Interim management statement at 30 September 2008

INTERIM MANAGEMENTSTATEMENTAT30SEPTEMBER2008

Company officers *

Board of Directors

GIUSEPPE DE'LONGHI	Chairman
FABIO DE'LONGHI	Vice Chairman and Chief Executive Officer
ALBERTO CLÒ **	Director
RENATO CORRADA **	Director
SILVIA DE'LONGHI	Director
CARLO GARAVAGLIA	Director
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 member
ENRICO PIAN	Alternate member

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 18 April 2007 for the period 2007-2009; Silvia De'Longhi was appointed as a director at the shareholders' meeting held on 22 April 2008.
** Independent directors.
*** Extension of audit engagement to financial years 2007-2008-2009 approved by the shareholders' meeting of 18 April 2007.

Overview of the group's results, balance sheet and financial position

The De'Longhi Group closed the first nine months of 2008 with an increase in revenues and margins despite the adverse economic and financial context, causing a general downturn in consumption in its major markets, and despite the unfavourable weather conditions both for air-conditioning and heating and the negative impact of exchange rate movements on revenues.

Notwithstanding all this, revenues climbed by 3.4% to €1,052.3 million; revenue growth at constant exchange rates would have been 7.2%, with most of the negative impact due to appreciation of the euro against the GB pound (+15.6%) and US dollar (+13.2%).
EBITDA before non-recurring income/expenses came to €107.7 million, reporting a margin of 10.2% (10.3% in the same period of 2007).

Although the third quarter of 2008 saw a deepening of the financial crisis and slowing in consumption, the group's sales were largely in line with the same period of 2007 on a constant exchange rate basis (-0.8%), even if 4% lower in absolute terms.

Third-quarter EBITDA before non-recurring income/expenses amounted to €44.6 million, with a margin of 12.2% compared with 12.5% in 2007.

The group's net financial position reported net borrowings of €416.2 million at the end of September 2008 compared with €419.7 million at 30 September 2007. This reduction reflects a lower amount of receivables factored and a series of non-recurring events in the past twelve months; ignoring the impact of such events, the group's borrowings at 30 September 2008 would have been €2.5 million higher than at 30 September 2007.

The principal consolidated figures for the first nine months and third quarter of 2008 are as follows:

Income statement data

(€/million)	**30.09.2008 (9 months)**	**% revenues**	**30.09.2007 (9 months)**	**% revenues**	**3rd quarter 2008**	**% revenues**	**3rd quarter 2007**	**% revenues**
Revenues	1,052.3	100.0%	1,017.6	100.0%	365.9	100.0%	381.0	100.0%
Change	*34.7*	*3.4%*			*(15.2)*	*(4.0%)*		
Change at constant exchange rates		*7.2%*				*(0.8%)*		
Gross profit	421.4	40.0%	395.6	38.9%	142.4	38.9%	145.5	38.2%
EBITDA before non-recurring income/expenses	107.7	10.2%	105.0	10.3%	44.6	12.2%	47.5	12.5%
Change	*2.7*	*2.6%*			*(2.9)*	*(6.1%)*		
EBITDA	111.9	10.6%	97.3	9.6%	51.2	14.0%	45.5	11.9%
Change	*14.6*	*15.0%*			*5.7*	*12.6%*		
EBIT	82.0	7.8%	68.2	6.7%	40.8	11.1%	35.5	9.3%
Change	*13.8*	*20.3%*			*5.3*	*14.8%*		
Profit (loss) pertaining to the group	32.2	3.1%	19.9	2.0%	19.3	5.3%	16.4	4.3%

Balance sheet and financial data

(€/million)	**30.09.2008**	**30.09.2007**	**31.12.2007**
Net working capital	445.5	417.6	363.4
Net capital employed	1,073.4	1,042.8	986.5
Net financial position	(416.2)	(419.7)	(355.9)

Content of the interim management statement

This document relating to the unaudited consolidated results at 30 September 2008 constitutes the interim management statement required by article 154-ter of Decree 58/98.
The information on operations refers to the first nine months and third quarter of 2008, compared with the corresponding periods in 2007. The balance sheet information refers to 30 September 2008, 31 December 2007 and 30 September 2007. This report includes details of any significant transactions, including with related parties.
The format of the financial statements presented herein is comparable with the reclassified statements presented in the report on operations contained in the half-year and annual reports.

The consolidated data has been prepared using the same consolidation procedures and accounting policies as those described in the annual report, to which the reader should refer.

The figures contained in this document, including some of the percentages, have been rounded relative to their full euro amount. As a result, some of the totals in the tables may differ from the sum of the individual amounts presented.

Group results

The reclassified consolidated income statement is presented below:

(€/million)	30.09.2008 (9 months)	% revenues	30.09.2007 (9 months)	% revenues	3rd quarter 2008	% revenues	3rd quarter 2007	% revenues
Net revenues	**1,052.3**	100.0%	**1,017.6**	100.0%	**365.9**	100.0%	**381.0**	100.0%
Change	*34.7*	*3.4%*			*(15.2)*	*(4.0%)*		
Materials consumed & production costs (services and production payroll costs)	(630.9)	(60.0%)	(622.0)	(61.1%)	(223.5)	(61.1%)	(235.6)	(61.8%)
Gross profit	**421.4**	**40.0%**	**395.6**	**38.9%**	**142.4**	**38.9%**	**145.5**	**38.2%**
Services & other expenses and provisions	(227.7)	(21.6%)	(213.9)	(21.0%)	(70.4)	(19.2%)	(72.9)	(19.1%)
Payroll (non-production)	(85.9)	(8.2%)	(76.7)	(7.5%)	(27.4)	(7.5%)	(25.0)	(6.6%)
EBITDA before non-recurring income/expenses	**107.7**	**10.2%**	**105.0**	**10.3%**	**44.6**	**12.2%**	**47.5**	**12.5%**
Change	*2.7*	*2.6%*			*(2.9)*	*(6.1%)*		
Other non-recurring income (expenses)	4.2	0.4%	(7.7)	(0.8%)	6.6	1.8%	(2.0)	(0.5%)
EBITDA	**111.9**	**10.6%**	**97.3**	**9.6%**	**51.2**	**14.0%**	**45.5**	**11.9%**
Change	*14.6*	*15.0%*			*5.7*	*12.6%*		
Amortization and depreciation	(29.8)	(2.8%)	(29.1)	(2.9%)	(10.5)	(2.9%)	(10.0)	(2.6%)
EBIT	**82.0**	**7.8%**	**68.2**	**6.7%**	**40.8**	**11.1%**	**35.5**	**9.3%**
Change	*13.8*	*20.3%*			*5.3*	*14.8%*		
Financial income (expenses)	(39.1)	(3.7%)	(34.2)	(3.4%)	(16.3)	(4.5%)	(11.1)	(2.9%)
Profit before taxes	**42.9**	**4.1%**	**34.0**	**3.3%**	**24.4**	**6.7%**	**24.4**	**6.4%**
Taxes	(10.4)	(1.0%)	(13.7)	(1.3%)	(5.1)	(1.4%)	(7.8)	(2.0%)
Profit (loss) after taxes	**32.5**	**3.1%**	**20.3**	**2.0%**	**19.3**	**5.3%**	**16.7**	**4.4%**
Profit (loss) pertaining to minority interests	0.3	0.0%	0.4	0.0%	0.0	0.0%	0.2	0.1%
Profit (loss) pertaining to the group	**32.2**	**3.1%**	**19.9**	**2.0%**	**19.3**	**5.3%**	**16.4**	**4.3%**

Following the group's reorganization, its Household and Professional Divisions have been joined by the Corporate Division, which principally comprises the activities of the parent company De'Longhi S.p.A. and certain subsidiaries which provide the group with corporate services.

The group's results of operations by segment are summarized in the following table:

	3rd quarter 2008				3rd quarter 2007		
(€/million)	Household	Professional	Corporate	Consolidated total	Household	Professional	Consolidated total
Net revenues	266.1	100.9	4.2	**365.9**	288.4	97.4	**381.0**
Change 2008/2007	*(22.3)*	*3.5*					
% change	*(7.7%)*	*3.6%*					
EBITDA before non-recurring income/expenses	34.2	11.5	(0.9)	**44.6**	37.4	10.4	**47.5**
Change 2008/2007	*(3.2)*	*1.1*					
% of revenues	*12.9%*	*11.4 %*		***12.2%***	*13.0%*	*10.6%*	***12.5%***

Total segment revenues are reconciled to the consolidated figures by eliminating certain intersegment transactions, amounting to €5.4 million in the third quarter of 2008 and €4.8 million in the third quarter of 2007.

	30.09.2008 (9 months)				30.09.2007 (9 months)		
(€/million)	Household	Professional	Corporate	Consolidated total	Household	Professional	Consolidated total
Net revenues	760.6	305.3	12.6	**1,052.3**	737.7	300.9	**1,017.6**
Change 2008/2007	*23.0*	*4.4*					
% change	*3.1%*	*1.5%*					
EBITDA before non-recurring income/expenses	80.4	31.3	(3.8)	**107.7**	70.0	35.1	**105.0**
Change 2008/2007	*10.3*	*(3.8)*					
% of revenues	*10.6%*	*10.3%*		***10.2%***	*9.5%*	*11.7%*	***10.3%***

Total segment revenues are reconciled to the consolidated figures by eliminating certain intersegment transactions, amounting to €26.1 million at 30 September 2008 and €21.0 million at 30 September 2007.

Third-quarter revenues were 4% lower than in 2007 at €365.9 million, mainly due to adverse exchange rate movements; the decrease at constant exchange rates would have been 0.8%.
The Household Division reported a 7.7% drop in revenues, while the Professional Division enjoyed growth of 3.6%, largely driven by a recovery in sales of industrial heating which had suffered in previous quarters.

Nine-month revenues - at €1,052.3 million - were 3.4% higher than in the corresponding period of 2007; the increase at constant exchange rates would have been 7.2%.

The Household Division reported a 3.1% increase in nine-month revenues thanks to good results for coffee machines and despite lower sales of portable air-conditioning and heating products due to unfavourable weather conditions.
Given the previous analysis of consolidated results by business segment (in which the new Corporate Division's results were included in the Household Division), the current results are not significantly different to those previously presented (revenues would have been €4.4 million higher at 30 September 2008, while EBITDA before non-recurring income/expenses would have been €3.8 million lower).

The Professional Division reported a 1.5% increase in revenues thanks to good sales growth for large and precision thermo-cooling systems by the Climaveneta and RC brands, as partially offset by a reduction in industrial heating sales, with good third-quarter performance not enough to make up for contraction in the previous two quarters.

In terms of performance on individual markets, sales in Europe and the rest of the world were higher, with particular improvements in Germany, Russia, Spain and Holland; sales were down in Italy, reflecting lower consumer spending in general, in North America and in the United Kingdom, reflecting economic uncertainty and the negative impact of a stronger euro.

Third-quarter EBITDA before non-recurring income/expenses came to €44.6 million compared with €47.5 million in 2007; the Household Division reported €34.2 million in EBITDA, with the margin of 12.9% in line with 2007; Professional Division EBITDA was €11.5 million, with the margin up from 10.6% in 2007 to 11.4% in 2008.

EBITDA before non-recurring income/expenses was €107.7 million in the first nine months of 2008, up 2.6% on 2007; the margin came down from 10.3% in 2007 to 10.2% in 2008. The improvement in EBITDA benefited from higher gross profit, which increased from €395.6 million in 2007 to €421.4 million this year, with the margin climbing from 38.9% in 2007 to 40% in the same period of 2008. This improvement was due to the product mix and the benefits of a weaker dollar, which were limited by the group's currency risk hedging policies.

Services & other expenses and provisions were €13.9 million higher in the first nine months of this year and included €51.6 million in advertising and promotion costs (€48.6 million in 2007).

The increase in non-production payroll costs, from €76.7 million in the first nine months of 2007 to €85.9 million in the corresponding period of 2008, is mainly due to changes in the scope of consolidation and the recognition of provisions for long-term benefits.

Nine-month EBIT was 20.3% higher at €82 million; EBIT includes the benefits of non-recurring income, primarily relating to receipt of the insurance claim against the 2007 fire, net of non-recurring expenses incurred for restructuring certain commercial activities.

Net financial expenses increased by €4.9 million at 30 September 2008, mainly as a result of higher exchange rates and bigger exchange losses on certain key markets.

The result after taxes was a profit of €32.2 million, up €12.2 million on 30 September 2007, having benefited from lower taxes thanks to a number of extraordinary transactions to realign the tax and accounting values of certain group businesses, completed during the first nine months of this year.

Review of the balance sheet and financial position

The reclassified consolidated balance sheet is presented below:

(€/million)	30.09.2008	30.09.2007	31.12.2007	Change 30.09.08 – 30.09.07	Change 30.09.08 – 31.12.07
- Intangible assets	425.8	418.1	421.4	7.7	4.4
- Property, plant and equipment	243.4	243.9	248.4	(0.5)	(5.0)
- Financial assets	4.5	5.0	4.8	(0.5)	(0.4)
- Deferred tax assets	42.3	45.2	34.8	(3.0)	7.5
Non-current assets	**715.9**	**712.2**	**709.4**	**3.7**	**6.5**
- Inventories	428.8	403.1	335.2	25.7	93.6
- Trade receivables	359.2	349.5	378.0	9.8	(18.7)
- Trade payables	(294.9)	(319.4)	(333.7)	24.5	38.8
- Other payables (net of receivables)	(47.6)	(15.6)	(16.2)	(31.9)	(31.4)
Net working capital	**445.5**	**417.6**	**363.4**	**28.0**	**82.2**
- Deferred tax liabilities	(17.8)	(23.1)	(19.2)	5.2	1.3
- Employee benefits	(34.5)	(34.7)	(35.7)	0.2	1.3
- Other provisions	(35.8)	(29.3)	(31.3)	(6.5)	(4.5)
Total non-current liabilities and provisions	**(88.1)**	**(87.1)**	**(86.2)**	**(1.0)**	**(1.8)**
Net capital employed	**1,073.4**	**1,042.8**	**986.5**	**30.6**	**86.8**
Net financial position	**416.2**	**419.7**	**355.9**	**(3.5)**	**60.3**
Total net equity	**657.2**	**623.1**	**630.7**	**34.1**	**26.5**
Total net borrowings and equity	**1,073.4**	**1,042.8**	**986.5**	**30.6**	**86.8**

Net working capital increased by €28.0 million relative to 30 September 2007 mostly because of an increase in inventories and a reduction in trade payables as offset by a reduction in "Other receivables" mainly relating to receipt of the insurance claim.
Net working capital turnover came down from 35.6% at 30 September 2007 to 35.3% at 30 September 2008, before the benefits of factoring receivables without recourse.

Inventories increased by €25.7 million relative to 30 September 2007. Assuming the same scope of consolidation and excluding the impact of the fire on the figures at 30 September 2007, the increase would have been €12.3 million (+2.9%). This increase mainly reflects higher inventories of products for coffee machines, in view of fourth-quarter sales projections, and of products for portable air-conditioning, after sales suffered from the poor summer weather.

Trade receivables were €9.8 million higher than at 30 September 2007; assuming the same scope of consolidation and before the benefits of factoring receivables without recourse, trade receivables would have been €4 million lower, partly reflecting the shift of the group's sales mix towards less seasonal products and towards countries with better terms of payment; this structural change in business has brought about a consequent improvement in the management of trade receivables.

The net financial position reported net borrowings of €416.2 million, €3.5 million less than at 30 September 2007, reflecting a series of non-recurring events in the past twelve months.

The acquisition of equity investments in the fourth quarter of 2007 and in the first nine months of 2008 (inclusive of the related debt and recognition of call options), net of the disposal of properties no longer deemed to be of strategic value to the group, gave rise to an increase of €12.0 million, as partially offset by a change of €9.8 million in the fair value of derivatives.
The effects of the fire in April 2007 should also be taken into account: these amount to €17.7 million, reflecting settlement of the claim in September 2008 and the extraordinary expenditure required to restore production capacity after the fire.

Ignoring the impact of these events and the reduction of €9.5 million in receivables factored without recourse, the group's net borrowings at 30 September 2008 would have been €2.5 million higher than at 30 September 2007.

The cash flow statement can be summarized as follows:

(€/million)	**30.09.2008 (9 months)**	**30.09.2007 (9 months)**	**31.12.2007 (12 months)**
Cash flow generated (absorbed) by current operations and changes in working capital	(63.8)	(38.8)	65.1
Cash flow generated (absorbed) by investment activities	(25.5)	(35.4)	(40.6)
Cash flow generated (absorbed) by operating activities	**(89.3)**	**(74.2)**	**24.4**
Non-recurring cash flow (*)	29.3	(11.2)	(43.4)
Payment of dividends	(9.0)	(9.0)	(9.0)
Cash flow generated (absorbed) by changes in fair value and cash flow hedge reserves	7.3	(6.5)	(7.0)
Change in currency translation reserve	1.2	(4.4)	(6.8)
Change in minority interests in net equity	0.2	0.3	0.4
Cash flow generated (absorbed) by changes in equity accounts	**(0.3)**	**(19.6)**	**(22.3)**
Cash flow for the period	**(60.3)**	**(105.1)**	**(41.3)**
Opening net financial position	(355.9)	(314.6)	(314.6)
Closing net financial position	**(416.2)**	**(419.7)**	**(355.9)**

(*) Includes cash flow generated (absorbed) by extraordinary investment activities and by the fire in April 2007.

Cash flow in the first nine months of the year traditionally features a general absorption of the cash balances reported at 31 December of the previous year. Cash flow in the first nine months of 2008 was a negative €60.3 million (€105.1 million in the first nine months of 2007).

The following table summarizes the principal changes in net equity in the first nine months of 2008:

(€/million)	Group portion of net equity	Minority interests in net equity	Total net equity
Net equity at 31 December 2007	**625.2**	**5.5**	**630.7**
Payment of dividends	(9.0)	(0.2)	(9.2)
Change in scope of consolidation	-	(3.4)	(3.4)
Movement in cash flow hedge reserve	5.3	-	5.3
Differences from converting foreign company financial statements into euro	1.2	0.2	1.3
Profit (loss) after taxes	32.2	0.3	32.5
Total changes	**29.7**	**(3.2)**	**26.5**
Net equity at 30 September 2008	**654.9**	**2.3**	**657.2**

Significant events

An operation was completed on 28 August to spin off the "property" business of De'Longhi S.p.A. to a specific company, Gamma S.r.l., a wholly-owned subsidiary which approved an increase in capital to service this transfer.
This operation forms part of the De'Longhi Group's reorganization process started in 2007. This stage of the project has sought to "demerge" from the parent company property and property-related activities by spinning off its property-related assets and liabilities, basically associated with the management and maintenance of three industrial buildings let to other group companies.
This operation has had no impact on consolidated net equity, net financial position or EBITDA.

In September 2008 the loss adjusters appointed by De'Longhi and Assicurazioni Generali prepared their final reports on the claim resulting from the fire on 18 April 2007; the claim was settled on 9 September 2008 with the payment of €39 million, on top of the advance received in 2007.

Compliance with Part VI of the regulations on market discipline implementing Decree 58 of 24 February 1998 ("Market Regulations").

De'Longhi S.p.A. has direct or indirect control over seven companies established and regulated under the law of non-EU countries, qualifying as material for the purposes of paragraph 2, article 36 of the Market Regulations.

With reference to the requirements of art. 36 of the Market Regulations, it is reported as follows:

a) in the Issuer's opinion, these companies have suitable accounting and reporting systems for regularly providing management and the auditors of De'Longhi S.p.A. with the income statement, balance sheet and financial data needed to prepare the consolidated financial statements;
b) the auditors of De'Longhi S.p.A. have been provided with the information needed to audit its interim and annual financial statements;
c) the Issuer keeps the articles of association of the aforementioned companies and details of their company officers and related powers, which are constantly updated for any changes in the same;
d) the financial statements of the aforementioned companies, drawn up for the purposes of preparing the De'Longhi Group's consolidated financial statements, will be made available in the manner and terms established by prevailing law.

Subsequent events

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

Outlook for the current year

Even if the current economic outlook is not easily foreseeable, the group continues to pursue its predetermined objectives, encouraged by its positive revenue performance to the end of October.

Treviso, 13 November 2008

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

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Declaration by the Financial Reporting Officer

Pursuant to para. 2, article 154-bis of Decree 58/1998, Stefano Biella, the Financial Reporting Officer, declares that the accounting information contained in this interim management statement corresponds to the underlying documentary and accounting records.

Treviso, 13 November 2008

Financial Reporting Officer
Stefano Biella