Quarterly report at 30 September 2006

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

Contents

1. Company officers *

Board of Directors

GIUSEPPE DE'LONGHI	Chairman
FABIO DE'LONGHI	Vice Chairman and Chief Executive Officer
DARIO MELÒ	Director and Chief Operating Officer
ALBERTO CLÒ **	Director
RENATO CORRADA **	Director
CARLO GARAVAGLIA	Director
GIORGIO SANDRI	Director
SILVIO SARTORI	Director
GIOVANNI TAMBURI**	Director

Board of Statutory Auditors

GIANLUCA PONZELLINI	Chairman
MASSIMO LANFRANCHI	Standing member
GIULIANO SACCARDI	Standing member
ROBERTO CORTELLAZZO-WIEL	Alternate auditor
ENRICO PIAN	Alternate auditor

External auditors

PRICEWATERHOUSECOOPERS S.P.A. ***

Internal Auditing and Corporate Governance Committee

RENATO CORRADA **
CARLO GARAVAGLIA
GIOVANNI TAMBURI **

Compensation Committee

ALBERTO CLÒ **
CARLO GARAVAGLIA
GIOVANNI TAMBURI **

* The company officers were elected at the shareholders' meeting of 28 April 2004 for the period 2004-2006.
The shareholders' meeting of 27 April 2006 appointed Dario Melò and Silvio Sartori as full members of the Board of Directors and Enrico Pian as an alternate auditor.
** Independent directors.
*** Engaged by the shareholders' meeting of 28 April 2004 to audit the 2004, 2005 and 2006 financial statements.

Report on operations up to 30 September 2006

Overview of the group's results in 3rd quarter 2006 and first 9 months 2006

The group closed the first nine months of 2006 with higher revenues and earnings thanks to good performance by its principal product categories and markets.

Nine-month revenues increased by €80.6 million (+9.6%) to €918.8 million; if the group's revenues are adjusted to exclude those of Elba S.p.A., deconsolidated from 1 June 2006, in the period June-September 2005, the growth in revenues would have been 11.3%.
Third-quarter revenues increased by €38.8 million (+12.8%) to €342.6 million; assuming the same scope of consolidation the increase would have been 16.6%.
These results were achieved thanks to growth by both the Household segment and the Professional segment.
The Household segment reported 10% growth (+12.2% assuming the same scope of consolidation) thanks not only to higher sales of coffee machines and small electrical cooking appliances as a result of the introduction of new products and better sales penetration, but also higher sales of heating products.
The Professional segment reported an 8.4% increase in revenues thanks to the contribution of industrial heating products and large thermo-cooling systems.
Revenue performance in North America and Europe (especially Russia and Greece) was particularly positive.

Gross profit climbed from €326.5 million to €341.9 million (with the margin going from 38.9% to 37.2%).

The reduction in service and payroll costs as a percentage of revenues helped produce a more than proportionate rise in EBITDA and EBIT relative to the increase in sales; EBITDA improved from €64.3 million to €77.4 million (with the margin rising from 7.7% to 8.4%), while EBIT increased from €36.3 million to €48.7 million (with the margin climbing from 4.3% to 5.3%).
Assuming the same scope of consolidation, EBITDA improved from 7.3% of revenues in the first nine months of 2005 to 8.4% this year.

This improvement, achieved in a period affected by inflationary pressures on raw materials and bought-in products, especially in the last quarter, reflected significantly higher profitability by the De’Longhi and Kenwood brands which benefited from the introduction of new products and the policy of shifting production abroad, helping make up for the drop in profitability by the Ariete brand.

Nine-month profit (loss) pertaining to the group was a profit of €31.7 million, having benefited from the capital gain realized on the sale of Elba S.p.A.
If this profit is adjusted to exclude extraordinary financial income it would have been €6.6 million, representing a major improvement on the figure of €2.9 million reported in the corresponding period of 2005.

The net financial position reported net borrowings of €396.6 million at period end, having improved by €167 million on the figure of €563.6 million at 30 September 2005, reflecting better working capital management and €78.2 million in proceeds from the sale of Elba S.p.A..

Net borrowings at 30 September 2006 also benefited from the recognition of €72.5 million in receivables factored without recourse which, on the basis of intervening contractual amendments, have been excluded from the consolidated balance sheet since they now satisfy the IAS/IFRS requirement that their risks and rewards be substantially transferred to the factor.

Consolidated income statement - highlights

(€/million)	9 months 2006	9 months 2005	% change	3rd quarter 2006	3rd quarter 2005	% change
Revenues	918.8	838.2	9.6%	342.6	303.8	12.8%
Gross profit	341.9	326.5	4.7%	123.0	113.6	8.3%
EBITDA	77.4	64.3	20.4%	36.0	33.5	7.4%
% of revenues	*8.4%*	*7.7%*		*10.5%*	*11.0%*	
Pro-forma EBITDA (based on same scope of consolidation)	77.4	60.3	28.4%	36.0	31.0	16.1%
% of revenues	*8.4%*	*7.3%*		*10.5%*	*10.6%*	
EBIT	48.7	36.3	34.3%	26.4	23.6	12.0%
% of revenues	*5.3%*	*4.3%*		*7.7%*	*7.8%*	
Profit (loss) for the period pertaining to the group	31.7	2.9		7.3	2.6	

Consolidated balance sheet - highlights

(€/million)	30.09.2006	31.12.2005	30.09.2005
Net working capital	405.9	469.8	527.7
Net capital employed	1,007.9	1,096.9	1,128.7
Net financial position	396.6	511.4	563.6

Significant events

Sale of Elba S.p.A.
Elba S.p.A., a company which produces and sells ovens and hobs, was sold in June 2006 to a white goods manufacturing group from New Zealand. Elba was the only white goods company within the De’Longhi Group and the proceeds from its sale will foster both internally-led growth and acquisitions in the small domestic appliances and professional segments. The company was sold for a figure of €78.2 million, inclusive of its financial payables of €6.1 million at 31 May 2006. Under the terms of the sale the De'Longhi Group will carry on distributing De'Longhi branded cooking products in New Zealand, Australia and Italy as part of an ongoing strategic partnership with Elba.

Group results

Gross profit reported in the following reclassified income statement has been redefined to include all transformation costs.
The figure presented below differs by €97.6 million (€98.9 million at 30 September 2005) from that in the consolidated income statement at 30 September 2006, reflecting the reclassification of production-related payroll and service costs from payroll and services respectively, with the purpose of better presenting performance in the period.
The reclassified consolidated income statement is summarized as follows:

(€/million)	*9 months 2006*	*% of revenues*	*9 months 2005*	*% of revenues*	*3rd quarter 2006*	*% of revenues*	*3rd quarter 2005*	*% of revenues*
Net revenues	**918.8**	100.0%	**838.2**	100.0%	**342.6**	100.0%	**303.8**	100.0%
Change	*80.6*	*9.6%*			*38.8*	*12.8%*		
Materials consumed & production costs (services and production payroll costs)	(576.9)	(62.8%)	(511.7)	(61.1%)	(219.6)	(64.1%)	(190.2)	(62.6%)
Gross profit	**341.9**	**37.2%**	**326.5**	**38.9%**	**123.0**	**35.9%**	**113.6**	**37.4%**
Cost of services & other expenses	(190.2)	(20.7%)	(184.6)	(22.0%)	(63.7)	(18.6%)	(57.1)	(18.8%)
Payroll (non-industrial)	(68.6)	(7.5%)	(67.5)	(8.0%)	(20.7)	(6.0%)	(21.6)	(7.1%)
Provisions	(8.4)	(0.9%)	(6.9)	(0.8%)	(3.0)	(0.9%)	(1.5)	(0.5%)
Other income (expenses)	2.8	0.3%	(3.1)	(0.4%)	0.4	0.1%	0.2	0.1%
EBITDA	**77.4**	**8.4%**	**64.3**	**7.7%**	**36.0**	**10.5%**	**33.5**	**11.0%**
Change	*13.1*	*20.4%*			*2.5*	*7.4%*		
Amortization and depreciation	(28.7)	(3.1%)	(28.0)	(3.3%)	(9.6)	(2.8%)	(10.0)	(3.3%)
EBIT	**48.7**	**5.3%**	**36.3**	**4.3%**	**26.4**	**7.7%**	**23.6**	**7.8%**
Change	*12.4*	*34.3%*			*2.8*	*12.0%*		
Financial income (expenses)	(9.9)	(1.1%)	(25.4)	(3.0%)	(12.3)	(3.6%)	(13.0)	(4.3%)
Profit before taxes	**38.8**	**4.2%**	**10.9**	**1.3%**	**14.1**	**4.1%**	**10.6**	**3.5%**
Taxes	(6.5)	(0.7%)	(7.7)	(0.9%)	(6.4)	(1.9%)	(7.9)	(2.6%)
Profit (loss) for the period	**32.3**	**3.5%**	**3.2**	**0.4%**	**7.7**	**2.2%**	**2.6**	**0.9%**
Profit (loss) pertaining to minority interests	0.6	0.1%	0.3	0.0%	0.4	0.1%	0	0.0%
Profit (loss) pertaining to the group	**31.7**	**3.4%**	**2.9**	**0.3%**	**7.3**	**2.1%**	**2.6**	**0.9%**

For the purposes of correctly interpreting the results, the prior period key figures (revenues and margins) presented below have been adjusted to be consistent with those of the current period (ie. excluding the figures relating to Elba in the period June-September 2005):

(€/million)	*9 months 2006*	*% of revenues*	*9 months 2005 pro-forma*	*% of revenues*	*3rd quarter 2006*	*% of revenues*	*3rd quarter 2005 pro-forma*	*% of revenues*
Net revenues	**918.8**	100.0%	**825.5**	100.0%	**342.6**	100.0%	**293.9**	100.0%
Change	*93.3*	*11.3%*			*48.7*	*16.6%*		
EBITDA	**77.4**	8.4%	**60.3**	7.3%	**36.0**	10.5%	**31.0**	10.6%
Change	*17.1*	28.4%			*5.0*	*16.1%*		
EBIT	**48.7**	5.3%	**33.2**	4.0%	**26.4**	7.7%	**21.6**	7.3%
Change	*15.5*	46.7%			*4.8*	*22.3%*		

Revenues

Results by business segment

Household

(€/million)	*9 months 2006*	*9 months 2005*	*3rd quarter 2006*	*3rd quarter 2005*
Net revenues (*)	706.2	642.0	270.9	240.1
% change	*10.0%*		*12.9%*	
EBITDA	54.1	44.1	29.1	27.3
% of revenues (*)	*7.7%*	*6.9%*	*10.8%*	*11.4%*

(*) Assuming the same scope of consolidation, revenues would have been €629.4 million in the nine months to 30 September 2005 (with an increase of 12.2% in 2006) and €230.2 million in the third quarter of 2005 (with an increase of 17.7% in 2006); EBITDA would have been 6.4% of revenues in the first nine months of 2005 and 10.8% in the third quarter of 2005.

Professional

(€/million)	*9 months 2006*	*9 months 2005*	*3rd quarter 2006*	*3rd quarter 2005*
Net revenues	212.6	196.1	71.7	63.7
% change	*8.4%*		*12.5%*	
EBITDA	23.3	20.2	6.9	6.2
% of revenues	*10.9%*	*10.3%*	*9.6%*	*9.8%*

Household

The Household division reported a major increase in nine-month sales (+10.0% compared with the same period in 2005) mainly thanks to growth by coffee machines, small kitchen appliances and heating products.

Air-conditioner sales suffered from the high level of stocks accumulated by the trade during 2005.

Professional

The Professional division posted an increase in sales of water-filled radiators and large thermo-cooling systems, which more than made up for lower sales of wall-mounted air conditioners.

Markets

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

(€/million)	9 months 2006	9 months 2005	% change	3rd quarter 2006	3rd quarter 2005	% change
Geographical area						
Italy	221.0	215.2	2.7%	74.7	65.7	13.8%
United Kingdom	100.5	106.4	(5.6%)	36.9	37.5	(1.7%)
Rest of Europe (*)	344.2	308.7	11.5%	134.3	113.2	18.6%
North America	95.2	60.5	57.4%	52.7	30.3	74.1%
Japan	19.1	20.1	(4.8%)	9.4	10.4	(10.0%)
Rest of the world (*)	138.9	127.3	9.1%	34.7	46.7	(25.8%)
Total	**918.8**	**838.2**	**9.6%**	**342.6**	**303.8**	**12.8%**

(*) Commencing from the half-year report at 30 June 2006, revenues from sales in Russia (and countries in the former Soviet Union) have been classified in "Rest of Europe" rather than in "Rest of the world". As a result, the 2005 comparative sales relating to this market have been reclassified to "Rest of Europe".

Sales in Italy improved thanks to kitchen and food preparation products and large thermo-cooling systems, which more than made up for the drop in sales of wall-mounted air-conditioning units. This improvement continued in the third quarter with revenues climbing by 13.8% thanks to increased sales of coffee machines and heating products.

Assuming the same scope of consolidation, revenues in the United Kingdom were 1.6% lower in the first nine months of 2006 reflecting a dip in consumer spending, but 7.9% higher in the third quarter than in the same period of 2005 thanks to the strength of heating product sales.

Sales in North America were considerably higher, reporting an improvement of €34.7 million (or 57.4%) primarily thanks to increased sales of coffee machines and heating products.

The growth in the "Rest of Europe" particularly reflected performance on the Russian market which benefited from the investments made in the prior year (namely the purchase of the factory for producing radiators and the opening of a commercial office).

Profitability

Gross profit improved by €15.4 million from €326.5 million in the first nine months of 2005 to €341.9 million at the end of September 2006 (with the margin going from 38.9% to 37.2%) despite the change in the scope of consolidation.

This improvement, achieved in a period affected by inflationary pressures on raw materials and bought-in products, especially in the last quarter, reflected significantly higher profitability by the De'Longhi and Kenwood brands which benefited from the introduction of new products and the policy of shifting production abroad, helping make up for the drop in profitability by the Ariete brand.

The reduction in service and payroll costs as a percentage of revenues helped boost the growth in both EBITDA and EBIT; EBITDA improved from €64.3 million to €77.4 million (with the margin going from 7.7% to 8.4%), while EBIT increased from €36.3 million to €48.7 million (with the margin climbing from 4.3% to 5.3%).

Assuming the same scope of consolidation, EBITDA would have improved by €17.1 million (+28.4%) in the nine months and by €5 million (+16.1%) in the third quarter.

Assuming the same scope of consolidation, the Household segment reported an increase of €14 million in EBITDA in the first nine months of the year (+34.9%) and of €4.3 million in the third quarter (+17.4%), benefiting from good returns on those products reporting higher sales.

EBITDA in the Professional segment was €3.1 million higher in the first nine months of 2006 than in the corresponding period of 2005, representing an increase of 15.5%. Profitability benefited from the good results reported by large thermo-cooling systems and by industrial heating products. The Professional segment's third-quarter results were €0.6 million (or 10.6%) higher than in the same period of 2005, after being affected by the rise in the price of raw materials, particularly copper used in large thermo-cooling systems.

The first nine months of the year closed with €31.7 million in profit for the period compared with a profit of €2.9 million in the same period of 2005. This year's nine-month results benefited from a decrease in net financial expenses from €25.4 million last year to €9.9 million this year. One of the most important financial items this year was the capital gain arising on the sale of Elba S.p.A. Other financial expenses went up from €27 million to €33.5 million mainly due to the rise in interest rates.

Review of the balance sheet and financial position

The reclassified consolidated balance sheet is summarized below:

(€/million)	30.09.2006	31.12.2005	Change 30.09.06 – 31.12.05	30.09.2005	Change 30.09.06 – 30.09.05
Non-current assets	**692.7**	**730.2**	**(37.6)**	**721.5**	**(28.8)**
-Inventories	373.6	340.2	33.4	406.3	(32.7)
-Receivables	334.0	450.1	(116.0)	403.9	(69.9)
-Suppliers	(265.7)	(285.9)	20.2	(251.6)	(14.1)
-Other	(36.0)	(34.5)	(1.5)	(30.9)	(5.1)
Net working capital	**405.9**	**469.8**	**(63.9)**	**527.7**	**(121.8)**
Total non-current liabilities and provisions	(90.7)	(103.2)	12.4	(120.4)	29.7
Net capital employed	**1,007.9**	**1,096.9**	**(89.1)**	**1,128.7**	**(120.9)**
Net financial position	**396.6**	**511.4**	**(114.8)**	**563.6**	**(167.0)**
Total net equity	**611.2**	**585.5**	**25.7**	**565.1**	**46.1**
Total net borrowings and equity	**1,007.9**	**1,096.9**	**(89.1)**	**1,128.7**	**(120.9)**

The group's net financial position at the end of the third quarter is affected by the seasonal nature of sales which are concentrated in the last quarter of the year, with a resulting need to have sufficient inventories, which consequently absorb cash relative to the end of December.

The cash flow statement can be summarized as follows:

(€/million)	*9 months 2006*	*9 months 2005 pro-forma (*)*	*12 months 2005 pro-forma (*)*
Cash flow from operating activities	**(67.4)**	**(103.7)**	**(50.2)**
Cash flow generated by changes in equity accounts	(6.6)	(1.9)	(3.0)
Cash flow generated by deconsolidating Marka Finance S.A. and factoring receivables without recourse	112.1	-	-
Cash flow from sale of Elba S.p.A. (net of disposal costs)	76.6	-	-
Cash flow for the period	**114.8**	**(105.6)**	**(53.4)**
Opening net financial position	(511.4)	(458.0)	(458.0)
Closing net financial position	**(396.6)**	**(563.6)**	**(511.4)**

(*) The opening net financial position in the pro-forma cash flow statements at 31 December 2005 and 30 September 2005 includes €58.9 million in payables due to factors for receivables factored without recourse.

Investments in property, plant and equipment came to €25.8 million (€21.7 million in the same period of 2005), of which €6.5 million related to the installation of the column radiator production lines at the factory in Moimacco (Udine).

Net borrowings were considerably lower at the end of September 2006 than at 31 December 2005, reporting a balance of €396.6 million compared with €511.4 million nine months earlier, reflecting improved working capital management and the cash flows generated from the sale of Elba.

A total of €114.8 million in cash was generated in the first nine months of 2006 compared with €105.6 million in net cash absorption in the same period of 2006. Net cash flows for the period benefited from the proceeds from the sale of Elba S.p.A. and from the factoring of €112.1 million in receivables without recourse which, on the basis of intervening contractual amendments, have been excluded from the consolidated balance sheet since they now satisfy the IAS/IFRS requirement that their risks and rewards be substantially transferred to the factor.
The first nine months of the year have traditionally been a major absorber of cash. Excluding the net proceeds from the sale of Elba S.p.A. and the factoring of receivables without recourse, the amount of cash absorbed came down to €34.3 million in the first nine months of 2006 (from €105.6 million in the first nine months of 2005).

Related party transactions

The effects of transactions by De'Longhi S.p.A. and other group companies with ultimate parent companies, associated companies and related parties are reported in Appendix 1.

Subsequent events

During the month of October, De'Longhi purchased 83.3% of the RC Group for the sum of €31 million. This group is a leading manufacturer and seller of equipment for cooling mobile radio stations, for the precision cooling of computer and fixed telephony rooms, of liquid refrigeration systems and heat pumps.
The acquisition, driven by the highly complementary nature of the product range and of the commercial and manufacturing synergies, has further strengthened the group's position in the high-tech world of the Professional segment, especially in the European market for large thermo-cooling systems.
The RC Group, which reported €51 million in revenues and €5 million in EBITDA in 2005, will be consolidated with effect from 1 October 2006.

Outlook for the rest of 2006

The De'Longhi Group believes that its 2006 revenues will close with a significant increase on the figure of €1,257.7 million reported in 2005.

Treviso, 13 November 2006

for the Board of Directors
Vice Chairman and CEO
Fabio De'Longhi

CONSOLIDATED INCOME STATEMENT	9 months 2006	9 months 2005	3rd quarter 2006	3rd quarter 2005
REVENUES				
Revenues from sales and services	899.617	822.559	337.311	297.864
Other operating income and revenues	19.173	15.615	5.305	5.945
Total consolidated net revenues	***918.790***	***838.174***	***342.616***	***303.809***
Change in inventories of finished products and work in progress	(532.479)	(513.991)	(175.722)	(170.169)
Raw and ancillary materials, consumables and goods	46.360	93.889	(7.906)	9.502
Change in inventories of raw and ancillary materials, consumables and goods	6.886	7.343	(5.048)	1.920
Raw materials and consumables consumed	***(479.233)***	***(412.759)***	***(188.676)***	***(158.747)***
Payroll costs	(121.675)	(123.514)	(37.223)	(39.536)
Services and other operating expenses	(234.773)	(227.523)	(78.029)	(70.660)
Contingency and other provisions	(8.448)	(6.929)	(3.037)	(1.548)
Other income (expenses)	2.757	(3.142)	367	208
Amortization and depreciation	(28.729)	(28.042)	(9.614)	(9.961)
			-	-
EBIT	**48.689**	**36.265**	**26.404**	**23.565**
Financial income (expenses) from equity investments	24.941	-	-	-
Exchange gains (losses)	(1.310)	1.557	(450)	(3.818)
Other financial income (expenses)	(33.540)	(26.921)	(11.898)	(9.182)
Financial income (expenses)	***(9.909)***	***(25.364)***	***(12.348)***	***(13.000)***
Earnings before tax (EBT)	**38.780**	**10.901**	**14.056**	**10.565**
Taxes	(6.499)	(7.664)	(6.352)	(7.937)
PROFIT (LOSS) FROM ORDINARY OPERATIONS BEFORE MINORITY INTERESTS	**32.281**	**3.237**	**7.704**	**2.628**
Profit (loss) pertaining to minority interests	593	317	365	-
PROFIT (LOSS) PERTAINING TO THE GROUP	**31.688**	**2.920**	**7.339**	**2.628**
EARNINGS PER SHARE	**0,21**	**0,02**		

CONSOLIDATED ASSETS	30.09.2006	31.12.2005	30.09.2005
NON-CURRENT ASSETS			
INTANGIBLE ASSETS	395.667	418.779	419.408
- Goodwill	204.030	219.239	219.226
- Other intangible assets	191.637	199.540	200.182
PROPERTY, PLANT AND EQUIPMENT	236.700	263.842	246.240
- Land, property, plant and machinery	198.549	218.139	199.432
- Other tangible assets	38.151	45.703	46.808
EQUITY INVESTMENTS AND OTHER FINANCIAL ASSETS	8.953	8.865	10.710
- Equity investments (in associated companies)	6.311	6.496	7.774
- Equity investments (other)	204	221	76
- Receivables	2.438	2.148	2.860
DEFERRED TAX ASSETS	52.517	40.022	47.108
TOTAL NON-CURRENT ASSETS	693.837	731.508	723.466
CURRENT ASSETS			
INVENTORIES	373.589	340.210	406.275
TRADE RECEIVABLES	334.018	450.064	403.940
CURRENT TAX ASSETS	14.003	12.338	12.993
OTHER RECEIVABLES	22.637	19.062	21.299
CURRENT FINANCIAL RECEIVABLES AND ASSETS	8.072	1.662	3.504
CASH AND CASH EQUIVALENTS	99.233	177.031	100.257
TOTAL CURRENT ASSETS	851.552	1.000.367	948.268
TOTAL ASSETS	**1.545.389**	**1.731.875**	**1.671.734**

CONSOLIDATED NET EQUITY AND LIABILITIES	30.09.2006	31.12.2005	30.09.2005
NET EQUITY			
GROUP PORTION OF NET EQUITY	608.822	583.781	562.570
- Share capital	448.500	448.500	448.500
- Reserves	128.634	110.461	111.150
- Profit (Loss) for the period	31.688	24.820	2.920
MINORITY INTERESTS	2.412	1.754	2.538
TOTAL NET EQUITY	611.234	585.535	565.108
NON-CURRENT LIABILITIES			
FINANCIAL PAYABLES	252.394	234.477	230.569
- Bank loans and borrowings (long-term portion)	234.489	217.823	224.189
- Other financial payables (long-term portion)	17.905	16.654	6.380
DEFERRED TAX LIABILITIES	16.773	16.715	40.795
NON-CURRENT PROVISIONS FOR CONTINGENCIES AND OTHER CHARGES	73.942	86.435	79.650
- Employee benefits	39.260	42.824	39.530
- Other provisions	34.682	43.611	40.120
TOTAL NON-CURRENT LIABILITIES	343.109	337.627	351.014
CURRENT LIABILITIES			
TRADE PAYABLES	265.690	285.932	251.590
FINANCIAL PAYABLES	252.700	456.885	438.805
- Bank loans and borrowings (short-term portion)	242.448	313.751	309.382
- Other financial payables (short-term portion)	10.252	143.134	129.423
CURRENT TAX LIABILITIES	17.203	25.149	18.365
OTHER PAYABLES	55.453	40.747	46.852
TOTAL CURRENT LIABILITIES	591.046	808.713	755.612
TOTAL NET EQUITY AND LIABILITIES	**1.545.389**	**1.731.875**	**1.671.734**

CONSOLIDATED CASH FLOW STATEMENT	9 months 2006
Profit (loss) for the period	31.688
Capital (gains) losses on disposal of equity investments and deconsolidation of Marka Finance	(25.083)
Amortization and depreciation	28.729
Net change in provisions and writedowns	(16.182)
Cash flow generated (absorbed) by current operations (A)	**19.152**
Change in assets and liabilities for the period:	
Trade receivables	(17.926)
Inventories	(46.932)
Trade payables	4.072
Other current assets and liabilities	(4.129)
Cash flow generated (absorbed) by movements in working capital (B)	**(64.915)**
Investment activities	
Net investments in intangible assets	(7.606)
Net investments in property, plant and equipment	(13.585)
Net investments in equity investments and other financial assets	(410)
Cash flow from sale of Elba S.p.A. (net of disposal costs)	76.637
Cash flow generated (absorbed) by investment activities (C)	**55.036**
Changes in net equity for IAS 32 and 39	(1.880)
Payment of dividends	(2.990)
Change in currency translation reserve	(2.378)
Increase (Decrease) in minority interests in share capital	659
Cash flow generated by changes in equity accounts (D)	**(6.589)**
Effect of factoring receivables without recourse (E)	**112.096**
Cash flow for the period (A+B+C+D+E)	**114.780**
Opening net financial position	**(511.398)**
Cash flow for the period (A+B+C+D+E)	114.780
Closing net financial position	**(396.618)**

	SHARE CAPITAL	SHARE PREMIUM RESERVE	LEGAL RESERVE	OTHER RESERVES	FAIR VALUE RESERVE	PROFIT (LOSS) CARRIED FORWARD	PROFIT (LOSS) FOR THE PERIOD	TOTAL
Balance at 1 January 2005	448.500	325	4.839	41.834	(1.507)	30.795	35.329	560.115
Allocation of 2004 result as per AGM resolution of 28 April 2005								
- payment of dividends							(8.970)	(8.970)
- allocation to reserves			554	1.551		3.915	(6.020)	-
Allocation to reserves of effects of 2004 adoption of IAS/IFRS						20.339	(20.339)	-
Change in fair value reserve					887			887
Adoption of IAS 19						(54)		(54)
Difference from conversion of foreign companies' financial statements into euro						6.983		6.983
Profit for the year							24.820	24.820
Balance at 31 December 2005	448.500	325	5.393	43.385	(620)	61.978	24.820	583.781
Allocation of 2005 result as per AGM resolution of 27 April 2006								
- payment of dividends							(2.990)	(2.990)
- allocation to reserves			200	808		20.822	(21.830)	-
Change in fair value reserve					(1.279)			(1.279)
Difference from conversion of foreign companies' financial statements into euro						(2.378)		(2.378)
Profit for the period							31.688	31.688
Balance at 30 September 2006	448.500	325	5.593	44.193	(1.899)	80.422	31.688	608.822

Explanatory notes

Accounting standards
This quarterly report has been prepared in accordance with CONSOB Regulation 11971 of 14 May 1999 and subsequent amendments.

The figures for the period have been prepared on the basis of the international accounting and financial reporting standards issued by the *International Accounting Standards Board* (IASB), including the SIC and IFRIC interpretations, as adopted to date by the European Commission, pursuant to EC Regulation 1606 of 19 July 2002. More specifically this quarterly report has been prepared in accordance with IAS 34 - *Interim Financial Reporting.*
The following documents have been used for interpretation and application purposes even though not adopted by the European Commission:
- *Framework for the Preparation and Presentation of Financial Statements* (issued by the IASB in 2001);
- *Implementation Guidance, Basis for Conclusions, IFRIC* and other documents issued by the IASB or IFRIC complementing the accounting standards;
- Interpretational documents on how to apply IAS/IFRS in Italy, prepared by the Italian Accounting Board.

The De'Longhi Group took up the option allowed by IFRS 1 for first-time adopters to apply IFRS starting from the quarterly report at 30 September 2005, with 1 January 2004 as the transition date to IFRS.

The accounting policies and measurement bases are the same as those used for preparing the comparative figures at 30 September 2005 and the consolidated financial statements at 31 December 2005, to which the reader should refer for more information on such policies and measurement bases.
Based on the provisions of IAS 34, the interim financial report is presented in a condensed format and does not include all the information required in annual financial reports.
Furthermore, interim financial statements require using valuation processes that are generally carried out more completely when preparing the annual financial report. In addition, sales in the small household appliances sector tend to be seasonal, with a consequent effect on the principal components of the income statement.

As regards the comparative periods, it is reported that for the purposes of consistent comparison a number of income statement and balance sheet reclassifications have been made to the figures previously published at 30 September 2005, which have not however affected the profit for the period or the group's portion of net equity.
The third quarter 2005 result is €0.1 million lower than the figure previously published in the quarterly report at 30 September 2005, following a more exact calculation of the tax due at 30 June 2005 when preparing the half-year report at 30 June 2006.

This report is expressed in thousands of euro, which is the reporting currency of the parent company and the group's principal companies.

Scope of consolidation

The scope of consolidation includes the financial statements at 30 September 2006 of the parent company, De'Longhi S.p.A., and of the companies in which it directly or indirectly owns the majority of share capital or shares with voting rights, or over which it has the power, including through contractual agreements, to govern their financial and operating policies.
There have been no significant changes in the scope of consolidation since 30 June 2006.

COMMENTS ON THE INCOME STATEMENT

1. REVENUES

Revenues, comprising revenues from sales and services and other operating income and revenues, are broken down as follows:

Revenues by business segment

Revenues are broken down by business segment as follows:

	30.09.2006	30.09.2005	Change	% change
Business segments:				
Household	706,150	642,035	64,115	10.0%
Professional	212,640	196,139	16,501	8.4%
Total	**918,790**	**838,174**	**80,616**	**9.6%**

Revenues by geographical area

Revenues are broken down by geographical segment as follows:

	30.09.2006	30.09.2005	Change	% change
Geographical area:				
Italy	220,954	215,206	5,748	2.7%
United Kingdom	100,451	106,381	(5,930)	(5.6%)
Rest of Europe	344,209	308,735	35,474	11.5%
North America	95,207	60,477	34,730	57.4%
Japan	19,082	20,053	(971)	(4.8%)
Rest of the world	138,887	127,322	11,565	9.1%
Total	**918,790**	**838,174**	**80,616**	**9.6%**

More information can be found in the Report on operations.

2. SERVICES AND OTHER OPERATING EXPENSES

These are detailed as follows:

	30.09.2006	30.09.2005	Change
Transport (for purchases and sales)	51,881	54,636	(2,755)
Advertising	14,428	18,570	(4,142)
Promotional expenses	30,141	28,786	1,355
Subcontracted work	15,933	13,489	2,444
Commissions	16,671	15,826	845
Technical support	10,028	7,400	2,628
Travel and entertaining	9,959	10,165	(206)
Insurance	3,104	3,466	(362)
Storage and warehousing	12,181	12,132	49
Consulting services	7,717	8,135	(418)
Power	7,164	6,235	929
Postage, telegraph and telephones	3,390	3,467	(77)
Maintenance	3,366	3,001	365
Other services	20,199	18,107	2,092
Rentals and leasing	16,723	15,852	871
Total services	**222,885**	**219,267**	**3,618**
Out-of-period losses	1,167	943	224
Sundry taxes	6,508	5,045	1,463
Bad debts	17	65	(48)
Other	4,196	2,203	1,993
Total other operating expenses	**11,888**	**8,256**	**3,632**
Total services and other operating expenses	**234,773**	**227,523**	**7,250**

"Rentals and leasing" at 30 September 2006 consist of premises rental (€13,015 thousand), operating lease payments (€662 thousand), royalties (€1,051 thousand) and equipment hire (€1,995 thousand).

3. AMORTIZATION AND DEPRECIATION

These charges comprise:

	30.09.2006	30.09.2005	Change
Amortization of intangible assets	8,663	8,955	(292)
Depreciation of property, plant and equipment	20,066	19,087	979
Total	**28,729**	**28,042**	**687**

4. OTHER INCOME (EXPENSES)

These mainly consist of income (expenses) recognized in the period in relation to non-recurring events or prior periods.

5. FINANCIAL INCOME (EXPENSES)

Net financial income and expenses are broken down below:

	30.09.2006	30.09.2005	Change
Net capital gain on sale of Elba S.p.A.	26,430	-	26,430
Effect of deconsolidating Marka Finance S.A.	(1,501)	-	(1,501)
Other income from equity investments	12	-	12
Total financial income (expenses) from equity investments	**24,941**	**-**	**24,941**
Exchange gains (losses)	**(1,310)**	**1,557**	**(2,867)**
Interest expense and other bank charges	(26,820)	(20,952)	(5,868)
Financial discounts	(6,501)	(5,725)	(776)
Other financial income (expenses)	(219)	(244)	25
Total other financial income (expenses)	**(33,540)**	**(26,921)**	**(6,619)**
Total financial income (expenses)	**(9,909)**	**(25,364)**	**15,455**

COMMENTS ON THE BALANCE SHEET

6. INTANGIBLE ASSETS

These are broken down as follows:

	30.09.2006	31.12.2005	Change
Goodwill	204,030	219,239	(15,209)
Trademarks	166,346	174,138	(7,792)
Other assets	25,291	25,402	(111)
Total	**395,667**	**418,779**	**(23,112)**

"Trademarks and similar rights" include €113.8 million in trademarks viewed as having an indefinite useful life under the criteria specified in IAS 38.

Other assets relate mostly to patents and the capitalization of new product development costs.

7. INVENTORIES

These are broken down as follows:

	30.09.2006	31.12.2005	Change
Raw, ancillary and consumable materials	65,206	64,311	895
Work in progress and semi-finished products	29,786	27,240	2,546
Finished products and goods	278,597	248,659	29,938
Total	**373,589**	**340,210**	**33,379**

The value of inventories is adjusted by a provision for obsolete or slow-moving goods totalling €27,334 thousand (€27,983 thousand at 31 December 2005), in relation to products and raw materials no longer deemed to be of strategic interest.

8. TRADE RECEIVABLES

These are broken down as follows:

	30.09.2006	31.12.2005	Change
Trade receivables			
- due within 12 months	342,933	347,410	(4,477)
- due beyond 12 months	25	29	(4)
Provision for doubtful accounts	(9,743)	(10,493)	750
Total	**333,215**	**336,946**	**(3,731)**
Assigned receivables (*)	803	113,118	(112,315)
Total	**334,018**	**450,064**	**(116,046)**

(*) These refer to receivables factored without recourse whose risks and rewards have not been substantially transferred to the factor. As a result, they continue to be reported in the balance sheet.

Trade receivables have gone down by €116,046 thousand. This reduction partly reflects the different accounting treatment adopted at September 2006 relative to December 2005 for the assignment of receivables without recourse (ie. securitizations and without recourse assignments to factors). These receivables (totalling €72,492 thousand at 30 September 2006) have been derecognized as a result of intervening contractual amendments resulting in the substantial transfer of the risks and rewards of the receivables to the assignee, as required by IAS/IFRS.

In accordance with the disclosure required by CONSOB Circular 3369 of 9 April 1997, we report that the total amount of receivables securitized by the parent company and its subsidiaries in the period from January to the end of September 2006 was €144,125 thousand.

Trade receivables are stated net of a provision for doubtful accounts of €9,743 thousand, representing a reasonable estimate of the expected risk at the reporting date. Provisions are prudently made against a number of disputed receivables or those whose collection is otherwise in doubt, taking account of the fact that a significant portion of the receivables is covered by major insurers.

9. CASH AND CASH EQUIVALENTS

This balance consists of surplus liquidity on bank current accounts, mostly relating to customer payments received at period end.

Some of the group's foreign companies have a total of €62.1 million in cash on current accounts held at the same bank. These cash balances form part of the international cash pooling system and are partially offset by €59.7 million in overdrafts held by certain other foreign companies with the same bank. This bank therefore acts as a "clearing house" for the group's positive and negative cash balances. Considering the substance of the transactions and technical workings of the international cash pooling system, the positive and negative cash balances have been netted against one another within the consolidated balance sheet.

The bank in question has been given a lien over all the cash balances within the international cash pooling system in respect of this service.

10. NET FINANCIAL POSITION

This is analyzed as follows:

	30.09.2006	31.12.2005	Change
A. Cash	1,809	1,328	481
B. Cash equivalents	97,424	175,703	(78,279)
C. Securities	4,978	656	4,322
D. Total liquidity (A+B+C)	**104,211**	**177,687**	**(73,476)**
E 1. Current financial receivables	**3,094**	**1,006**	**2,088**
E 2. Non-current financial receivables (*)	**1,171**	**1,271**	**(100)**
F. Current bank loans and borrowings	(144,785)	(122,061)	(22,724)
G. Current portion of non-current debt (**)	(97,663)	(191,690)	94,027
H. Other current financial payables	(10,252)	(143,134)	132,882
I. Current financial debt (F+G+H)	**(252,700)**	**(456,885)**	**204,185**
J. Net current financial debt (D+E 1+E 2+I)	**(144,224)**	**(276,921)**	**132,697**
K. Non-current bank loans and borrowings	(234,489)	(217,823)	(16,666)
L. Bonds	-	-	-
M. Other non-current payables	(17,905)	(16,654)	(1,251)
N. Non-current financial debt (K+L+M)	**(252,394)**	**(234,477)**	**(17,917)**
Total	**(396,618)**	**(511,398)**	**114,780**

(*) This amount differs from that reported in the balance sheet (€2,438 thousand at 30 September 2006 and €2,148 thousand at 31 December 2005) because the balance sheet amount includes €999 thousand in non-financial receivables (€877 thousand at 31 December 2005).

(**) The amount at 31 December 2005 includes €95,223 thousand reclassified from non-current liabilities as required by IAS 1.

Transactions and balances with ultimate parent companies, associated companies and related parties.

Appendix 1 contains the information concerning transactions and balances between group companies and related parties required by CONSOB Regulations 97001574 dated 20 February 1997, 98015375 dated 27 February 1998 and DEM/2064231 dated 30 September 2002. All transactions fall within the group's normal operations and are settled under arm's-length terms and conditions.

Transactions and balances between the parent company and subsidiaries are not reported since these have been eliminated upon consolidation.

Treviso, 13 November 2006

for the Board of Directors
Vice Chairman and CEO
Fabio De'Longhi

APPENDIX 1

Transactions and balances with ultimate parent companies, associated companies and related parties.
In compliance with the guidelines and methods for identifying significant transactions, especially those with related parties covered by De'Longhi S.p.a.'s rules on corporate governance, we shall now present information concerning transactions with related parties during the first nine months of 2006.

All transactions fall within the group's normal operations and are settled under arm's-length terms and conditions.

Transactions with associated companies and related parties are mostly of a commercial nature (purchase/sale of finished products and/or services).

(€/million)	**Revenues from sales**	**Raw material and other costs**	**Trade and other receivables**	**Trade payables**
Subsidiaries: (1)				
Top Clima S.A.	10.0	(0.1)	4.2	(0.1)
Ayre S.A.		(0.3)		(0.1)
Total subsidiaries	**10.0**	**(0.4)**	**4.2**	**(0.2)**
Associated companies: (1)				
Omas S.r.l.	0.1	(0.3)	0.3	(0.1)
EffeGiCi S.r.l.		(0.2)		(0.1)
Total associated companies	**0.1**	**(0.5)**	**0.3**	**(0.2)**
Total subsidiaries and associated companies	**10.1**	**(0.9)**	**4.6**	**(0.4)**
Ultimate parent companies:				
De'Longhi Soparfi S.A. (2)	0.4		0.5	
Total ultimate parent companies	**0.4**		**0.5**	
Related parties: (1)				
Max Information S.r.l. (3)		(0.6)		
Mokarabia S.p.A.		(0.1)		
Total related parties		**(0.7)**		

(1) These mostly refer to dealings of a commercial nature.
(2) These refer to receivables for the recharge of services rendered.
(3) These refer to advertising services; Max Information S.r.l. is a company in which Mr. G. Sandri, a director of De'Longhi S.p.A., serves as a director.

Other than the above, there are no transactions with related parties except for the professional fees paid to the firm of Biscozzi e Nobili during the first nine months of 2006.

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