<sup>(\*)</sup> not audited data

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

## STATEMENT OF FINANCIAL POSITION

ASSETS (€/000)	Notes	30.06.2011	31.12.2010
<b>NON-CURRENT ASSETS</b>			
INTANGIBLE ASSETS		20	26
- Other intangible assets	9	20	26
PROPERTY, PLANT AND EQUIPMENT		60	88
- Other tangible assets	10	60	88
EQUITY INVESTMENTS AND OTHER FINANCIAL ASSETS		753,729	603,479
- Equity investments (in subsidiary companies)	11	751,715	601,705
- Receivables	12	2,014	1,774
DEFERRED TAX ASSETS	13	2,673	2,253
<b>TOTAL NON-CURRENT ASSETS</b>		<b>756,482</b>	<b>605,846</b>
<b>CURRENT ASSETS</b>			
INVENTORIES		-	-
TRADE RECEIVABLES	14	4,989	4,063
CURRENT TAX ASSETS	15	7,727	1,419
OTHER RECEIVABLES	16	25,830	18,220
CURRENT FINANCIAL RECEIVABLES AND ASSETS	17	22,053	18,475
CASH AND CASH EQUIVALENTS	18	81	98
<b>TOTAL CURRENT ASSETS</b>		<b>60,680</b>	<b>42,275</b>
<b>TOTAL ASSETS</b>		<b>817,162</b>	<b>648,121</b>
<b>NET EQUITY AND LIABILITIES (€/000)</b>			
<b>NET EQUITY</b>			
NET EQUITY		536,981	554,459
- Share capital	19	448,500	448,500
- Reserves	20	84,132	81,371
- Profit (loss) for the year		4,349	24,588
<b>TOTAL NET EQUITY</b>		<b>536,981</b>	<b>554,459</b>
<b>NON-CURRENT LIABILITIES</b>			
FINANCIAL PAYABLES		54,893	53,532
- Bank loans and borrowings (long-term portion)	21	53,854	51,947
- Other financial payables (long-term portion)	22	1,039	1,585
NON-CURRENT PROVISIONS FOR CONTINGENCIES AND OTHER CHARGES		10,483	6,476
- Employee benefits	23	5,320	4,204
- Other provisions	24	5,163	2,272
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>65,376</b>	<b>60,008</b>
<b>CURRENT LIABILITIES</b>			
TRADE PAYABLES	25	3,780	2,773
FINANCIAL PAYABLES		191,698	20,060
- Bank loans and borrowings (short-term portion)	21	191,096	19,416
- Other financial payables (short-term portion)	22	602	644
CURRENT TAX LIABILITIES	26	10,552	5,885
OTHER PAYABLES	27	8,775	4,936
<b>TOTAL CURRENT LIABILITIES</b>		<b>214,805</b>	<b>33,654</b>
<b>TOTAL NET EQUITY AND LIABILITIES</b>		<b>817,162</b>	<b>648,121</b>

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

## STATEMENT OF CASH FLOWS

(€/000)	Notes	1st half 2011	1st half 2010 (*)
Profit (loss) after taxes		4,349	12,984
Income taxes for the period	8	(1,801)	23
Income from dividend receipts	7	(10,000)	(16,264)
Amortization, depreciation and impairment	6	19	27
Net change in provisions		3,586	3,351
<b>Cash flow generated (absorbed) by current operations (A)</b>		<b>(3,847)</b>	<b>121</b>
<b>Change in assets and liabilities for the period:</b>			
Trade receivables		(926)	(2,465)
Trade payables		1,007	(270)
Other current assets and liabilities		(3,523)	(7,674)
Payment of income taxes		(88)	(1,337)
<b>Cash flow generated (absorbed) by movements in working capital (B)</b>		<b>(3,530)</b>	<b>(11,746)</b>
<b>Cash flow generated (absorbed) by current operations and movements in working capital (A+B)</b>		<b>(7,377)</b>	<b>(11,625)</b>
<b>Investment activities:</b>			
Investments in tangible assets		-	(1)
Proceeds from sale of property, plant and equipment and other cash flows	10	16	-
Net investments in equity investments		(150,000)	-
Dividend receipts	7	10,000	16,264
<b>Cash flow generated (absorbed) by ordinary investment activities (C)</b>		<b>(139,994)</b>	<b>16,263</b>
Dividends paid		(21,827)	(11,960)
New loans	21	12,000	32,817
Interest paid		(1,080)	(857)
Repayment of loans and other net changes in sources of finance		158,261	(24,641)
<b>Cash flow generated (absorbed) by changes in net equity and by financing activities (D)</b>		<b>147,354</b>	<b>(4,641)</b>
<b>Cash flow for the period (A+B+C+D)</b>		<b>(17)</b>	<b>(3)</b>
<b>Opening cash and cash equivalents</b>	18	<b>98</b>	<b>201</b>
<b>Increase (decrease) in cash and cash equivalents (A+B+C+D)</b>		<b>(17)</b>	<b>(3)</b>
<b>Closing cash and cash equivalents</b>	18	<b>81</b>	<b>198</b>

(\*) not audited data

**STATEMENT OF CHANGES IN EQUITY OF DE'LONGHI S.p.A.**

(€/000)	SHARE CAPITAL	SHARE PREMIUM RESERVE	LEGAL RESERVE	EXTRAORDINARY RESERVE	PROFIT (LOSS) CARRIED FORWARD	PROFIT (LOSS) FOR THE YEAR	TOTAL	
<b>Balance at 31 December 2009</b>	448,500	325	7,778	58,792	-	12,688	541,831	
Allocation of 2009 result as per AGM resolution of 21 April 2010								
- distribution of dividends						(11,960)	(11,960)	
- allocation to reserves			687	1,101		(1,788)	-	
<b>Movements from transactions with shareholders</b>	-	-	687	1,101	-	(13,748)	(11,960)	
<b>Comprehensive income (loss)</b>							12,984	12,984
<b>Balance at 30 June 2010 (*)</b>	448,500	325	8,465	59,893	-	12,688	542,855	

(€/000)	SHARE CAPITAL	SHARE PREMIUM RESERVE	LEGAL RESERVE	EXTRAORDINARY RESERVE	RESERVE FOR UNREALISED FOREIGN CURRENCY GAINS	PROFIT (LOSS) CARRIED FORWARD	PROFIT (LOSS) FOR THE YEAR	TOTAL
<b>Balance at 31 December 2010</b>	448,500	325	8,465	59,893	-	12,688	24,588	554,459
Allocation of 2010 result as per AGM resolution of 12 April 2011								
- distribution of dividends							(21,827)	(21,827)
- allocation to reserves			1,229	1,403	129		(2,761)	-
<b>Movements from transactions with shareholders</b>	-	-	1,229	1,403	129	-	(24,588)	(21,827)
<b>Comprehensive income (loss)</b>							4,349	4,349
<b>Balance at 30 June 2011</b>	448,500	325	9,694	61,296	129	12,688	4,349	536,981

(\*) not audited data

## EXPLANATORY NOTES

### ACCOUNTING STANDARDS

The Statement of Financial Position of De'Longhi S.p.A. at 30 June 2011 has been prepared pursuant to and in accordance with the combined provisions of Articles 2506-*ter* and 2501-*quater* of the Italian Civil Code, for the purposes of the partial and proportional demerger of De'Longhi S.p.A. to the wholly owned company De'Longhi Clima S.p.A.

This Statement of Financial Position has been drafted according to the internal accounting principles issued by the International Accounting Standards Board ("IASB"), including the related interpretations (SIC/IFRIC) as adopted by the EU (until 30 June 2011), in according to EC Regulation n° 1606 of 19 July 2002. For interpretation and application the following documents have been used, though not adopted by the European Commission:

- *Framework for the Preparation and Presentation of Financial Statements of the International Accounting Standards Board* (issued by the IASB in 2001);
- *Implementation Guidance, Basis for Conclusions*, IFRIC and any other documents prepared by the IASB or IFRIC complementing the accounting principles issued;
- Interpretation documents on the application of IAS/IFRS in Italy prepared by the Italian Accounting Body (OIC).

The drafting of this statement has been based on the recommendations of IAS 34 - *Interim Financial Reporting*, the accounting principles and the measurement basis applied comply with those adopted for the financial statements at 31 December 2010, to which reference is made.

This statement comprises the income statement, the statement of comprehensive income, the statement of financial position, the statement of cash flows, and the statement of changes in equity and these Explanatory Notes. For comparison, the data related to the first half of 2011 are shown alongside data for the first half of 2010, for which there is no obligation to prepare an interim financial report; said data have not been checked by an independent auditor.

The Statement of Financial Position has been prepared according to the criteria of distinguishing between current and non-current items.

The Income Statement is presented on the basis of the nature of expense, which is considered suitable for faithfully representing the Company's economic situation.

The Statement of Cash Flows has been prepared by using the "indirect method", as permitted by IAS 7.

These financial statements have been presented in Euro (the Company's functional currency) and all the values are rounded to thousands of Euro, unless otherwise indicated.

The financial statements have been prepared according to the principle of historical cost, adjusted as required for the valuation of certain financial instruments, and under the assumption of a going concern.

The adjustments made to the international accounting principles applicable starting from the financial statements at 31 December 2011, and therefore also to these Financial Statements at 20 June 2011, are illustrated below and have not had any significant impact on the Company's accounts.

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

In February 2011 several "Improvements to International Financial Reporting Standards" have been adopted at European level, which have not had any significant impact on these financial statements.

### **New amendments and interpretations not yet applicable**

On 12 May 2011 the IASB published IFRS 10 - *Consolidated Financial Statements* with the objective of proposing a new standard on consolidated financial statements that substitutes the current version of IAS 27 (*Consolidated and Separate Financial Statements*) and incorporates, in the text, also the contents of SIC 12 (*Special Purpose Entities*). On the same date the IFRS 11 - *Joint arrangements* was published which abrogates and substitutes IAS 31 and IFRS 12 - *Disclosure of interests in Other Entities*, which establishes what information needs to be provided in the notes to the financial statements when IFRS 10 and IFRS 11 apply.

Also IFRS 12 - *Fair value measurement* was issued which provides certain guidelines on the methods of determining fair value.

On 16 June 2011, the IASB published the revised version of IAS 19 *Employee Benefits*, which contains certain amendments to the manner of entering employee benefits in the accounts and amendment to IAS 1 - *Presentation of Items of Other Comprehensive Income* (OCI).

At the date of these Financial Statements, the competent bodies of the European Union had not yet completed the endorsement process needed for the application of these new principles.

## COMMENTS ON THE INCOME STATEMENT

### 1. OTHER REVENUES

The breakdown is as follows:

	1st half 2011	1st half 2010	Change
Damages reimbursed	96	7	89
Out-of-period gains	21	49	(28)
Other income	2,898	2,239	659
<b>Total</b>	<b>3,015</b>	<b>2,295</b>	<b>720</b>

"Other income" includes revenues to related parties for Euro 2,851,000, as highlighted in Annex 2, principally related to the parent company recharges of services to its subsidiaries.

### 2. RAW AND ANCILLARY MATERIALS, CONSUMABLES AND GOODS

The breakdown is as follows:

	1st half 2011	1st half 2010	Change
Raw materials	6	11	(5)
Other purchases	22	20	2
<b>Total</b>	<b>28</b>	<b>31</b>	<b>(3)</b>

### 3. PAYROLL COSTS

The increase in payroll costs compared to the first half of 2010 derives principally from the funds for variable items and long-term employee benefits.

The figures relating to the cost of defined benefit plans and other long-term benefits provided by the company are reported in the note on provisions.

#### 4. SERVICES AND OTHER OPERATING EXPENSES

These are detailed as follows:

	1st half 2011	1st half 2010	Change
Consulting services <sup>(*)</sup>	1,408	696	712
Travel and entertaining	1,362	1,707	(345)
Insurance	1,290	506	784
Directors' emoluments	793	785	8
Rentals and leasing	161	150	11
Advertising and promotional activities	139	128	11
Statutory auditors' emoluments	75	76	(1)
Telecommunication costs	75	55	20
Other sundry services	265	272	(7)
<b>Total services</b>	<b>5,568</b>	<b>4,375</b>	<b>1,193</b>
Out-of-period losses	20	29	(9)
Sundry taxes	27	42	(15)
Other	89	110	(21)
<b>Total other operating expenses</b>	<b>136</b>	<b>181</b>	<b>(45)</b>
<b>Total services and other operating expenses</b>	<b>5,704</b>	<b>4,556</b>	<b>1,148</b>

<sup>(\*)</sup> Data related to first half 2011 include non recurring expenses for Euro/000 625, related to Group re-organisation consulting expenses.

The item "Services and other operating expenses" includes costs from related parties of Euro 422 thousand, as indicated in Annex 2.

#### 5. PROVISIONS

This item refers to the partial release of the provisions for legal disputes, owing to the disputes closed during the half year for Euro 91 thousand (see comment to paragraph 24 - *Other Funds*).

#### 6. AMORTIZATION, DEPRECIATION AND IMPAIRMENT

These are detailed as follows:

	1st half 2011	1st half 2010	Change
Depreciation of property, plant and equipment	13	22	(9)
Amortization of intangible	6	5	1
<b>Total</b>	<b>19</b>	<b>27</b>	<b>(8)</b>



## 7. FINANCIAL INCOME (EXPENSES)

Net financial income and expenses are broken down as follows:

	1st half 2011	1st half 2010	Change
Dividends	10,000	16,264	(6,264)
<b>financial income (expenses) from equity investments</b>	<b>10,000</b>	<b>16,264</b>	<b>(6,264)</b>
Exchange gains (losses)	(136)	323	(459)
Gains (losses) on currency hedging transactions	119	(279)	398
<b>Exchange gains (losses)</b>	<b>(17)</b>	<b>44</b>	<b>(61)</b>
Interest income from loans	82	50	32
Bank interest income	2	-	2
<b>Financial income</b>	<b>84</b>	<b>50</b>	<b>34</b>
Interest expense on long-term loans and borrowings	(1,083)	(582)	(501)
Interest expense on short-term loans and borrowings	(63)	(10)	(53)
<b>Financial expenses</b>	<b>(1,146)</b>	<b>(592)</b>	<b>(554)</b>
Other sundry income (expenses)	148	253	(105)
<b>Other financial income (expenses)</b>	<b>148</b>	<b>253</b>	<b>(105)</b>
<b>Financial income (expenses)</b>	<b>9,069</b>	<b>16,019</b>	<b>(6,950)</b>

The dividends of the first half of 2011 are related to amounts decided upon and paid by the subsidiary De'Longhi Appliances S.r.l.

The item "Other financial income (expenses)" includes income from Group companies for Euro 10,506 thousand, as indicated in Annex 2.

## 8. TAXES

These are composed as follows:

	1st half 2011	1st half 2010	Change
Current income taxes	1,381	1,505	(124)
Deferred income tax liabilities (assets)	420	(1,528)	1,948
<b>Total</b>	<b>1,801</b>	<b>(23)</b>	<b>1,824</b>

The Company has exercised the option for the national fiscal consolidation regime, governed by Article 117 and following of the Presidential Decree 917/86.

The item "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).

For further details regarding deferred taxes reference is made to Paragraph 13. *Deferred tax assets*.

## **COMMENTS ON THE STATEMENT OF FINANCIAL POSITION: ASSETS**

### **NON-CURRENT ASSETS**

#### **9. INTANGIBLE ASSETS**

The breakdown is as follows:

	30.06.2011		31.12.2010		Change
	Gross	Net	Gross	Net	
Patents	49	20	49	26	(6)

The reduction of the balance during the first half of 2011, equal to Euro 6 thousand, derives from the amortization over the period.

#### **10. PROPERTY, PLANT AND EQUIPMENT**

The breakdown is as follows:

	30.06.2011		31.12.2010		Change
	Gross	Net	Gross	Net	
Industrial and commercial equipment	8	-	9	-	-
Other	192	60	227	88	(28)
<b>Total</b>	<b>200</b>	<b>60</b>	<b>236</b>	<b>88</b>	<b>(28)</b>

The following table reports movements during the first half of 2011:

	Other
<b>Net opening balance</b>	<b>88</b>
Decrease	(16)
Depreciation	(12)
<b>Net closing balance</b>	<b>60</b>

The net variation of Euro 28 thousand derives from sales for Euro 16 thousand and depreciation for Euro 12 thousand.

#### **11. EQUITY INVESTMENTS IN SUBSIDIARY COMPANIES**

The breakdown is as follows:

Equity investments in subsidiary companies	30.06.2011	31.12.2010	Change
De'Longhi Appliances S.r.l.	242,678	242,678	-
De'Longhi Household S.A.	241,737	241,737	-
De'Longhi Professional S.A.	261,205	111,205	150,000
De'Longhi Capital Services S.r.l.	6,005	6,005	-
Clim.Re S.A.	54	54	-
E-Services S.r.l.	26	26	-
De'Longhi Clima S.p.A. (*)	10	-	10
De'Longhi Polska Sp.Zo.o.	-	-	-
<b>Total</b>	<b>751,715</b>	<b>601,705</b>	<b>150,010</b>

(\*) Company name changed following the extraordinary shareholders' meeting on 18 July 2011 which also resolved to transform the company from "VVZ S.r.l." (private limited company) into "De'Longhi Clima S.p.A." (joint stock company). During the first half year the interest previously held through fiduciary companies have been transferred to De'Longhi S.p.A.

The list of subsidiary and associated companies and details of changes in equity investments during the first half of 2011 is summarized in Annex 1.

With regard to the changes over the half year period, the capital contribution of Euro 150 million to the subsidiary company De'Longhi Professional S.A., carried out to reduce the negative financial position of the company operating in the Division of the Group that operates in the manufacture and marketing of large thermo-cooling systems and heating products. Furthermore, during the half year period, De'Longhi S.p.A. acquired the shareholding held by De'Longhi Household S.A. in De'Longhi Professional S.A. for Euro 400, thus becoming direct parent company with 100% of the aforementioned shareholding.

## 12. NON-CURRENT RECEIVABLES

The balance refers to:

	30.06.2011	31.12.2010	Change
Receivables from subsidiary companies	2,014	1,774	240

Annex 2 details the item "Receivables from subsidiary companies".

## 13. DEFERRED TAX ASSETS

The item "Deferred tax assets" reflect the recognition of taxes calculated on temporary differences arising between the accounting values of assets and liabilities and the corresponding tax base (particularly for taxed provisions).

The breakdown is as follows:

	30.06.2011			31.12.2010			Effect on income statement
	Taxable amount	Tax rate	Total tax	Taxable amount	Tax rate	Total tax	
Provisions for contingencies and other charges	7,178	27.5%	1,974	6,178	27.5%	1,699	
Provisions for contingencies and other charges (only for IRES purposes)	-	-	-	-	-	-	
Other temporary differences	2,543	27.5%	699	2,013	27.5%	554	
<b>Total deferred tax assets</b>			<b>2,673</b>	<b>8,191</b>		<b>2,253</b>	
<b>Deferred tax assets on tax losses</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	
<b>Net total</b>			<b>2,673</b>			<b>2,253</b>	<b>420</b>

## CURRENT ASSETS

### 14. TRADE RECEIVABLES

The balance is detailed as follows:

	30.06.2011	31.12.2010	Change
Trade receivables due within 12 months	6,090	5,164	926
Allowance for doubtful accounts	(1,101)	(1,101)	-
<b>Total</b>	<b>4,989</b>	<b>4,063</b>	<b>926</b>

Trade receivables are stated net of an allowance for doubtful accounts of Euro 1,101 thousand, representing the estimated risk at the reporting date. The fund derives from a prudent provision against a number of disputed receivables or those whose collection is otherwise in doubt, taking account of the fact that a significant proportion of the receivables are covered by insurance policies with major insurers.

The item "Trade receivables" includes amounts due from related parties for Euro 4,978 thousand as indicated in Annex 2. The item does not include any amounts due beyond 12 months.

The Trade receivables are broken down by geographical area as follows:

	30.06.2011	%	31.12.2010	%
Italy	3,986	79.9%	3,235	79.6%
United Kingdom	855	17.1%	723	17.8%
Rest of Europe	6	0.1%	-	-
Rest of the world	142	2.9%	105	2.6%
<b>Total</b>	<b>4,989</b>	<b>100.0%</b>	<b>4,063</b>	<b>100.0%</b>

### 15. CURRENT TAX ASSETS

The item is broken down as follows:

	30.06.2011	31.12.2010	Change
VAT	6,875	670	6,205
Direct taxes	487	375	112
Tax refunds requested	256	256	-
Other tax receivables	109	118	(9)
<b>Total current tax assets</b>	<b>7,727</b>	<b>1,419</b>	<b>6,308</b>

For the purposes of optimizing the financial management of its tax affairs, the company has filed for income tax on a group basis in the first half of 2011 as allowed by Chapter II Section II of Presidential Decree 917/86, and also settled VAT on a group basis, as allowed by the Ministerial Decree dated 13/12/1979.

The item "Tax refunds requested" includes Euro 2 thousand in foreign VAT credits, requested for refund from the different EU member tax authorities (under Article 271 of the VIII Directive 79/1072/CEE) and Euro 254 thousand in additional VAT deductions on the purchase of motor vehicles and related costs, following the Court of Justice's sentence of 14 September 2006.

## 16. OTHER RECEIVABLES

The item is broken down as follows:

	<b>30.06.2011</b>	<b>31.12.2010</b>	<b>Change</b>
Prepaid costs	569	1,100	(531)
Advances to suppliers	45	32	13
Employees	6	6	-
Other	25,210	17,082	8,128
<b>Total other receivables</b>	<b>25,830</b>	<b>18,220</b>	<b>7,610</b>

Prepaid costs mainly refer to the payment of insurance premiums relating to the second half of 2011.

Other receivables include Euro 25,143 thousand in amounts due from related parties, as reported in Annex 2.

None of the other receivables is due beyond 12 months.

## 17. CURRENT FINANCIAL RECEIVABLES AND ASSETS

The item is broken down as follows:

	<b>30.06.2011</b>	<b>31.12.2010</b>	<b>Change</b>
Financial receivables	22,023	18,465	3,558
Fair value of derivatives	30	10	20
<b>Total current financial receivables and assets</b>	<b>22,053</b>	<b>18,475</b>	<b>3,578</b>

Financial receivables refer to amounts owed by De'Longhi Capital Services S.r.l. in connection with the centralized treasury service for Euro 2,023 thousand and by the short-term financing owed by De'Longhi Professional S.A. for Euro 20,000 thousand; said financing, disbursed in June 2011, bears interest at market rates.

## 18. CASH AND CASH EQUIVALENTS

This balance consists of surplus liquidity on bank current accounts.

## **COMMENTS ON THE STATEMENT OF FINANCIAL POSITION: NET EQUITY**

### **NET EQUITY**

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

The Annual General Meeting of De'Longhi S.p.A. held on 12 April 2011 declared a dividend totalling €21,827 thousand.

### **19. SHARE CAPITAL**

The share capital made up of 149,500,000 ordinary shares with a par value of Euro 3 for a total of Euro 448,500 thousand.

### **20. RESERVES**

The breakdown is as follows:

	<b>30.06.2011</b>	<b>31.12.2010</b>	<b>Change</b>
Share premium reserve	325	325	-
Legal reserve	9,694	8,465	1,229
Other reserves:			
- Extraordinary reserve	61,296	59,893	1,403
- Profit (loss) carried forward	12,688	12,688	-
- Reserve for unrealized foreign currency gains	129	-	129
<b>Total reserves</b>	<b>84,132</b>	<b>81,371</b>	<b>2,761</b>

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

The "Legal reserve" has a balance of Euro 9,694 thousand at 30 June 2011. The increase of Euro 1,229 thousand compared to 31 December 2010 is due to the allocation of profit for 2010, as approved by the above Annual General Meeting on 12 April 2011.

The "Extraordinary reserve" amounts to Euro 61,296 thousand. The increase of Euro 1,403 thousand compared to 31 December 2010 is due to the allocation of profit for the financial year, as approved by the above Annual General Meeting on 12 April 2011.

The "Reserve for unrealized profit" amounts to Euro 129 thousand and is made up as decided by the Annual General Meeting on 12 April 2011.

The following table provides information on the permitted distribution of reserves.

Nature / Description:	Amount	Permitted use	Available amount
Share capital	448,500 <sup>(1)</sup>		
Capital reserves:			
- Share premium reserve	325 <sup>(2)</sup>	A, B	
Earnings reserves:			
- Legal reserve	9,694	B	
- Extraordinary reserve	61,296	A, B, C	61,296
- Profit (loss) carried forward	12,688	A, B, C	4,114
- Reserve for unrealized foreign currency gains	129		
<b>Total</b>	<b>532,632 <sup>(3)</sup></b>		<b>65,410</b>
Undistributable amount			-
<b>Distributable amount</b>			<b>65,410</b>

<sup>(1)</sup> There is a tax restriction over Euro 5,277 thousand following a bonus increase in capital in 1997 using tax-suspended reserves.

<sup>(2)</sup> Pursuant to Article 2431 of the Italian Civil Code, the full amount of this reserve may be distributed only if the legal reserve has reached the amount established by Article 2430 of the Italian Civil Code.

<sup>(3)</sup> There are tax restrictions relating to the realignment of tax and accounting values carried out in 2000 and 2005 as follows: Euro 99,934 thousand (share capital), Euro 2,324 thousand (legal reserve) and Euro 34,628 thousand (extraordinary reserve).

Key:

A: to increase share capital

B: to cover losses

C: distribution to shareholders

## COMMENTS ON THE STATEMENT OF FINANCIAL POSITION: LIABILITIES

### NON-CURRENT LIABILITIES

#### 21. BANK LOANS AND BORROWINGS

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

	Within one year	One to five years	Beyond five years	Balance 30.06.2011	Within one year	One to five years	Beyond five years	Balance 31.12.2010	Change
Overdrafts <sup>(*)</sup>	161,456	-	-	161,456	35	-	-	35	161,421
Short-term loans	10,000	-	-	10,000	-	-	-	-	10,000
Long-term loans (current portion)	19,640	-	-	19,640	19,381	-	-	19,381	259
<b>total short-term bank loans and borrowings</b>	<b>191,096</b>	<b>-</b>	<b>-</b>	<b>191,096</b>	<b>19,416</b>	<b>-</b>	<b>-</b>	<b>19,416</b>	<b>171,680</b>
Long term loans	-	46,550	7,304	53,854	-	44,728	7,219	51,947	1,907
<b>Total bank loans and borrowings</b>	<b>191,096</b>	<b>46,550</b>	<b>7,304</b>	<b>244,950</b>	<b>19,416</b>	<b>44,728</b>	<b>7,219</b>	<b>71,363</b>	<b>173,587</b>

<sup>(\*)</sup>Including International cash pooling balance for the amount of Euro 160 million at 30 June 2011

Total bank loans and borrowings has increased by Euro 173.6 million due mainly to the capital contribution to the subsidiary company De'Longhi Professional S.A. commented on previously.

Bank loans and borrowings are analyzed as follows:

<b>Loans (including short-term portion)</b>	<b>30.06.2011</b>	<b>31.12.2010</b>	<b>Change</b>
Centrobanca S.p.A. (finanziamento in <i>pool</i> con Banca Popolare di Vicenza S.C.p.A.)	29,862	17,865	11,997
Banca Popolare di Sondrio S.C.p.A.	14,748	17,776	(3,028)
Banca Popolare Friuladria S.p.A.	10,060	11,480	(1,420)
KBC Bank N.V., succursale italiana	8,321	12,475	(4,154)
Banca di Cividale S.p.A.	5,372	6,338	(966)
Banca Popolare di Vicenza S.C.p.A.	4,987	4,983	4
IMI L.46	144	411	(267)
<b>Total long-term loans</b>	<b>73,494</b>	<b>71,328</b>	<b>2,166</b>

During the first half of the year the second part of the club loan obtained during the previous financial year was received from Centrobanca-Banca di Credito Finanziario e Mobiliare S.p.A. together with Banca Popolare di Vicenza S.C.p.A., equal to Euro 12,000 thousand.

For the loans from Banca Popolare Friuladria, KBC Bank, Centrobanca-Banca di Credito Finanziario e Mobiliare S.p.A. and Banca Popolare di Vicenza S.C.p.A. call for annual compliance with financial covenants (the ratios between net financial position and net equity and between net financial position and consolidated EBITDA).

The company was in compliance with these covenants at 31 December 2011.

The other loans do not call for compliance with 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).



## 22. OTHER FINANCIAL PAYABLES

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

	30.06.2011	31.12.2010	Change
Ministry of Industry loans (short-term portion)	563	557	6
Negative fair value of derivatives (short-term portion)	4	6	(2)
Other short-term financial payables	35	81	(46)
<b>Total short-term payables</b>	<b>602</b>	<b>644</b>	<b>(42)</b>
Ministry of Industry loans (one to five years)	1,039	1,585	(546)
<b>Total long-term payables</b>	<b>1,039</b>	<b>1,585</b>	<b>(546)</b>
<b>Total other financial payables</b>	<b>1,641</b>	<b>2,229</b>	<b>(588)</b>

The item "Other short-term financial payables" related to payables to Group companies, as reported in Annex 2.

## Net financial position

Details of the net financial position are as follows:

	30.06.2011	31.12.2010	Change
A. Cash	13	10	3
B. Cash equivalents	68	88	(20)
C. Securities	-	-	-
<b>D. total liquidity (A+B+C)</b>	<b>81</b>	<b>98</b>	<b>(17)</b>
<b>E. Current financial receivables and other securities</b>	<b>24,066</b>	<b>20,249</b>	<b>3,817</b>
<i>of which:</i>			
Fair value of derivatives	30	10	
F. Current bank loans and borrowings	(171,456)	(35)	(171,421)
G. Current portion of non-current debt	(19,640)	(19,382)	(258)
H. Other current financial payables	(602)	(644)	42
<i>of which:</i>			
Fair value of derivatives	(4)	(6)	
<b>I. Current financial debt (F+G+H)</b>	<b>(191,698)</b>	<b>(20,061)</b>	<b>(171,637)</b>
<b>J. Net current financial debt (I + E + D)</b>	<b>(167,551)</b>	<b>286</b>	<b>(167,837)</b>
K. Non-current bank loans and borrowings	(53,854)	(51,947)	(1,907)
L. Bonds	-	-	-
M. Other non-current payables	(1,039)	(1,585)	546
<b>N. Non-current financial debt (K+L+M)</b>	<b>(54,893)</b>	<b>(53,532)</b>	<b>(1,361)</b>
<b>Total net financial debt (J+N)</b>	<b>(222,444)</b>	<b>(53,246)</b>	<b>(169,198)</b>

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

## 23. EMPLOYEE BENEFITS

These are composed as follows:

	30.06.2011	31.12.2010	Change
Provision for severance indemnities	322	314	8
Long-term benefits and Phantom Stock Option plan	4,998	3,890	1,108
<b>Total employees benefits</b>	<b>5,320</b>	<b>4,204</b>	<b>1,116</b>

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

	30.06.2011	Average 1st Half 2011	31.12.2010	Average 2010
White collar	29	28	30	28
Senior managers	8	8	8	8
<b>Total</b>	<b>37</b>	<b>36</b>	<b>38</b>	<b>36</b>

### *Provision for severance indemnities*

The provision for severance indemnities includes amounts payable to the Company's employees and not transferred to alternative pension schemes or the pension fund set up by INPS (Italian National Social Security Agency). This provision has been classified as a defined benefit plan governed by IAS 19 - Employee benefits. Severance indemnity, as an unfunded obligation, does not have any assets servicing it.

This plan is valued on an actuarial basis to express the present value of the benefit payable at the end of service that employees have accrued at year end.

Movements in the year are summarized as follows:

<b>Severance indemnity obligations</b>	<b>30.06.2011</b>	<b>31.12.2010</b>	<b>Change</b>
Defined benefit obligations	322	314	8

<b>Net cost charged to income</b>	<b>1st Half 2011</b>	<b>2010</b>	<b>Change</b>
Current service cost	-	-	-
Interest cost on obligations	8	16	(8)
<b>Total</b>	<b>8</b>	<b>16</b>	<b>(8)</b>

<b>Change in present value of obligations</b>	<b>30.06.2011</b>	<b>31.12.2010</b>	<b>Change</b>
<b>Present value at 1 January</b>	<b>314</b>	<b>314</b>	<b>-</b>
Current service cost	-	-	-
Utilization of provision	-	(7)	7
Interest cost on obligations	8	16	(8)
Other changes	-	(9)	9
<b>Present value at reporting date</b>	<b>322</b>	<b>314</b>	<b>8</b>

The principal assumptions used for determining the obligations under the plan described are illustrated below:

<b>Assumptions used:</b>	<b>Severance indemnity at 30 June 2011</b>	<b>Severance indemnity at 30 June 2010</b>
Discount rate	4.3%	4.3%
Future salary increases	2.0% – 4.0%	2.0% – 4.0%
Inflation rate	2.0%	2.0%

During 2008, the Annual General Meeting resolved on a Phantom Stock Option Plan which envisages, for the beneficiaries, recognition of a right to the payment of monies, with regard to the growth of the Company's ordinary share value.

For this plan De'Longhi S.p.A. prepared the Information Document, in accordance with Article 84-bis of the Issuers' Regulation, prepared in accordance with Annex 3, Schedule 7 of the Issuers' Regulation, filed with Borsa Italiana and published on the Company's internet site.

During 2008, the Board of Directors assigned a total of 700,000 Phantom Stock Options to the beneficiaries of the Plan. At 30 June 2011, the number of exercisable options is equal to 500,000.

The value assigned is Euro 4.00 and the disbursement in money will be carried out in relation to the increase of the De'Longhi share value.

Under the Plan, 50% of the Phantom Stock Options can be exercised (and therefore grant the right to receipt of the above payment) from 1 May 2010, while the remaining 50% can be exercised from 1 October 2011. The options must be exercised by 31 December 2012 at the very latest.

The cost of these instruments, reported in the income statement under payroll costs, and the associated liabilities are recognized over the vesting period. For as long as the liability exists, the fair value is recalculated at each reporting date and at the actual payment date, with all changes in fair value going through the income statement.

The fair value of options is measured by taking account of the terms and conditions under which such rights are granted, and using estimates based on market values.

At 30 June 2011 the half-year cost of adopting the Phantom Stock Option Plan is equal to Euro 1,808 thousand.

## 24. OTHER PROVISIONS

Movements are as follows:

	31.12.2010	Utilization	Increases	Release	30.06.2011
Provision for uninsured liabilities	417	(18)	-	(91)	308
Other provisions for contingencies	1,855	-	3,000	-	4,855
<b>Total</b>	<b>2,272</b>	<b>(18)</b>	<b>3,000</b>	<b>(91)</b>	<b>5,163</b>

The "Provision for uninsured liabilities" relates to the risk of liabilities arising from certain claims (limited to insurance policy deductibles).

"Other provisions for contingencies" mainly refer to costs associated with certain legal and tax disputes.

## CURRENT LIABILITIES

### 25. TRADE PAYABLES

This balance of Euro 3,780 thousand represents the amount owed by the company (to third parties and Group companies) for the provision of goods and services. Details of amounts owed to Group companies are reported in Annex 2.

Trade payables are broken down by geographical area as follows:

	30.06.2011	%	31.12.2010	%
Italy	3,516	93.0%	2,469	89.0%
United States, Canada, Mexico	225	6.0%	262	9.5%
Rest of Europe	39	1.0%	38	1.4%
United Kingdom	-	-	4	0.1%
<b>Total</b>	<b>3,780</b>	<b>100.0%</b>	<b>2,773</b>	<b>100.0%</b>

Trade payables do not include any amounts due beyond 12 months.

## 26. CURRENT TAX LIABILITIES

The breakdown is as follows:

	30.06.2011	31.12.2010	Change
Direct taxes	10,366	4,862	5,504
Withholdings payables	151	988	(837)
Other taxes	35	35	-
<b>Total current tax liabilities</b>	<b>10,552</b>	<b>5,885</b>	<b>4,667</b>

“Direct taxes” relate to the amount due for the group tax filing under Chapter II, Section II of Presidential Decree 917/86.

“Withholdings payable” relate to withholdings made by the company and payable to the tax authorities after the year end.

There are no current tax liabilities due beyond 12 months.

## 27. OTHER PAYABLES

These are made up as follows:

	30.06.2011	31.12.2010	Change
Social security institutions	145	372	(227)
Sundry payables	8,630	4,564	4,066
<b>Total other payables</b>	<b>8,775</b>	<b>4,936</b>	<b>3,839</b>

“Social security institutions” include Euro 89 thousand in payables to INPS, Euro 7 thousand in payables to pension funds and Euro 49 thousand in amounts owed to other welfare agencies.

“Sundry payables” are detailed as follows:

	30.06.2011	31.12.2010	Change
Group companies	7,812	3,261	4,551
Employees	753	898	(145)
Other	65	405	(340)
<b>Total sundry payables</b>	<b>8,630</b>	<b>4,564</b>	<b>4,066</b>

“Group companies” mostly refer to amounts owed as a result of the Company’s decision to adopt a group tax consolidation, under Chapter II Section II of Presidential Decree 917/86, and to pay VAT on a group basis, under the Ministerial Decree dated 13/12/1979, as described in paragraph 15. *Current tax assets.*

## 28. COMMITMENTS

The composition and comparison with the previous financial period is as follows:

	30.06.2011	31.12.2010	Change
<b>Guarantees given for the benefit of:</b>			
De'Longhi Capital Services S.r.l.	409,155	397,677	11,478
DL Trading Ltd	80,818	83,718	(2,900)
DL Radiators S.p.A.	29,040	24,742	4,298
De'Longhi Japan Corp.	20,731	26,783	(6,052)
De'Longhi Australia PTY Ltd	17,798	18,270	(472)
Kenwood Ltd	17,000	19,000	(2,000)
De'Longhi Appliances S.r.l.	11,364	9,381	1,983
De'Longhi Deutschland Gmbh	10,000	10,000	-
De'Longhi France S.A.	7,100	7,100	-
De'Longhi New Zeland Ltd	6,584	6,686	(102)
De'Longhi Electrodomesticos Espana S.L.	6,012	5,513	499
Climaveneta S.p.A.	5,950	5,950	-
On Shiu Zhongshan Electrical Appliance Co. Ltd	2,997	3,174	(177)
Kenwood Home Appliances Pty Ltd. SA – South Africa	2,029	2,000	29
Dong Guan De'Longhi Kenwood Appliances Co. Ltd	1,152	1,220	(68)
DL Ukraine LLC	1,090	-	1,090
Climaveneta Polska Sp.Zo.o.	551	553	(2)
Elle S.r.l.	507	507	-
De'Longhi Brasil Ltda	119	121	(2)
De'Longhi Kenwood Hellas Ltd	102	1,000	(898)
E-Services S.r.l.	13	13	-
Kenwood Appliances Singapore Pte Ltd	-	100	(100)
De'Longhi LLC	-	3,742	(3,742)
Zass Alabuga LLC	-	3,742	(3,742)
<b>Total</b>	<b>630,112</b>	<b>630,992</b>	<b>(880)</b>

All the guarantees have been given in the interests of group companies; no guarantees have been given in the interests of third parties

The above guarantees refer to credit lines partially drawn down by Group companies and to short-term loans; no elements of risk as defined by IAS 37 have been noted to date.

## 29. TRANSACTIONS AND BALANCES WITH RELATED PARTIES

Annex 2 contains the information concerning transactions and balances with companies in the Group and with related parties required by CONSOB Circulars 97001574 dated 20/02/97, 98015375 dated 27/02/98 and DEM/2064231 dated 30/09/2002; all the transactions have fallen within the Group's normal operations, except for that already specified in this note, and have been settled under market terms and conditions

## 30. SUBSEQUENT EVENTS

On 18 July 2011, the Extraordinary General Meeting of the subsidiary company VVZ S.r.l. resolved to transform the company from an S.r.l. to an S.p.A., and change the company name (to De'Longhi Clima S.p.A.) and the registered office and increase in share capital to Euro 120,000.

*The manager charged with preparing the company's financial and corporate reports, Stefano Biella, in accordance with Article 154-bis (2) of Legislative Decree n° 58 of 24 February 1998, declares the conformity of the information provided in this document against document results, books and accounts records.*

*Treviso, 21 July 2011  
De'Longhi S.p.A.  
Vice-Chairman and Chief Executive Officer  
Fabio De'Longhi*

## ANNEXES

**These annexes contain additional information to that reported in the Explanatory Notes, of which they form an integral part.**

This information is contained in the following annexes:

1. List of subsidiary and associated companies and changes in equity investments.
2. Transactions and balances with related parties
  - a) *Income statement and statement of financial position*
  - b) *Summary by company*

## List of equity investments in subsidiaries pursuant to Article 2427 of the Italian Civil Code

(Appendix 1 to the Explanatory Notes)<sup>(\*)</sup>

Company name	Registered office	Share capital		Net equity		Latest reported profit or (loss)	Interest held (directly)	Book value	
<b>Subsidiary companies</b>								<i>in €/000</i>	
De'Longhi Appliances S.r.l.	Treviso	Eur	200,000,000	Eur	276,866,979	Eur	27,590,147	100%	242,678
De'Longhi Household S.A.	Luxembourg	Eur	181,730,990	Eur	255,182,030	Eur	5,409,769	100%	241,737
De'Longhi Professional S.A.	Luxembourg	Eur	30,205,000	Eur	118,263,808	Eur	7,088,109	100%	261,205
De'Longhi Capital Services S.r.l. <sup>(1)</sup>	Treviso	Eur	53,000,000	Eur	63,474,153	Eur	(1,376,389)	11.32%	6,005
Clim.Re S.A. <sup>(2)</sup>	Luxembourg	Eur	1,239,468	Eur	1,483,658	Eur	16,240	4%	54
E-Services S.r.l.	Treviso	Eur	50,000	Eur	3,676,151	Eur	961,545	51%	26
De'Longhi Clima S.p.A. <sup>(3)</sup>	Milano	Eur	10,000	Eur	6,913	Eur	(3,087)	100%	10
De'Longhi Polska Sp.Zo.o.	Warsaw	Pln	50,000	Pln	3,578,884	Pln	1,768,868	0.1%	-
<b>Total</b>									<b>751,715</b>

<sup>(\*)</sup> Figures from statutory financial statements at 31 December 2010. For De'Longhi Household S.A. e De'Longhi Professional S.A. data relate to the statutory financial statements at 31 December 2009.

<sup>(1)</sup> 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.

<sup>(2)</sup> The other 96% interest is held indirectly.

<sup>(3)</sup> The name assumed by the company VVZ S.r.l. following the transformation from S.r.l. in S.p.A. approved on July 18, 2011.



## Changes in equity investments

(Appendix 1 to the Explanatory Notes - *cont'd*)

<i>Equity investments</i>	<b>Book value at 31 December 2010</b>	<b>Acquisitions, subscriptions and recapitalizations</b>	<b>Disposals</b>	<b>Net impairment losses and reversals</b>	<b>Book value at 30 June 2011</b>
<i>in subsidiary companies</i>					
De'Longhi Appliances S.r.l.	242,678	-	-	-	242,678
De'Longhi Household S.A.	241,737	-	-	-	241,737
De'Longhi Professional S.A.	111,205	150,000	-	-	261,205
De'Longhi Capital Services S.r.l.	6,005	-	-	-	6,005
Clim.Re S.A.	54	-	-	-	54
E-Services S.r.l.	26	-	-	-	26
De'Longhi Clima S.p.A. <sup>(1)</sup>	-	10	-	-	10
De'Longhi Clima Polka Sp.Zo.o.	-	-	-	-	-
<b>Total</b>	<b>601,705</b>	<b>150,010</b>	<b>-</b>	<b>-</b>	<b>751,715</b>

<sup>(1)</sup>The name assumed by the company VVZ S.r.l. following the transformation from S.r.l. in S.p.A. approved on July 18, 2011. During the first half year the interest previously held through fiduciary companies have been transferred to De'Longhi S.p.A.

## Transactions and balances with related parties

(Appendix 2 to the Explanatory Notes)

INCOME STATEMENT (pursuant to CONSOB Resolution 15519 of 27 July 2006) (€/000)	Notes	1st half 2011		1st half 2010 (*)	
			of which with related parties		of which with related parties
Other revenues	1	3,015	2,851	2,295	2,059
<b>Total revenues</b>		<b>3,015</b>		<b>2,295</b>	
Raw and ancillary materials, consumables and goods	2	(28)		(31)	
<b>Materials consumed</b>		<b>(28)</b>		<b>(31)</b>	
Payroll costs	3	(3,876)		(774)	
Services and other operating expenses	4	(5,704)	(422)	(4,556)	(152)
Provisions	5	91		81	
Amortization, depreciation and impairment	6	(19)		(27)	
<b>EBIT</b>		<b>(6,521)</b>		<b>(3,012)</b>	
Financial income (expenses)	7	9,069	10,506	16,019	16,265
<b>PROFIT (LOSS) BEFORE TAXES</b>		<b>2,548</b>		<b>13,007</b>	
Income taxes	8	1,801		(23)	
<b>PROFIT (LOSS) AFTER TAXES</b>		<b>4,349</b>		<b>12,984</b>	

(\*) not audited data

**Transactions and balances with related parties**  
(Appendix 2 to the Explanatory Notes - *cont'd*)

<b>STATEMENT OF FINANCIAL POSITION</b> (pursuant to CONSOB Resolution 15519 of 27 July 2006)					
	<i>Notes</i>	<b>30.06.2011</b>	<b>of which with related parties</b>	<b>31.12.2010</b>	<b>of which with related parties</b>
<b>ASSETS</b>					
<b>(€/000)</b>					
<b>NON-CURRENT ASSETS</b>					
INTANGIBLE ASSETS		20		26	
- Other intangible assets	9	20		26	
PROPERTY, PLANT AND EQUIPMENT		60		88	
- Other tangible assets	10	60		88	
EQUITY INVESTMENTS AND OTHER FINANCIAL ASSETS		753,729		603,479	
- Equity investments (in subsidiary companies)	11	751,715		601,705	
- Receivables	12	2,014	2,014	1,774	1,774
DEFERRED TAX ASSETS	13	2,673		2,253	
<b>TOTAL NON-CURRENT ASSETS</b>		<b>756,482</b>		<b>605,846</b>	
<b>CURRENT ASSETS</b>					
INVENTORIES		-		-	
TRADE RECEIVABLES	14	4,989	4,978	4,063	3,518
CURRENT TAX ASSETS	15	7,727		1,419	
OTHER RECEIVABLES	16	25,830	25,143	18,220	17,012
CURRENT FINANCIAL RECEIVABLES AND ASSETS	17	22,053	22,053	18,475	18,475
CASH AND CASH EQUIVALENTS	18	81		98	
<b>TOTAL CURRENT ASSETS</b>		<b>60,680</b>		<b>42,275</b>	
<b>TOTAL ASSETS</b>		<b>817,162</b>		<b>648,121</b>	
<b>STATEMENT OF FINANCIAL POSITION</b> (pursuant to CONSOB Resolution 15519 of 27 July 2006)					
	<i>Notes</i>	<b>30.06.2011</b>	<b>of which with related parties</b>	<b>31.12.2010</b>	<b>of which with related parties</b>
<b>NET EQUITY AND LIABILITIES</b>					
<b>(€/000)</b>					
<b>NET EQUITY</b>					
NET EQUITY		536,981		554,459	
- Share capital	19	448,500		448,500	
- Reserves	20	84,132		81,371	
- Profit (loss) for the year		4,349		24,588	
<b>TOTAL NET EQUITY</b>		<b>536,981</b>		<b>554,459</b>	
<b>NON-CURRENT LIABILITIES</b>					
FINANCIAL PAYABLES		54,893		53,532	
- Bank loans and borrowings (long-term portion)	21	53,854		51,947	
- Other financial payables (long-term portion)	22	1,039		1,585	
NON-CURRENT PROVISIONS FOR CONTINGENCIES AND OTHER CHARGES		10,483		6,476	
- Employee benefits	23	5,320		4,204	
- Other provisions	24	5,163		2,272	
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>65,376</b>		<b>60,008</b>	
<b>CURRENT LIABILITIES</b>					
TRADE PAYABLES	25	3,780	309	2,773	442
FINANCIAL PAYABLES		191,698		20,060	
- Bank loans and borrowings (short-term portion)	21	191,096		19,416	
- Other financial payables (short-term portion)	22	602	39	644	87
CURRENT TAX LIABILITIES	26	10,552		5,885	
OTHER PAYABLES	27	8,775	7,812	4,936	3,261
<b>TOTAL CURRENT LIABILITIES</b>		<b>214,805</b>		<b>33,654</b>	
<b>TOTAL NET EQUITY AND LIABILITIES</b>		<b>817,162</b>		<b>648,121</b>	

## Transactions and balances with related parties Summary by company

(Appendix 2 to the Explanatory Notes - *cont'd*)

(€/million)	Other revenues	Costs for services	Financial income and expenses	Non-current financial receivables	Current financial receivables	Other receivables <sup>(2)</sup>	Other payables <sup>(3)</sup>
<b>Subsidiary companies<sup>(1)</sup></b>							
De'Longhi Appliances S.r.l.	1.2	(0.1)	10.0	-	-	14.9	(0.1)
Climaveneta S.p.A.	0.4	-	-	-	-	4.6	-
De'Longhi Kenwood A.P.A. Ltd	0.4	-	0.2	0.7	-	0.5	-
DL Radiators S.p.A.	0.3	-	-	-	-	0.2	(7.8)
Kenwood Limited	0.2	-	-	-	-	1.0	-
E-Services S.r.l.	0.2	-	-	-	-	1.1	-
Tricom Industrial Co. Ltd	0.1	-	-	-	-	0.1	-
De'Longhi America Inc.	-	(0.2)	-	-	-	-	(0.2)
De'Longhi Capital Services S.r.l.	-	-	0.2	-	2.1	5.9	-
De'Longhi Australia PTY Limited	-	-	0.1	0.5	-	-	-
De'Longhi New Zeland Limited	-	-	-	0.2	-	-	-
Alabuga International S.A.	-	-	-	0.2	-	-	-
De'Longhi Japan Corporation	-	-	-	0.1	-	-	-
De'Longhi Canada Inc.	-	-	-	0.1	-	-	-
Kenwood Home Appl. PTY Limited	-	-	-	0.1	-	-	-
Promised Success Ltd	-	-	-	0.1	-	-	-
De'Longhi Professional S.A.	-	-	-	-	20.0	-	-
R.C. Group S.p.A.	-	-	-	-	-	0.8	-
De'Longhi Deutschland Gmbh	-	-	-	-	-	0.3	-
De'Longhi France S.A.R.L.	-	-	-	-	-	0.1	-
De'Longhi Electrodomesticos Espana S.	-	-	-	-	-	0.1	-
<b>Total subsidiary companies (a)</b>	<b>2.8</b>	<b>(0.3)</b>	<b>10.5</b>	<b>2.0</b>	<b>22.1</b>	<b>29.6</b>	<b>(8.1)</b>
<b>Related companies</b>							
De'Longhi Giuseppe	-	-	-	-	-	0.5	-
Gamma S.r.l.	-	(0.1)	-	-	-	-	-
<b>Total related companies (b)</b>	<b>-</b>	<b>(0.1)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>0.5</b>	<b>-</b>
<b>Total subsidiary and related companies (a+b)</b>	<b>2.8</b>	<b>(0.4)</b>	<b>10.5</b>	<b>2.0</b>	<b>22.1</b>	<b>30.1</b>	<b>(8.1)</b>

<sup>(1)</sup> These mostly refer to dealings of a commercial nature and the supply of administrative services by company employees.

<sup>(2)</sup> These consist of €5.0 million in "Trade receivables" and €25.1 million in "Other receivables".

<sup>(3)</sup> These consist of €0.3 million in "Trade payables" and €7.8 million in "Other payables".

**Auditors' review report on the interim condensed financial statements  
("Financial Statements as of June 30, 2011 pursuant to Article 2506-ter of the Italian  
Civil Code")**

(Translation from the original Italian text)

To the Board of Directors of  
De'Longhi S.p.A.

1. We have reviewed the interim condensed financial statements (the "Financial Statements as of June 30, 2011 pursuant to Article 2506-ter of the Italian Civil Code"), comprising the statement of financial position, the income statement, the statement of comprehensive income, the statement of changes in equity and cash flows and the related explanatory notes, of De'Longhi S.p.A. as of June 30, 2011. The Directors of De'Longhi S.p.A. are responsible for the preparation of the interim condensed financial statements in conformity with the International Financial Reporting Standards applicable to interim financial reporting (IAS 34) as adopted by the European Union. Our responsibility is to issue this review report based on our review.
2. We conducted our review in accordance with review standards recommended by Consob (the Italian Stock Exchange Regulatory Agency) in its Resolution no. 10867 of July 31, 1997. Our review consisted mainly of obtaining information on the accounts included in the interim condensed 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 financial statements. Our review did not include the application of audit procedures such as tests of compliance and substantive procedures on assets and liabilities and was substantially less in scope than an audit conducted in accordance with generally accepted auditing standards. Accordingly, we do not express an audit opinion on the interim condensed financial statements as we expressed on the annual financial statements.

With respect to the statement of financial position of the prior year, presented for comparative purposes, reference should be made to our audit report issued on March 21, 2011. The income statement, the statement of comprehensive income, the statement of changes in equity and cash flows of the corresponding period of the prior year, presented for comparative purposes, have not been reviewed by us and, accordingly, we do not express an audit opinion on those data.

3. Based on our review, nothing has come to our attention that causes us to believe that the interim condensed financial statements of De'Longhi S.p.A. as of June 30, 2011 ("Financial Statements as of June 30, 2011 pursuant to Article 2506-ter of the Italian Civil Code") 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, September 5, 2011

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

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



Financial Statements  
Of  
De'Longhi Clima S.p.A.  
at 20 July 2011

(pursuant to Article 2506-ter of the Italian Civil Code)

**STATEMENT OF FINANCIAL POSITION**

(€ amount)

ASSETS	20.07.2011	31.12.2010
<b>A) AMOUNTS RECEIVABLE FROM SHAREHOLDERS -</b>	-	-
<b>B) FIXED ASSETS</b>		
I - INTANGIBLE FIXED ASSETS		
1) Start-up and expansion expenses	-	3,200
<b>TOTAL INTANGIBLE FIXED ASSETS</b>	-	3,200
II - TANGIBLE FIXED ASSETS	-	-
III - FINANCIAL FIXED ASSETS	-	-
<b>TOTAL FIXED ASSETS</b>	-	3,200.00
<b>C) CURRENT ASSETS</b>		
I - INVENTORIES	-	-
II - ACCOUNTS RECEIVABLE		
4-bis) current tax assets	921	602
4-ter) Deferred tax assets	2,324	867
<b>TOTAL ACCOUNTS RECEIVABLE</b>	3,245	1,469
III - CURRENT FINANCIAL ASSETS	-	-
IV - LIQUID FUNDS		
1) Cash and banks	120,429	4,648
<b>TOTAL LIQUID FUNDS</b>	120,429	4,648
<b>TOTAL CURRENT ASSETS</b>	123,674	6,117
<b>D) ACCRUED INCOME AND PREPAID EXPENSES</b>	-	-
<b>TOTAL ASSETS</b>	123,674	9,317

LIABILITIES	20.07.2011	31.12.2010
<b>A) NET SHAREHOLDERS' EQUITY</b>		
I - SHARE CAPITAL	120,000	10,000
II - ADDITIONAL PAID-IN CAPITAL (Share premium reserve)	-	-
III - REVALUATION RESERVES	-	-
IV - LEGAL RESERVE	-	-
V - TREASURY STOCK RESERVE	-	-
VI - STATUTORY RESERVES	-	-
VII - OTHER RESERVES	10,000	-
V VIII - RETAINED EARNINGS (LOSSES CARRIED FORWARD)	(3,087)	-
IX - NET INCOME (LOSS) FOR THE YEAR	(3,842)	(3,087)
<b>TOTAL NET SHAREHOLDERS' EQUITY</b>	123,071	6,913
<b>B) RESERVES FOR RISKS AND CHARGES</b>	-	-
<b>C) RESERVE FOR STAFF SEVERANCE INDEMNITIES</b>	-	-
<b>D) ACCOUNTS PAYABLE</b>		
7) Trade payable	-	1,801
14) Other payable	603	603
<b>TOTAL ACCOUNTS PAYABLE</b>	603	2,404
<b>E) ACCRUED LIABILITIES AND DEFERRED INCOME</b>	-	-
<b>TOTAL LIABILITIES</b>	603	2,404
<b>TOTAL LIABILITIES &amp; NET SHAREHOLDERS' EQUITY</b>	123,674	9,317
<b>MEMORANDUM ACCOUNTS</b>	-	-



## INCOME STATEMENT

(€ amount)

INCOME STATEMENT	al 20.07.2011		al 20.07.2010	
	Sub-total	total	Sub-total	total
A) PRODUCTION VALUE		-		-
B) PRODUCTION COSTS				
7) Services		1,591		238
10) Amortisation, depreciation and write-downs				
a) Amortisation of intangible fixed assets	3,200	3,200	220	220
14) Other operating expenses		511		915
<b>TOTAL PRODUCTION COSTS</b>		<b>5,302</b>		<b>1,373</b>
<b>DIFFERENCE BETWEEN PRODUCTION VALUE AND COSTS (A-B)</b>		<b>(5,302)</b>		<b>(1,373)</b>
C) FINANCIAL INCOME AND EXPENSES				
16) Other financial income				
d) Income other than the above:				
- other	3	3	-	-
17) Interest and other financial expenses				
c) other		-	(102)	(102)
<b>TOTAL FINANCIAL INCOME AND EXPENSES</b>		<b>3</b>		<b>(102)</b>
D) ADJUSTMENTS TO VALUE OF FINANCIAL ASSETS		-		-
E) EXTRAORDINARY INCOME AND EXPENSES		-		-
<b>PRE-TAX INCOME</b>		<b>(5,299)</b>		<b>(1,475)</b>
22) income tax for the year				
- current taxes		-		-
- deferred advances taxes		1,457		406
<b>TOTAL INCOME TAX FOR THE YEAR</b>		<b>1,457</b>		<b>406</b>
<b>NET INCOME (LOSS) FOR THE YEAR</b>		<b>(3,842)</b>		<b>(1,069)</b>

**STATEMENT OF CHANGES IN EQUITY OF DE'LONGHI CLIMA S.p.A.**

(€ amount)	SHARE CAPITAL	LEGAL RESERVE	OTHER RESERVE	PROFIT (LOSS) CARRIED FORWARD	PROFIT (LOSS) FOR THE YEAR	TOTAL
<b>Balance at 1st January 2010</b>	-	-	-	-	-	-
Capital contribution	10,000	-	-	-	-	10,000
<b>Profit (loss) 2010</b>	-	-	-	-	(3,087)	(3,087)
<b>Balance at 31 December 2010</b>	<b>10,000</b>	-	-	-	(3,087)	<b>6,913</b>
Capital contribution	110,000	-	10,000	-	-	120,000
Allocation of 2010 result as per AGM resolution of 28 May 2011	-	-	-	(3,087)	3,087	-
<b>Income (loss) of the period</b>	-	-	-	-	(3,842)	(3,842)
<b>Balance at 20 July 2011</b>	<b>120,000</b>	-	<b>10,000</b>	<b>(3,087)</b>	<b>(3,842)</b>	<b>123,071</b>

**Statement of availability and possible distribution of equity items at 20 July 2011**

Nature/Description	Amount	Permitted use	Available amount
Share capital	120,000		
Earnings reserves			
- Legal reserve	-	B	-
- Other reserve	10,000	B	10,000
- Profit (loss) carried forward	(3,087)	A, B, C	-
		Total	10,000
		Undistributable amount	-
		Distributable amount	10,000

Key:

A: to increase share capital

B: to cover losses

C: distribution to shareholders

## **EXPLANATORY NOTES**

### **ACCOUNTING STANDARDS**

The Statement of Financial Position of De'Longhi Clima S.p.A. at 20 July 2011 has been prepared pursuant to and in accordance with the combined provisions of Articles 2506-ter and 2501-quater of the Italian Civil Code, for the purposes of the partial and proportional demerger of the parent company De'Longhi S.p.A. to De'Longhi Clima S.p.A..

Preliminarily, it must be noted that on 18 July 2011 as per Notary Public's deed (Notary Cavallotti in Milan), the Extraordinary General Meeting the Company resolved on transforming the Company from an S.r.l. into an S.p.A., modification of the registered office and the company name and the increase in share capital.

The financial statements were drafted in compliance with Italian accounting principles, in continuity with the same accounting principles and measurement basis adopted in the drafting of the financial statements at 31 December 2010, to which reference is made. In particular, the directors have drafted the statement of financial position at 20 July with reference to that provided by accounting principle OIC (Italian Accounting Body) 30 "Interim financial statements".

The Directors have considered the possibility to avail themselves of the right to draft the financial statements at 31 December 2011 in accordance with the IFRS, as provided by Article 4 (4) of Legislative Decree 38/2005. In this sense they expect that the transition to international accounting principles will have no significant effects on the net income for 2011 and equity at 31 December 2011.

These financial statements are presented in Euro, which is the Company's functional currency.

## **ILLUSTRATION OF THE STATEMENT OF FINANCIAL POSITION AND INCOME STATEMENT**

### **B) INTANGIBLE ASSETS**

#### **I- Intangible assets**

The breakdown is as follows:

	20.07.2011		31.12.2010		Change
	Gross	Net	Gross	Net	Net
Start-up expenses	4,000	-	4,000	3,200	(3,200)
<b>Total</b>	<b>4,000</b>	<b>-</b>	<b>4,000</b>	<b>3,200</b>	<b>(3,200)</b>

During 2011, it was considered appropriate to write down the net residual book value of plant costs.

### **C) CURRENT ASSETS**

#### **II- Receivables**

##### **4-bis- Tax receivables**

The breakdown is as follows:

	20.07.2011	31.12.2010	Change
VAT	919	601	318
Other tax receivables	2	1	1
<b>Total current tax assets</b>	<b>921</b>	<b>602</b>	<b>319</b>

There are no receivables due beyond 12 months.

##### **4-ter- Deferred taxes**

The breakdown is as follows:

	20.07.2011			31.12.2010			Effect on income statement
	Taxable amount	Tax rate	Total tax	Taxable amount	Tax rate	Total tax	
<b>Deferred tax assets on tax losses</b>	<b>8,453</b>	27.5%	<b>2,324</b>	3,154	27.5%	<b>867</b>	<b>1,457</b>
<b>Net total</b>			<b>2,324</b>			<b>867</b>	<b>1,457</b>

#### **IV- Cash and cash equivalents**

The amount recorded in the financial statement shows a balance of Euro 120,429 (Euro 4,648 at 31 December 2010). The item is made up of the surplus in the current account.

## **COMMENTS ON THE LIABILITIES**

### **A) NET EQUITY**

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

### **SHARE CAPITAL**

The share capital made up of 40,000 ordinary shares with a par value of Euro 3 for a total of Euro 120,000.

The initial share capital, equal to Euro 10,000, has been increased during 2011 following the irrevocable contribution for the capital increase following the company transformation of Euro 110,000, effected on 14 July 2011.

### **RESERVES**

The breakdown is as follows:

	20.07.2011	31.12.2010	Change
Legal reserve	-	-	-
Other reserves:			
- Capital contribution	10,000	-	10,000
- Profit (loss) carried forward	(3,087)	-	(3,087)
<b>Total reserves</b>	<b>6,913</b>	<b>-</b>	<b>6,913</b>

### **D) PAYABLES**

#### **7- Trade payables**

The breakdown is as follows:

	20.07.2011	31.12.2010	Change
Invoices to be receives	-	1,801	(1,801)
<b>Total trade payables</b>	<b>-</b>	<b>1,801</b>	<b>(1,801)</b>

#### **14- Other payables**

The breakdown of other payables is the following:

	20.07.2011	31.12.2010	Change
Other payables	603	603	-
<b>Total other payables</b>	<b>603</b>	<b>603</b>	<b>-</b>

There are no payables with a residual duration beyond twelve months or backed by real guarantees on company assets.

## **COMMENTS ON THE INCOME STATEMENT**

### **B) PRODUCTION COSTS**

#### **7- For services**

These are detailed as follows:

	at 20th July 2011	at 20th July 2010	Change
Third-party services	1,591	238	1,353
<b>Total services</b>	<b>1,591</b>	<b>238</b>	<b>1,353</b>

#### **10- Amortization, depreciation and impairment**

The item includes the write-down of plant costs which have been recorded in the income statement at the residual amount of Euro 3,200.

#### **14- Other operating expenses**

"Other operating expenses" are residual in nature and include each negative component of income which cannot be entered in the previous items, or those destined to include expenses of a financial or extraordinary nature.

The breakdown is as follows:

	at 20th July 2011	at 20th July 2010	Change
Out-of-period losses	1	-	1
Sundry taxes	510	915	(405)
<b>Total other operating expenses</b>	<b>511</b>	<b>915</b>	<b>(404)</b>

### **C) FINANCIAL INCOME AND EXPENSES**

Net financial income and expenses are broken down as follows:

	at 20th July 2011	at 20th July 2010	Change
Bank interest income	3	-	3
<b>Financial income</b>	<b>3</b>	<b>-</b>	<b>3</b>
Other sundry income (expenses)	-	(102)	102
<b>Other financial income (expenses)</b>	<b>-</b>	<b>(102)</b>	<b>102</b>
<b>Financial income (expenses)</b>	<b>3</b>	<b>(102)</b>	<b>105</b>

#### **Income taxes**

These are composed as follows:

	at 20th July 2011	at 20th July 2010	Change
Deferred income tax liabilities (assets)	1,457	406	1,051
<b>Total</b>	<b>1,457</b>	<b>406</b>	<b>1,051</b>

The item "Deferred income tax liabilities (assets)" includes the benefit on the losses over the financial period.

## **OTHER INFORMATION**

The Company does not have any existing transactions with related parties. The Company does not possess any shareholdings in subsidiary or associated companies. Furthermore, the Company does not possess any shares in parent companies, neither through trust companies or intermediaries. During the financial period no shares in parent companies, also through trust companies or intermediaries, have been purchased or alienated.

## **SUBSEQUENT EVENTS**

There have been no other significant events after the date of this Statement of Financial Position.

These Financial Statements at 20 July 2011, made up of the Statement of Financial Position, Income Statements and Explanatory Notes, are the true and fair representation of the Company's equity and financial situation and the profit or loss of the financial period and correspond to that shown in the accounting records.

*Treviso, 21 July 2011*  
*De'Longhi Clima S.p.A.*  
*Chairman*  
*Giuseppe De'Longhi*

**Auditors' review report on the Financial Statements as of July 20, 2011 pursuant to Article 2506-ter of the Italian Civil Code**  
(Translation from the original Italian text)

To the Board of Directors of  
De'Longhi Clima S.p.A.

1. We have reviewed the Financial Statements as of July 20, 2011 pursuant to Article 2506-ter of the Italian Civil Code, comprising the statement of financial position, the income statement and the related explanatory notes, of De'Longhi Clima S.p.A. as of July 20, 2011. The Directors of De'Longhi Clima S.p.A. are responsible for the preparation of the Financial Statements as of July 20, 2011 pursuant to Article 2506-ter of the Italian Civil Code in conformity with the Italian Accounting Principle OIC 30. Our responsibility is to issue this review report based on our review.
2. We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". Our review consisted mainly of obtaining information on the accounts included in the Financial Statements as of July 20, 2011 pursuant to Article 2506-ter of the Italian Civil Code and the consistency of the accounting principles applied, through discussions with management, and of applying analytical procedures to the financial data presented in these 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 Financial Statements as of July 20, 2011 pursuant to Article 2506-ter of the Italian Civil Code.

The statement of financial position of the prior year and the income statement of the corresponding period of the prior year, presented for comparative purposes, have not been reviewed by us and, accordingly, we do not express an audit opinion on those data.

3. Based on our review, nothing has come to our attention that causes us to believe that the Financial Statements as of July 20, 2011 pursuant to Article 2506-ter of the Italian Civil Code of De'Longhi Clima S.p.A. are not prepared, in all material respects, in conformity with the Italian Accounting Principle OIC 30.

Treviso, September 5, 2011

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

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



**Independent auditors report on the examination of the  
Consolidated Pro-forma Statements**  
(Translation from the original Italian text)

The European Commission's regulation on Prospectuses n. 809/2004A, adopted by Consob in Italy under Regulation n. 11971, requires, for the preparation of the information memorandum (the "Information Document") in connection with significant mergers, acquisitions, demergers or disposals by Italian listed companies that, when unaudited pro-forma financial information are presented, the Information Document contain "a report prepared by the independent auditors stating that in their opinion the unaudited pro-forma financial information has been properly compiled on the basis stated and that basis is consistent with the accounting policies of the Italian listed company". Consob in Italy requires that the independent auditors' report be prepared in accordance with Consob Rule n. DEM/1061609 of August 9, 2001.

Accordingly, an Independent auditors' report on the examination of the unaudited pro-forma financial information was issued by the independent auditors of De'Longhi S.p.A., in connection with the partial and proportional demerger of De'Longhi S.p.A. in favor of De'Longhi Clima S.p.A. (the "Demerger Transaction"), for the sole purpose of the above mentioned Italian regulation. Such report forms part of the Information Document for the Transaction.

The following is the English language translation of the original Italian independent auditors' report on the examination of the unaudited consolidated pro-forma financial information of De'Longhi S.p.A. under the above mentioned Italian regulation, in connection with the Demerger Transaction, and cannot be used for any other purpose.

To the Board of Directors of  
De'Longhi S.p.A.

1. We have examined the statements consisting of pro-forma consolidated statement of financial position, income statement, statement of comprehensive income and statement of cash flows (the "Consolidated Pro-forma Statements"), accompanied by the explanatory notes, of De'Longhi S.p.A. and its subsidiaries post Demerger (the "De'Longhi Group Post-Demerger") as of and for the year ended December 31, 2010.

Such Consolidated Pro-forma Statements derive from the historical financial information related to the consolidated financial statements of De'Longhi S.p.A. and its subsidiaries (the "De'Longhi Group") as of and for the year ended December 31, 2010, prepared in compliance with International Financial Reporting Standards as adopted by the European Union and from the pro-forma adjustments applied thereto and examined by us.

The consolidated financial statements of De'Longhi Group as of and for the year ended December 31, 2010 have been audited by us and we have issued our auditors' report on March 21, 2011.

The Consolidated Pro-forma Statements have been prepared on the basis of the assumptions described in the explanatory notes to reflect retroactively the effects of the partial and proportional demerger of De'Longhi S.p.A. in favor of De'Longhi Clima S.p.A. (the "Demerger Transaction"), as described in the Demerger Plan prepared by the Board of Directors of De'Longhi S.p.A. and De'Longhi Clima S.p.A. on September 21, 2011, to be approved by the respective extraordinary shareholders' meetings of De'Longhi S.p.A. and De'Longhi Clima S.p.A..

2. The Consolidated Pro-forma Statements, accompanied by the explanatory notes, as of and for the year ended December 31, 2010 have been prepared as required by Consob Resolution no. 11971/99 and subsequent modifications and integrations, in application of Law Decree n. 58/98 concerning the regulations governing listed companies.

The scope of the preparation of the Consolidated Pro-forma Statements is to present, in accordance with valuation criteria consistent with the historical financial data and with the applicable regulations, the effects of the above mentioned Demerger Transaction on the consolidated economic trend and on the consolidated financial position of the De'Longhi Group Post-Demerger, as if such transaction had virtually occurred on December 31, 2010 and, with respect to the economic effects only, at the beginning of the year 2010. However, it should be noted that if the Demerger Transaction had actually occurred on such dates, the results presented therein would not necessarily be obtained.

The Consolidated Pro-forma Statements are the responsibility of De'Longhi S.p.A. Directors. Our responsibility is to express an opinion on the reasonableness of the assumptions adopted by the Directors for the preparation of the Consolidated Pro-forma Statements and on the utilization of a proper methodology in preparing such data. In addition, it is our responsibility to express an opinion on the proper application of the valuation criteria and of the accounting principles.

3. Our examination was conducted in accordance with the criteria recommended by CONSOB in its Recommendation n. DEM/1061609 of August 9, 2001 for the examination of the pro-forma data and applying the procedures we deemed necessary in the circumstances with respect to the engagement received.
4. In our opinion, the assumptions adopted by De'Longhi S.p.A. for the preparation of the Consolidated Pro-forma Statements of the De'Longhi Group Post-Demerger as of and for the year ended December 31, 2010, accompanied by the explanatory notes to reflect retroactively the effects of the Demerger Transaction, are reasonable and the methodology used for the preparation of the above mentioned financial information has been properly applied for the information purposes described above. In addition, in our opinion the valuation criteria and the accounting principles have been properly applied for the preparation of such data.

Treviso, September 23, 2011

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

**Independent auditors report on the examination of the  
Consolidated Pro-forma Statements**  
(Translation from the original Italian text)

The European Commission's regulation on Prospectuses n. 809/2004A, adopted by Consob in Italy under Regulation n. 11971, requires, for the preparation of the information memorandum (the "Information Document") in connection with significant mergers, acquisitions, demergers or disposals by Italian listed companies that, when unaudited pro-forma financial information are presented, the Information Document contain "a report prepared by the independent auditors stating that in their opinion the unaudited pro-forma financial information has been properly compiled on the basis stated and that basis is consistent with the accounting policies of the Italian listed company". Consob in Italy requires that the independent auditors' report be prepared in accordance with Consob Rule n. DEM/1061609 of August 9, 2001.

Accordingly, an Independent auditors' report on the examination of the unaudited pro-forma financial information was issued by the independent auditors of De'Longhi S.p.A., in connection with the partial and proportional demerger of De'Longhi S.p.A. in favor of De'Longhi Clima S.p.A. (the "Demerger Transaction"), for the sole purpose of the above mentioned Italian regulation. Such report forms part of the Information Document for the Transaction.

The following is the English language translation of the original Italian independent auditors' report on the examination of the unaudited consolidated pro-forma financial information of De'Longhi S.p.A. under the above mentioned Italian regulation, in connection with the Demerger Transaction, and cannot be used for any other purpose.

To the Board of Directors of  
De'Longhi S.p.A.

1. We have examined the statements consisting of pro-forma consolidated statement of financial position, income statement, statement of comprehensive income and statement of cash flows (the "Consolidated Pro-forma Statements"), accompanied by the explanatory notes, of De'Longhi S.p.A. and its subsidiaries post Demerger (the "De'Longhi Group Post-Demerger") as of and for the six months ended June 30, 2011.

Such Consolidated Pro-forma Statements derive from the historical financial information related to the half-year condensed consolidated financial statements of De'Longhi S.p.A. and its subsidiaries (the "De'Longhi Group") at June 30, 2011, prepared in conformity with International Financial Reporting Standards applicable to interim financial reporting (IAS 34) as adopted by the European Union and from the pro-forma adjustments applied thereto and examined by us.

The half-year condensed consolidated financial statements of De'Longhi Group at June 30, 2011 have been reviewed by us and we have issued our review report on August 29, 2011.

The review of the above mentioned half-year condensed consolidated financial statements was conducted in accordance with review standards recommended by Consob in its Resolution no. 10867 of July 31, 1997. It 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 such half-year condensed consolidated financial statements. The review did not include performing auditing procedures such as tests of compliance and substantive procedures on assets and liabilities and was substantially less in scope than an audit

performed in accordance with generally accepted auditing standards. Accordingly, we did not express an audit opinion on the half-year condensed consolidated financial statements referred to above.

The Consolidated Pro-forma Statements have been prepared on the basis of the assumptions described in the explanatory notes to reflect retroactively the effects of the partial and proportional demerger of De'Longhi S.p.A. in favor of De'Longhi Clima S.p.A. (the "Demerger Transaction"), as described in the Demerger Plan prepared by the Board of Directors of De'Longhi S.p.A. and De'Longhi Clima S.p.A. on September 21, 2011, to be approved by the respective extraordinary shareholders' meetings of De'Longhi S.p.A. and De'Longhi Clima S.p.A..

2. The Consolidated Pro-forma Statements, accompanied by the explanatory notes, as of and for the six months ended June 30, 2011 have been prepared as required by Consob Resolution no. 11971/99 and subsequent modifications and integrations, in application of Law Decree n. 58/98 concerning the regulations governing listed companies.

The scope of the preparation of the Consolidated Pro-forma Statements is to present, in accordance with valuation criteria consistent with the historical financial data and with the applicable regulations, the effects of the above mentioned Demerger Transaction on the consolidated economic trend and on the consolidated financial position of the De'Longhi Group Post-Demerger, as if such transaction had virtually occurred on June 30, 2011 and, with respect to the economic effects only, at the beginning of the year 2011. However, it should be noted that if the Demerger Transaction had actually occurred on such dates, the results presented therein would not necessarily be obtained.

The Consolidated Pro-forma Statements are the responsibility of De'Longhi S.p.A. Directors. Our responsibility is to express an opinion on the reasonableness of the assumptions adopted by the Directors for the preparation of the Consolidated Pro-forma Statements and on the utilization of a proper methodology in preparing such data. In addition, it is our responsibility to express an opinion on the proper application of the valuation criteria and of the accounting principles.

3. Our examination was conducted in accordance with the criteria recommended by CONSOB in its Recommendation n. DEM/1061609 of August 9, 2001 for the examination of the pro-forma data and applying the procedures we deemed necessary in the circumstances with respect to the engagement received.
4. Based on our examination, nothing has come to our attention that causes us to believe that the assumptions adopted by De'Longhi S.p.A. for the preparation of the Consolidated Pro-forma Statements of the De'Longhi Group Post-Demerger as of and for the six months ended June 30, 2011, accompanied by the explanatory notes, to reflect the effects of the Demerger Transaction, are not reasonable and that the methodology used for the preparation of the above mentioned financial information has not been properly applied for the information purposes described above. In addition, nothing has come to our attention that causes us to believe that the valuation criteria and the accounting principles have not been properly applied for the preparation of such data.

Treviso, September 23, 2011

Reconta Ernst & Young S.p.A.

Signed by: Stefano Marchesin, partner

**Independent auditors report on the examination of the  
Consolidated Pro-forma Statements**  
(Translation from the original Italian text)

The European Commission's regulation on Prospectuses n. 809/2004A, adopted by Consob in Italy under Regulation n. 11971, requires, for the preparation of the information memorandum (the "Information Document") in connection with significant mergers, acquisitions, demergers or disposals by Italian listed companies that, when unaudited pro-forma financial information are presented, the Information Document contain "a report prepared by the independent auditors stating that in their opinion the unaudited pro-forma financial information has been properly compiled on the basis stated and that basis is consistent with the accounting policies of the Italian listed company". Consob in Italy requires that the independent auditors' report be prepared in accordance with Consob Rule n. DEM/1061609 of August 9, 2001.

Accordingly, an Independent auditors' report on the examination of the unaudited pro-forma financial information was issued by the independent auditors of De'Longhi Clima S.p.A., in connection with the partial and proportional demerger of De'Longhi S.p.A. in favor of De'Longhi Clima S.p.A. (the "Demerger Transaction"), for the sole purpose of the above mentioned Italian regulation. Such report forms part of the Information Document for the Transaction.

The following is the English language translation of the original Italian independent auditors' report on the examination of the unaudited consolidated pro-forma financial information of De'Longhi Clima S.p.A. under the above mentioned Italian regulation, in connection with the Demerger Transaction, and cannot be used for any other purpose.

To the Board of Directors of  
De'Longhi Clima S.p.A.

1. We have examined the statements consisting of pro-forma consolidated statement of financial position, income statement, statement of comprehensive income and statement of cash flows (the "Consolidated Pro-forma Statements"), accompanied by the explanatory notes, of the beneficiary company De'Longhi Clima S.p.A. and its subsidiaries (the "De'Longhi Clima Group") as of and for the year ended December 31, 2010.

Such Consolidated Pro-forma Statements derive from the historical financial information related to the consolidated financial statements of De'Longhi S.p.A. and its subsidiaries (the "De'Longhi Group") as of and for the year ended December 31, 2010, prepared in compliance with International Financial Reporting Standards as adopted by the European Union and from the pro-forma adjustments applied thereto and examined by us.

The consolidated financial statements of De'Longhi Group as of and for the year ended December 31, 2010 have been audited by us and we have issued our auditors' report on March 21, 2011.

The Consolidated Pro-forma Statements have been prepared on the basis of the assumptions described in the explanatory notes to reflect retroactively the effects of the partial and proportional demerger of De'Longhi S.p.A. in favor of De'Longhi Clima S.p.A. (the "Demerger Transaction"), as described in the Demerger Plan prepared by the Board of Directors of De'Longhi S.p.A. and De'Longhi Clima S.p.A. on September 21, 2011, to be approved by the respective extraordinary shareholders' meetings of De'Longhi S.p.A. and De'Longhi Clima S.p.A..

2. The Consolidated Pro-forma Statements, accompanied by the explanatory notes, as of and for the year ended December 31, 2010 have been prepared as required by Consob Resolution no.

11971/99 and subsequent modifications and integrations, in application of Law Decree n. 58/98 concerning the regulations governing listed companies.

The scope of the preparation of the Consolidated Pro-forma Statements is to present, in accordance with valuation criteria consistent with the historical financial data and with the applicable regulations, the effects of the above mentioned Demerger Transaction on the consolidated economic trend and on the consolidated financial position of the De'Longhi Clima Group, as if such transaction had virtually occurred on December 31, 2010 and, with respect to the economic effects only, at the beginning of the year 2010. However, it should be noted that if the Demerger Transaction had actually occurred on such dates, the results presented therein would not necessarily be obtained.

The Consolidated Pro-forma Statements are the responsibility of De'Longhi Clima S.p.A. Directors. Our responsibility is to express an opinion on the reasonableness of the assumptions adopted by the Directors for the preparation of the Consolidated Pro-forma Statements and on the utilization of a proper methodology in preparing such data. In addition, it is our responsibility to express an opinion on the proper application of the valuation criteria and of the accounting principles.

3. Our examination was conducted in accordance with the criteria recommended by CONSOB in its Recommendation n. DEM/1061609 of August 9, 2001 for the examination of the pro-forma data and applying the procedures we deemed necessary in the circumstances with respect to the engagement received.
4. In our opinion, the assumptions adopted by De'Longhi Clima S.p.A. for the preparation of the Consolidated Pro-forma Statements of the De'Longhi Clima Group as of and for the year ended December 31, 2010, accompanied by the explanatory notes to reflect retroactively the effects of the Demerger Transaction, are reasonable and the methodology used for the preparation of the above mentioned financial information has been properly applied for the information purposes described above. In addition, in our opinion the valuation criteria and the accounting principles have been properly applied for the preparation of such data.

Treviso, September 23, 2011

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

**Independent auditors report on the examination of the  
Consolidated Pro-forma Statements**  
(Translation from the original Italian text)

The European Commission's regulation on Prospectuses n. 809/2004A, adopted by Consob in Italy under Regulation n. 11971, requires, for the preparation of the information memorandum (the "Information Document") in connection with significant mergers, acquisitions, demergers or disposals by Italian listed companies that, when unaudited pro-forma financial information are presented, the Information Document contain "a report prepared by the independent auditors stating that in their opinion the unaudited pro-forma financial information has been properly compiled on the basis stated and that basis is consistent with the accounting policies of the Italian listed company". Consob in Italy requires that the independent auditors' report be prepared in accordance with Consob Rule n. DEM/1061609 of August 9, 2001.

Accordingly, an Independent auditors' report on the examination of the unaudited pro-forma financial information was issued by the independent auditors of De'Longhi Clima S.p.A., in connection with the partial and proportional demerger of De'Longhi S.p.A. in favor of De'Longhi Clima S.p.A. (the "Demerger Transaction"), for the sole purpose of the above mentioned Italian regulation. Such report forms part of the Information Document for the Transaction.

The following is the English language translation of the original Italian independent auditors' report on the examination of the unaudited consolidated pro-forma financial information of De'Longhi Clima S.p.A. under the above mentioned Italian regulation, in connection with the Demerger Transaction, and cannot be used for any other purpose.

To the Board of Directors of  
De'Longhi Clima S.p.A.

1. We have examined the statements consisting of pro-forma consolidated statement of financial position, income statement, statement of comprehensive income and statement of cash flows (the "Consolidated Pro-forma Statements"), accompanied by the explanatory notes, of the beneficiary company De'Longhi Clima S.p.A. and its subsidiaries (the "De'Longhi Clima Group") as of and for the six months ended June 30, 2011.

Such Consolidated Pro-forma Statements derive from the historical financial information related to the half-year condensed consolidated financial statements of De'Longhi S.p.A. and its subsidiaries (the "De'Longhi Group") at June 30, 2011, prepared in conformity with International Financial Reporting Standards applicable to interim financial reporting (IAS 34) as adopted by the European Union and from the pro-forma adjustments applied thereto and examined by us.

The half-year condensed consolidated financial statements of De'Longhi Group at June 30, 2011 have been reviewed by us and we have issued our review report on August 29, 2011.

The review of the above mentioned half-year condensed consolidated financial statements was conducted in accordance with review standards recommended by Consob in its Resolution no. 10867 of July 31, 1997. It 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 Directors, and of applying analytical procedures to the financial data presented in such half-year condensed consolidated financial statements. The review did not include performing auditing procedures such as tests of compliance and substantive procedures on assets and liabilities and was substantially less in scope than an audit

performed in accordance with generally accepted auditing standards. Accordingly, we did not express an audit opinion on the half-year condensed consolidated financial statements referred to above.

The Consolidated Pro-forma Statements have been prepared on the basis of the assumptions described in the explanatory notes to reflect retroactively the effects of the partial and proportional demerger of De'Longhi S.p.A. in favor of De'Longhi Clima S.p.A. (the "Demerger Transaction"), as described in the Demerger Plan prepared by the Board of Directors of De'Longhi S.p.A. and De'Longhi Clima S.p.A. on September 21, 2011, to be approved by the respective extraordinary shareholders' meetings of De'Longhi S.p.A. and De'Longhi Clima S.p.A..

2. The Consolidated Pro-forma Statements, accompanied by the explanatory notes, as of and for the six months ended June 30, 2011 have been prepared as required by Consob Resolution no. 11971/99 and subsequent modifications and integrations, in application of Law Decree n. 58/98 concerning the regulations governing listed companies.

The scope of the preparation of the Consolidated Pro-forma Statements is to present, in accordance with valuation criteria consistent with the historical financial data and with the applicable regulations, the effects of the above mentioned Demerger Transaction on the consolidated economic trend and on the consolidated financial position of the De'Longhi Clima Group, as if such transaction had virtually occurred on June 30, 2011 and, with respect to the economic effects only, at the beginning of the year 2011. However, it should be noted that if the Demerger Transaction had actually occurred on such dates, the results presented therein would not necessarily be obtained.

The Consolidated Pro-forma Statements are the responsibility of De'Longhi Clima S.p.A. Directors. Our responsibility is to express an opinion on the reasonableness of the assumptions adopted by the Directors for the preparation of the Consolidated Pro-forma Statements and on the utilization of a proper methodology in preparing such data. In addition, it is our responsibility to express an opinion on the proper application of the valuation criteria and of the accounting principles.

3. Our examination was conducted in accordance with the criteria recommended by CONSOB in its Recommendation n. DEM/1061609 of August 9, 2001 for the examination of the pro-forma data and applying the procedures we deemed necessary in the circumstances with respect to the engagement received.
4. Based on our examination, nothing has come to our attention that causes us to believe that the assumptions adopted by De'Longhi Clima S.p.A. for the preparation of the Consolidated Pro-forma Statements of the De'Longhi Clima Group as of and for the six months ended June 30, 2011, accompanied by the explanatory notes, to reflect the effects of the Demerger Transaction, are not reasonable and that the methodology used for the preparation of the above mentioned financial information has not been properly applied for the information purposes described above. In addition, nothing has come to our attention that causes us to believe that the valuation criteria and the accounting principles have not been properly applied for the preparation of such data.

Treviso, September 23, 2011

Reconta Ernst & Young S.p.A.

Signed by: Stefano Marchesin, partner



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

To the Board of Directors of  
De'Longhi S.p.A.

1. We have reviewed the interim condensed consolidated financial statements, comprising the statement of financial position, the income statement, the statement of comprehensive income, the statement of changes in equity and cash flows and the related explanatory notes, of De'Longhi S.p.A. and its subsidiaries (the "De'Longhi Group") as of September 30, 2011. The Directors of De'Longhi S.p.A. are responsible for the preparation of the interim condensed consolidated financial statements in conformity with the International Financial Reporting Standards applicable to interim financial reporting (IAS 34) as adopted by the European Union. Our responsibility is to issue this review report based on our review.
2. We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". Our review consisted mainly of obtaining information on the accounts included in the interim condensed consolidated financial statements and the consistency of the accounting principles applied, through discussions with management, and of applying analytical procedures to the financial data presented in these consolidated financial statements. Our review did not include the application of audit procedures such as tests of compliance and substantive procedures on assets and liabilities and was substantially less in scope than an audit conducted in accordance with generally accepted auditing standards. Accordingly, we do not express an audit opinion on the interim condensed consolidated financial statements as we expressed on the annual consolidated financial statements.

With respect to the consolidated financial statements of the prior year, presented for comparative purposes, reference should be made to our audit report issued on March 21, 2011. The income statement, the statement of comprehensive income, the statement of changes in equity and cash flows of the corresponding period of the prior year, presented for comparative purposes, have not been reviewed by us and, accordingly, we do not express an audit opinion on those data.

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 September 30, 2011 are not prepared, in all material respects, in conformity with the International Financial Reporting Standards applicable to interim financial reporting (IAS 34) as adopted by the European Union.

Treviso, November 11, 2011

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

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

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

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

1. We have reviewed the interim condensed consolidated financial statements, comprising the statement of financial position, the income statement, the statement of comprehensive income, the statement of changes in equity and cash flows and the related explanatory notes, of De'Longhi S.p.A. and subsidiaries (the "De'Longhi Group") as of June 30, 2011. The Directors of De'Longhi S.p.A. are responsible for the preparation of the interim condensed consolidated financial statements in conformity with the International Financial Reporting Standards applicable to interim financial reporting (IAS 34) as adopted by the European Union. Our responsibility is to issue this review report based on our review.
2. We conducted our review in accordance with review standards recommended by Consob (the Italian Stock Exchange Regulatory Agency) in its Resolution no. 10867 of July 31, 1997. Our review consisted mainly of obtaining information on the accounts included in the interim condensed consolidated financial statements and the consistency of the accounting principles applied, through discussions with management, and of applying analytical procedures to the financial data presented in these consolidated financial statements. Our review did not include the application of audit procedures such as tests of compliance and substantive procedures on assets and liabilities and was substantially less in scope than an audit conducted in accordance with generally accepted auditing standards. Accordingly, we do not express an audit opinion on the interim condensed consolidated financial statements as we expressed on the annual consolidated financial statements.

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

3. Based on our review, nothing has come to our attention that causes us to believe that the interim condensed consolidated financial statements of De'Longhi Group as of June 30, 2011 are not prepared, in all material respects, in conformity with the International Financial Reporting Standards applicable to interim financial reporting (IAS 34) as adopted by the European Union.

Treviso, August 29, 2011

Reconta Ernst & Young S.p.A.

Signed by: Stefano Marchesin, Partner

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

**Independent auditors' report  
pursuant to art. 14 and 16 of Legislative Decree n. 39 dated January 27, 2010  
(Translation from the original Italian text)**

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

1. We have audited the consolidated financial statements of De'Longhi S.p.A. and its subsidiaries, (the "De'Longhi Group") as of and for the year ended December 31, 2010, comprising the statement of financial position, the income statement, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows and the related explanatory notes. The Directors of De'Longhi S.p.A. are responsible for the preparation of these financial statements in compliance with International Financial Reporting Standards as adopted by the European Union and with art. 9 of Legislative Decree n. 38/2005. Our responsibility is to express an opinion on these financial statements based on our audit.
2. Our audit was performed in accordance with auditing standards recommended by CONSOB (the Italian Stock Exchange Regulatory Agency). In accordance with such standards, we planned and performed our audit to obtain the information necessary to determine whether the consolidated financial statements are materially misstated and if such financial statements, taken as a whole, may be relied upon. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, as well as assessing the appropriateness and correct application of the accounting principles and the reasonableness of the estimates made by the Directors. We believe that our audit provides a reasonable basis for our opinion.  
  
For the opinion on the consolidated financial statements of the prior year, which are presented for comparative purposes, reference should be made to the report issued by another auditor dated March 26, 2010.
3. In our opinion, the consolidated financial statements of the De'Longhi Group at December 31, 2010 have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union and with art. 9 of Legislative Decree n. 38/2005; accordingly, they present clearly and give a true and fair view of the financial position, the results of operations and the cash flows of the De'Longhi Group for the year then ended.
4. The Directors of De'Longhi S.p.A. are responsible for the preparation, in accordance with the applicable laws and regulations, of the Report on Operations and the Report on Corporate Governance and the Ownership Structure published in the section Corporate/Investor Relations/Governance/Corporate Documentation of De'Longhi S.p.A.'s website. Our responsibility is to express an opinion on the consistency with the financial statements of the Report on Operations and the information included therein in compliance with art. 123-bis of Legislative Decree n. 58/1998, paragraph 1, letters c), d), f), l), m) and paragraph 2, letter b) in the Report on Corporate Governance and the Company's Ownership Structure, as required by law. For this purpose, we have performed the procedures required under Auditing Standard 001 issued by the Italian Accounting Profession (CNDCEC) and recommended by CONSOB. In our opinion, the Report

on Operations and the information reported therein in compliance with art. 123-bis of Legislative Decree n. 58/1998, paragraph 1, letters c), d), f), l), m) and paragraph 2), letter b) included in the Report on Corporate Governance and the Ownership Structure, are consistent with the consolidated financial statements of the De'Longhi Group as of December 31, 2010.

Treviso, March 21, 2011

Reconta Ernst & Young S.p.A.

Signed by: Stefano Marchesin, Partner

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

**AUDITORS' REPORT IN ACCORDANCE WITH ARTICLE N 156 OF  
LEGISLATIVE DECREE N 58 DATED 24 FEBRUARY 1998**

To the shareholders of  
De'Longhi SpA

- 1 We have audited the consolidated financial statements of De'Longhi SpA and its subsidiaries (De'Longhi Group) as of 31 December 2009, which comprise the income statement, the comprehensive statement of income, the balance sheet, the statement of changes in net equity, the cash flow statement and related explanatory notes. The directors of De'Longhi SpA are responsible for the preparation of these financial statements in compliance with the International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree n° 38/2005. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.
- 2 We conducted our audit in accordance with the auditing standards and criteria recommended by CONSOB. Those standards and criteria require that we plan and perform the audit to obtain the necessary assurance about whether the consolidated financial statements are free of material misstatement and, taken as a whole, are presented fairly. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors. We believe that our audit provides a reasonable basis for our audit opinion.

For the opinion on the consolidated financial statements of the prior period, the amounts of which are presented for comparative purposes and have been reclassified to reflect the changes to the financial statement presentation introduced by IAS 1, reference should be made to our report dated 3 April 2009.

- 3 In our opinion, the consolidated financial statements of De'Longhi Group as of 31 December 2009 comply with the International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree n° 38/2005; accordingly, they have been drawn up clearly and give a true and fair view

of the financial position, results of operations and cash flows of De'Longhi Group for the period then ended.

- 4 The directors of De'Longhi SpA are responsible for the preparation of the report on operations and corporate governance report and ownership structure in accordance with applicable laws and regulations. Our responsibility is to express an opinion on the consistency of the report on operations and of the information reported in compliance with paragraph 1, letters c), d), f), l), m) and paragraph 2, letter b) of article 123-bis of Italian Legislative Decree n° 58/1998, included in the corporate governance report and ownership structure, with the financial statements, as required by law. For this purpose, we have performed the procedures required under Auditing Standard 001 issued by the Italian Accounting Profession (CNDCEC) and recommended by CONSOB. In our opinion the report on operations and the information provided in compliance with paragraph 1, letters c), d), f), l), m) and paragraph 2, letter b) of article 123-bis of Italian Legislative Decree n° 58/1998 included in the corporate governance report and ownership structure are consistent with the consolidated financial statements of De'Longhi SpA as of 31 December 2009.

Treviso, 26 March 2010

PricewaterhouseCoopers SpA

*Signed by*

Roberto Adami  
(Partner)

*This report has been translated from the original which was issued in accordance with Italian legislation. We have not examined the translation of the financial statements referred to in this report.*

**AUDITORS' REPORT IN ACCORDANCE WITH ARTICLE 156 OF LAW  
DECREE NO. 58 DATED 24 FEBRUARY 1998**

To the Shareholders of  
De'Longhi SpA

- 1 We have audited the consolidated financial statements of De'Longhi SpA and its subsidiaries ("De'Longhi Group") as of 31 December 2008, which comprise the income statement, the balance sheet, the statement of changes in equity, the cash flow statement and related explanatory notes. The directors of De'Longhi SpA are responsible for the preparation of these consolidated financial statements in compliance with the International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/2005. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.
- 2 We conducted our audit in accordance with the auditing standards and criteria recommended by CONSOB. Those standards and criteria require that we plan and perform the audit to obtain the necessary assurance about whether the consolidated financial statements are free of material misstatement and, taken as a whole, are presented fairly. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors. We believe that our audit provides a reasonable basis for our audit opinion.

For the opinion on the consolidated financial statements of the prior period, which are presented for comparative purposes, reference is made to our report dated 4 April 2008.

- 3 In our opinion, the consolidated financial statements of De'Longhi SpA as of 31 December 2008 comply with the International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/2005; accordingly, they have been drawn up clearly and give a true and fair view of the financial position, results of operations, changes in equity and cash flows of De'Longhi Group for the period then ended.

- 4 The directors of De'Longhi SpA are responsible for the preparation of the Report on Operations in accordance with the applicable laws and regulations. Our responsibility is to express an opinion on the consistency of the Report on Operations with the financial statements, as required by art. 156, paragraph 4-bis, letter d), of the Legislative Decree no. 58/98. For this purpose, we have performed the procedures required under Auditing Standard n. 001 issued by the Italian Accounting Profession (CNDCEC) and recommended by CONSOB. In our opinion the Report on Operations is consistent with the consolidated financial statements of De'Longhi SpA as of 31 December 2008.

Padua, 3 April 2009

PricewaterhouseCoopers SpA

*Signed by*  
Nicola Piovan  
(Partner)

**This report has been translated from the original which was issued in accordance with Italian legislation. We have not examined the translation of the financial statements referred to in this report.**