Interim management statement at 30 September 2011

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

COMPANY OFFICERS *

Board of Directors

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

Board of Statutory Auditors

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

External Auditors

RECONTA ERNST & YOUNG S.P.A. ***

Internal Auditing and Corporate Governance Committee

RENATO CORRADA **
SILVIO SARTORI
GIOVANNI TAMBURI **

Compensation Committee

ALBERTO CLÒ **
CARLO GARAVAGLIA
GIOVANNI TAMBURI **

* The company officers were elected at the shareholders' meeting of 21 April 2010 for the period 2010-2012.
** Independent directors.
*** The engagement to audit the financial statements for 2010-2018 was approved at the shareholders' meeting of 21 April 2010.

KEY PERFORMANCE INDICATORS

Third-quarter consolidated results

(€/million)	3rd quarter 2011	% revenues	3rd quarter 2010	% revenues	Change	% change
Revenues	424.0	100.0%	418.8	100.0%	5.2	1.2%
Gross profit	195.7	46.2%	179.3	42.8%	16.4	9.2%
EBITDA before non-recurring income/expenses	66.7	15.7%	58.0	13.8%	8.7	15.0%

Nine-month consolidated results

(€/million)	30.09.2011 (9 months)	% revenues	30.09.2010 (9 months)	% revenues	Change	% change
Revenues	1,187.1	100.0%	1,069.8	100.0%	117.3	11.0%
Constant currency change						*11.3%*
Gross profit	530.0	44.6%	469.9	43.9%	60.1	12.8%
EBITDA before non-recurring income/expenses	155.4	13.1%	124.5	11.6%	30.9	24.8%
EBIT	109.8	9.3%	92.0	8.6%	17.8	19.3%
Adjusted EBIT	126.2	10.6%	96.6	9.0%	29.6	30.7%
Profit (loss) pertaining to the group	52.6	4.4%	46.1	4.3%	6.6	14.2%

Third-quarter operating segment results

	3rd quarter 2011		3rd quarter 2010	
(€/million)	Household + Corporate (*)	Professional	Household + Corporate (*)	Professional
Revenues	324.4	102.6	325.9	95.2
Change 2011/2010	*(1.5)*	*7.4*		
% change	*(0.5%)*	*7.8%*		
EBITDA before non-recurring income/expenses	55.7	10.7	47.4	9.0
Change 2011/2010	*8.3*	*1.7*		
% margin on revenues	*17.2%*	*10.5%*	*14.5%*	*9.5%*

(*) Sub-consolidated figures of the Household and Corporate divisions.

Nine-month operating segment results

	30.09.2011 (9 months)		30.09.2010 (9 months)	
(€/million)	Household + Corporate (*)	Professional	Household + Corporate (*)	Professional
Revenues	913.3	281.4	825.1	250.6
Change 2011/2010	*88.3*	*30.7*		
% change	*10.7%*	*12.3%*		
EBITDA before non-recurring income/expenses	127.9	27.3	101.8	22.7
Change 2011/2010	*26.0*	*4.7*		
% margin on revenues	*14.0%*	*9.7%*	*12.3%*	*9.0%*

(*) Sub-consolidated figures of the Household and Corporate divisions.

Consolidated financial data

(€/million)	30.09.2011	30.09.2010	31.12.2010
Net working capital	284.7	289.4	226.9
Net capital employed	823.8	838.7	765.3
Net financial position	(21.0)	(112.4)	(4.7)
Net bank financial position (*)	(34.5)	(106.1)	5.6
Net equity	802.9	726.3	760.6

(*) Net of financial items reflecting the fair value of options and derivatives.

Operating segment financial data

	Household + Corporate (*)			Professional		
(€/million)	30.09.2011	30.09.2010	31.12.2010	30.09.2011	30.09.2010	31.12.2010
Net working capital	243.0	234.0	185.8	41.8	55.5	39.7
Net capital employed	492.7	486.3	430.3	331.1	352.4	333.5
Net financial position	41.9	116.1	208.5	(63.0)	(228.3)	(211.7)
Net bank financial position (**)	22.0	118.9	212.8	(56.6)	(224.8)	(205.6)
Adjusted net financial position (***)	41.9	(33.9)	58.5	(63.0)	(78.3)	(61.7)
Net equity	534.7	602.4	638.9	268.2	124.1	121.9

(*) Sub-consolidated figures of the Household and Corporate divisions.
(**) Net of financial items reflecting the fair value of options and derivatives.
(***) Figures adjusted for the contribution of €150 million authorized and paid by De'Longhi S.p.A. to De'Longhi Professional S.A..

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 €150 million authorized and paid by De'Longhi S.p.A. on 30 June 2011 to De'Longhi Professional S.A..

Human resources

Average number of employees	30.09.2011 (9 months)	30.09.2010 (9 months)	31.12.2010 (12 months)
Household	5,319	5,800	5,743
Professional	1,851	1,712	1,680
Corporate	84	83	84
Total	**7,254**	**7,595**	**7,507**

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

The Non-GAAP Measures used are as follows:

- Gross profit and EBITDA: the group uses these measures as financial targets in internal presentations (business plans) and in external presentations (to analysts and investors), since they are a useful way of measuring operating performance by the group and its individual divisions besides EBIT.

Gross profit is calculated as total revenues minus the cost of materials consumed and of production-related services and payroll.

EBITDA is an intermediate measure that derives from EBIT after adding back depreciation and amortization of property, plant and equipment and intangible assets. EBITDA is also presented net of non-recurring items, which are reported separately on the face of the income statement.

- Adjusted EBIT: this corresponds to EBIT, as adjusted to exclude non-recurring items.
- Net working capital: this measure is the sum of inventories, trade receivables, current tax assets and other receivables, minus trade payables, current tax liabilities and other payables.
- Net capital employed: this measure is the sum of net working capital, intangible assets, property, plant and equipment, equity investments, other non-current receivables, and deferred tax assets, minus deferred tax liabilities, employee severance indemnity and provisions for contingencies and other charges.
- Net financial position: this measure represents gross financial liabilities less cash and cash equivalents and other financial receivables. The individual line items in the statement of financial position used to determine this measure are analysed later in this report.

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT

(€/000)	30.09.2011	of which non-recurring	30.09.2010	of which non-recurring	2010	of which non-recurring
Revenues from sales and services	1,168,462	-	1,052,368	373	1,600,338	(396)
Other revenues	18,645		17,109	(37)	25,546	
Total consolidated revenues	***1,187,107***	***-***	***1,069,477***	***336***	***1,625,884***	***(396)***
Raw and ancillary materials, consumables and goods	(676,309)		(595,168)		(790,373)	
Change in inventories of finished products and work in progress	119,694		86,663	608	20,643	(853)
Change in inventories of raw and ancillary materials, consumables and goods	11,315		8,407	400	(4,011)	(400)
Materials consumed	***(545,300)***		***(500,098)***	***1,008***	***(773,741)***	***(1,253)***
Payroll costs	(167,021)	(47)	(148,509)	100	(203,493)	(466)
Services and other operating expenses	(309,357)	(3,785)	(277,361)	667	(421,652)	(1,819)
Provisions	(14,927)	(1,078)	(23,527)	2,432	(33,892)	(2,048)
Amortization, depreciation and impairment	(40,694)		(27,935)		(45,459)	
EBIT	**109,808**	**(4,910)**	**92,047**	**4,543**	**147,647**	**(5,982)**
Financial income (expenses)	(28,003)		(24,487)		(36,090)	
PROFIT (LOSS) BEFORE TAXES	**81,805**		**67,560**		**111,557**	
Income taxes	(28,757)		(21,390)		(36,456)	
PROFIT (LOSS) AFTER TAXES	**53,048**		**46,170**		**75,101**	
Profit (loss) pertaining to minority interests	405		87		186	
PROFIT (LOSS) PERTAINING TO THE GROUP	**52,643**		**46,083**		**74,915**	
EARNINGS PER SHARE						
- basic	**€ 0.35**		**€ 0.31**		**€ 0.50**	
- diluted	**€ 0.35**		**€ 0.31**		**€ 0.50**	

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(€/000)	30.09.2011	30.09.2010	2010
Profit (loss) after taxes	53,048	46,170	75,101
Other components of comprehensive income			
Change in fair value of cash flow hedges	18,731	(7,250)	(7,040)
Tax effect of change in fair value of cash flow hedges	(4,767)	1,992	1,920
Differences from translating foreign companies' financial statements into euro	(2,659)	9,030	14,239
Total comprehensive income (loss)	**64,353**	**49,942**	**84,220**
Total comprehensive income attributable to:			
Owners of the parent	63,943	49,856	84,036
Minority interests	410	86	184

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

ASSETS (€/000)	30.09.2011	31.12.2010	30.09.2010
NON-CURRENT ASSETS			
INTANGIBLE ASSETS	398,423	408,615	415,775
- Goodwill	219,018	228,042	231,318
- Other intangible assets	179,405	180,573	184,457
PROPERTY, PLANT AND EQUIPMENT	196,647	186,431	178,932
- Land, property, plant and machinery	143,402	133,493	132,527
- Other tangible assets	53,245	52,938	46,405
EQUITY INVESTMENTS AND OTHER FINANCIAL ASSETS	3,715	2,309	2,384
- Equity investments (in other companies)	677	671	671
- Receivables	2,919	1,512	1,595
- Other non-current financial assets	119	126	118
DEFERRED TAX ASSETS	41,438	33,471	37,086
TOTAL NON-CURRENT ASSETS	640,223	630,826	634,177
CURRENT ASSETS			
INVENTORIES	416,334	288,012	361,667
TRADE RECEIVABLES	312,939	387,937	304,215
CURRENT TAX ASSETS	22,629	13,686	15,367
OTHER RECEIVABLES	21,876	14,996	20,462
CURRENT FINANCIAL RECEIVABLES AND ASSETS	33,674	12,221	14,007
CASH AND CASH EQUIVALENTS	166,232	193,515	132,321
TOTAL CURRENT ASSETS	973,684	910,367	848,039
TOTAL ASSETS	**1,613,907**	**1,541,193**	**1,482,216**

NET EQUITY AND LIABILITIES (€/000)	30.09.2011	31.12.2010	30.09.2010
NET EQUITY			
GROUP PORTION OF NET EQUITY	801,037	758,921	724,741
- Share capital	448,500	448,500	448,500
- Reserves	299,894	235,506	230,158
- Profit (loss) pertaining to the group	52,643	74,915	46,083
MINORITY INTERESTS	1,826	1,651	1,553
TOTAL NET EQUITY	802,863	760,572	726,294
NON-CURRENT LIABILITIES			
FINANCIAL PAYABLES	91,924	107,934	120,159
- Bank loans and borrowings (long-term portion)	72,205	89,416	103,246
- Other financial payables (long-term portion)	19,719	18,518	16,913
DEFERRED TAX LIABILITIES	24,668	19,393	17,861
NON-CURRENT PROVISIONS FOR CONTINGENCIES AND OTHER CHARGES	76,327	72,787	66,846
- Employee benefits	24,412	25,907	24,799
- Other provisions	51,915	46,880	42,047
TOTAL NON-CURRENT LIABILITIES	192,919	200,114	204,866
CURRENT LIABILITIES			
TRADE PAYABLES	380,431	374,184	320,063
FINANCIAL PAYABLES	129,094	102,755	138,742
- Bank loans and borrowings (short-term portion)	104,759	81,353	118,283
- Other financial payables (short-term portion)	24,335	21,402	20,459
CURRENT TAX LIABILITIES	46,211	44,659	32,847
OTHER PAYABLES	62,389	58,909	59,404
TOTAL CURRENT LIABILITIES	618,125	580,507	551,056
TOTAL NET EQUITY AND LIABILITIES	**1,613,907**	**1,541,193**	**1,482,216**

CONSOLIDATED STATEMENT OF CASH FLOWS

(€/000)	30.09.2011 (9 months)	30.09.2010 (9 months)
Profit (loss) pertaining to the group	52,643	46,083
Income taxes for the period	28,757	21,390
Amortization, depreciation and impairment	40,694	27,935
Net change in provisions	2,368	4,629
Cash flow generated (absorbed) by current operations (A)	**124,462**	**100,037**
Change in assets and liabilities for the period:		
Trade receivables	76,381	54,137
Inventories	(131,178)	(95,038)
Trade payables	8,483	14,281
Other current assets and liabilities	(47,832)	(21,718)
Cash flow generated (absorbed) by movements in working capital (B)	**(94,146)**	**(48,338)**
Cash flow generated (absorbed) by current operations and movements in working capital (A+B)	**30,316**	**51,699**
Investment activities:		
Investments in intangible assets	(8,310)	(10,489)
Other cash flows for intangible assets	44	197
Investments in property, plant and equipment	(29,670)	(18,271)
Other cash flows for property, plant and equipment	1,295	848
Net investments in equity investments and other financial assets	(1,269)	380
Cash flow generated (absorbed) by ordinary investment activities	**(37,910)**	**(27,335)**
Cash effect for purchase of equity investments	(2,198)	-
Non-recurring cash flow (D)	**(2,198)**	**-**
Dividends paid	(21,827)	(11,960)
Change in currency translation reserve	(4,164)	7,540
Increase (decrease) in minority interests in capital and reserves	175	(125)
Repayment of loans and other net changes in sources of finance	8,325	(11,452)
Cash flow generated (absorbed) by changes in net equity and by financing activities (E)	**(17,491)**	**(15,997)**
Cash flow for the period (A+B+C+D+E)	**(27,283)**	**8,367**
Opening cash and cash equivalents	**193,515**	**123,954**
Increase (decrease) in cash and cash equivalents (A+B+C+D+E)	(27,283)	8,367
Closing cash and cash equivalents	**166,232**	**132,321**

CONSOLIDATED STATEMENT OF CHANGES IN NET EQUITY

(€/000)	SHARE CAPITAL	SHARE PREMIUM RESERVE	LEGAL RESERVE	OTHER RESERVES	FAIR VALUE AND CASH FLOW HEDGE RESERVES	CURRENCY TRANSLATION RESERVE	PROFIT (LOSS) CARRIED FORWARD	PROFIT (LOSS) PERTAINING TO GROUP	GROUP PORTION OF NET EQUITY	MINORITY INTERESTS	TOTAL NET EQUITY
Balance at 31 December 2009	**448,500**	**325**	**7,777**	**58,792**	**3,301**	**(25,066)**	**160,859**	**32,357**	**686,845**	**1,678**	**688,523**
Allocation of 2008 result as per AGM resolution of 21 April 2010											
- distribution of dividends							(11,960)		(11,960)		(11,960)
- allocation to reserves			687	1,101			30,569	(32,357)	-		-
Other dividend distributions									-	(211)	(211)
Movements from transactions with shareholders	**-**	**-**	**687**	**1,101**	**-**	**-**	**18,609**	**(32,357)**	**(11,960)**	**(211)**	**(12,171)**
Profit (loss) after taxes								46,083	46,083	87	46,170
Other components of comprehensive income					(5,258)	9,031			3,773	(1)	3,772
Comprehensive income (loss)	**-**	**-**	**-**	**-**	**(5,258)**	**9,031**	**-**	**46,083**	**49,856**	**86**	**49,942**
Balance at 30 September 2010	**448,500**	**325**	**8,464**	**59,893**	**(1,957)**	**(16,035)**	**179,468**	**46,083**	**724,741**	**1,553**	**726,294**

(€/000)	SHARE CAPITAL	SHARE PREMIUM RESERVE	LEGAL RESERVE	OTHER RESERVES	FAIR VALUE AND CASH FLOW HEDGE RESERVES	CURRENCY TRANSLATION RESERVE	PROFIT (LOSS) CARRIED FORWARD	PROFIT (LOSS) PERTAINING TO GROUP	GROUP PORTION OF NET EQUITY	MINORITY INTERESTS	TOTAL NET EQUITY
Balance at 31 December 2010	**448,500**	**325**	**8,464**	**59,893**	**(1,819)**	**(10,825)**	**179,468**	**74,915**	**758,921**	**1,651**	**760,572**
Allocation of 2009 result as per AGM resolution of 12 April 2011											
- distribution of dividends							(21,827)		(21,827)		(21,827)
- allocation to reserves			1,229	1,532			72,154	(74,915)	-		-
Other dividend distributions										(235)	(235)
Movements from transactions with shareholders	**-**	**-**	**1,229**	**1,532**	**-**	**-**	**50,327**	**(74,915)**	**(21,827)**	**(235)**	**(22,062)**
Profit (loss) after taxes								52,643	52,643	405	53,048
Other components of comprehensive income					13,964	(2,664)			11,300	5	11,305
Comprehensive income (loss)	**-**	**-**	**-**	**-**	**13,964**	**(2,664)**	**-**	**52,643**	**63,943**	**410**	**64,353**
Balance at 30 September 2011	**448,500**	**325**	**9,693**	**61,425**	**12,145**	**(13,489)**	**229,795**	**52,643**	**801,037**	**1,826**	**802,863**

EXPLANATORY NOTES

INTRODUCTION

The interim management statement at 30 September 2011 includes a set of condensed consolidated financial statements prepared in accordance with IFRS (International Financial Reporting Standards) and, in particular, with the recommendations of *IAS 34 – Interim financial reporting*, which allows interim financial reports to be prepared in a condensed format with fewer disclosures than in annual financial statements.

The condensed consolidated financial statements at 30 September 2011 comprise the income statement, the statement of comprehensive income, the statement of financial position, the statement of cash flows, and the consolidated statement of changes in net equity, all of which have been prepared in a comparable format with the annual consolidated financial statements.
The explanatory notes are presented in a condensed format and so are limited to the information needed by users to understand the group's financial performance and position in the first nine months of 2011.

The condensed consolidated financial statements have used the same consolidation procedures and accounting policies as those described in the annual report, to which the reader should refer.

The publication of the condensed consolidated financial statements of De'Longhi S.p.A. for the period ended 30 September 2011 was authorized by the Board of Directors on 10 November 2011.

International financial reporting standards and accounting policies

The condensed consolidated financial statements have used the same consolidation procedures and accounting policies as those described in the annual report, to which the reader should refer, except for certain *Improvements to International Financial Reporting Standards*, endorsed by the European Union in February 2011, which have nonetheless not had a significant impact on the present financial statements.

The present interim condensed consolidated financial statements contain estimates and assumptions made by the group relating to assets and liabilities, costs, revenues and contingent liabilities at the reporting date. These estimates are based on past experience and assumptions considered to be reasonable and realistic, based on the information available at the time of making the estimate.
The assumptions relating to these estimates are periodically reviewed and the related effects reflected in the income statement in the same period: actual results could therefore differ from these estimates.
The principal assumptions used relate to:
- allowance for doubtful accounts;
- recoverable amount of non-current assets;
- employee benefits;
- recoverability of deferred tax assets;
- provisions for contingencies;
- product warranty provisions.

Please refer to the consolidated financial statements at 31 December 2010 for further details.

Operating segment information

In previous reports operating segment information was provided for three operating segments (Household, Corporate and Professional). In view of the imminent demerger of the Professional division's activities and in keeping with the pro-forma figures for the post-demerger De'Longhi Group and the De'Longhi Clima Group presented in the Information Document relating to the demerger, the present document provides operating segment information for just two segments: Household + Corporate (which aggregates the traditional Household and Corporate segments) and Professional.

REVIEW OF PERFORMANCE

The third quarter of 2011 saw the achievement of good results, especially for earnings in an uncertain macroeconomic and market context; revenues came to €424 million (+1.2% on the third quarter of 2010); this result was influenced by the poor performance of portable air-conditioning and heating due to the weather conditions in the third quarter of 2011.
Household division revenues were in line with 2010, while the Professional division closed the quarter with a 7.8% increase in revenues.
Third-quarter EBITDA before non-recurring expenses was €66.7 million, with a margin on sales of 15.7% (€58.0 million with a margin of 13.8% in the same period of 2010).

Third-quarter performance in 2011 allowed nine-month revenues to climb by 11% to €1,187.1 million; the Household division achieved €910.7 million revenues (+10.8%) and the Professional division €281.4 million (+12.3%).
Nine-month EBITDA before non-recurring expenses was €155.4 million, with a margin of 13.1% (€124.5 million with a margin of 11.6% in the same period of 2010).

Food preparation products and coffee machines confirmed their excellent performance, as well as machinery for air-conditioning systems and ICT industrial process chillers which continued to deliver strong growth.
In the coffee machines category, both fully automatic machines and Nespresso machines posted strong sales growth; the new Nescafè Dolce Gusto capsule coffee machines launched in 2011 also contributed to the growth in sales.

In terms of markets, mature markets continued to grow well (+9.4% mainly in Germany, the United Kingdom, France and other West European countries), and especially emerging markets (APA/Asia and the Americas); however, sales in MEIA (Middle East/India/Africa) slowed, partly as a result of the political crisis in certain important markets, exacerbated by the high stock levels already seen at the end of 2010.

As for the group's profitability, the combined effect of a positive mix of coffee machines (launch of the new "*Lattissima +*" coffee machine and higher sales of Premium category fully automatic coffee machines), higher sales of the group's higher margin products, and a net positive exchange rate effect brought about an improvement in gross profit from €469.9 million to €530.0 million, with the margin going from 43.9% to 44.6%.

EBITDA before non-recurring expenses was €155.4 million (€124.5 million in 2010), with the margin going from 11.6% in 2010 to 13.1% in the first nine months of 2011.

EBIT was €109.8 million (€92 million in 2010) after recognizing €16.4 million in non-recurring expenses, 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.
In October, the new business plan for the Professional division (due to be headed up by De'Longhi Clima S.p.A.) was finalized with the assistance of a leading advisory firm; this has been prepared in relation to the objectives of the proposed demerger from the De'Longhi Group and to the division's stock market flotation from 1 January 2012; in view of these objectives, and the growing macroeconomic uncertainties over recent months, it was deemed reasonable to realign the carrying amount of goodwill for the company that operates in the water-filled radiators sector.

Adjusted EBIT (before the aforesaid non-recurring expenses) was €126.2 million (€96.6 million in the first nine months of 2010), with the margin going from 9.0% to 10.6%.

Net financial expenses came to €28 million at 30 September 2011 (€24.5 million in the same period of 2010), primarily due to €9 million in net currency management losses inclusive of hedging costs (€6 million in 2010). The increase in hedging costs is due to the larger number of currency hedging transactions carried out in 2011, while the exchange losses (most of which unrealized) mainly refer to certain marginal currencies in which the group operates (Brazilian real, Russian rouble and South African rand) that are not hedged because not financially worthwhile and which experienced a sudden fluctuation close to the end of the third quarter of 2011, followed by a partial reversal after the nine-month close (applying the end of October exchange rates, the loss would have been less than €3.5 million).

Profit after taxes was €52.6 million, an increase of €6.6 million on the same period in 2010, despite the aforesaid extraordinary costs and higher currency management losses.

The net financial position reported €21.0 million in net debt at 30 September 2011, having improved by €91.5 million compared with €112.4 million at 30 September 2010 thanks to the operating cash flows generated by higher earnings.
Excluding the non-banking part of this exposure, in other words a net positive effect of €13.6 million for the recognition of options and derivatives (net negative effect of €6.4 million at 30 September 2010), the financial position would have reported net debt of €34.5 million (€106.1 million at 30 September 2010).

Professional division demerger

During July 2011 the Board of Directors of De'Longhi S.p.A. approved an extraordinary transaction for a partial and proportional demerger of De'Longhi to De'Longhi Clima S.p.A., a wholly-owned subsidiary. The main purpose of the demerger is to separate the activities relating to the two distinct areas of business in which the De'Longhi Group currently operates, and particularly to separate production and marketing activities for machines for industrial air-conditioning systems and ICT industrial process chillers and for water-filled radiators (relating to the Professional division), from the production and marketing activities for small domestic appliances and portable air-conditioning and heating products (relating to the Household division).
The transaction's main aim is to permit independent development of the two distinct businesses managed by each of the two divisions, neither of which has any operating synergies with the other. In fact, the demerger's principal rationale is the fact that the Professional division's activities are substantially different from the Household division in terms of customers and markets and also address different potential investor profiles.

As a result of the demerger, which depends on obtaining the necessary clearance from the Italian Stock Exchange and from Consob (Italy's securities market regulator), two distinct groups will emerge, each focused on their own business with clearly identified objectives discernible to the market. De'Longhi S.p.A., with its small household appliances business, will have the opportunity to exhibit the unexpressed value of the Household division, positioning itself as world leader in high-end coffee machines.

Instead, De'Longhi Clima S.p.A. will have the opportunity to secure a role as a global competitor in the business of high-energy-efficient products and to act as a consolidator in the Heating, Ventilation and Air Conditioning (HVAC) market.

The preparatory activities required by current legislation and regulations continued during the month of September; the Information Document required by art. 70 para. 4 of the Issuers' Regulation has been duly filed with Borsa Italiana (the Italian Stock Exchange). During the month of October the shareholders' meetings of De'Longhi S.p.A. and De'Longhi Clima S.p.A. approved the demerger and the application for admission to listing of De'Longhi Clima S.p.A.'s shares was presented to Borsa Italiana.
Under the proposed timetable, subject to the realization of the required conditions, the demerger deed is expected to be executed by the end of December 2011 with the demerger itself becoming effective from 1 January 2012. The present quarterly report therefore does not reflect any accounting effects resulting from the demerger.

Changes in scope of consolidation and rationalization of the group's structure

During 2011 the group has continued its strategy of building up Household division structures (for sales, logistics and administration) in high-growth emerging countries (in the Far East, Australia and the Americas, the Middle East, India and Africa) to get closer to these important markets and be able to capture every available growth opportunity. The Household division historically operated with a centralized business model that used a different approach for the various brands; to deal with ever greater competition in emerging markets the group has changed its strategy by shifting from a global but centralized organization to a single "GLocal" approach for all the brands and transferring its operations closer to markets while retaining control by the Italian and UK offices over the principal activities (product development, R&D and marketing).

Work has also continued on strengthening the international commercial network by starting direct distribution in Ukraine with the opening of a commercial subsidiary; in order to achieve its commercial expansion policies, the group has carried on analysis and research into certain markets where it currently has no direct presence.

The activities in New Zealand have also been reorganized by centralizing back office functions in Australia and transforming the subsidiary into an agency with consequent savings in resources and costs.

In the Professional division, Climaveneta, the company which produces and sells air-conditioning and cooling systems, has had its sales network strengthened through the acquisition of a company in the United Kingdom that distributes chillers in the UK market and through the formation at the end of December 2010 of a new company in India with a local partner that will produce and sell thermo-cooling systems in this important market. Start-up activities also continued for the production facilities in China that will make ICT industrial process chillers as part of the company's development plans for the Chinese market.

As regards DL Radiators, continued steps have been taken to address the difficult market in which the company operates, involving further targeting of costs and process improvements to regain profitability by reorganizing manufacturing (also by delocalizing production of certain types of radiators to China, using, amongst others, the Group's manufacturing know how).

Group results

The reclassified consolidated income statement is summarized as follows:

(€/million)	30.09.2011 (9 months)	% revenues	30.09.2010 (9 months)	% revenues
Revenues	**1,187.1**	**100.0%**	**1,069.8**	**100.0%**
Change 2011/2010	*117.3*	*11.0%*		
Materials consumed & other production costs (production services and payroll costs)	(657.1)	(55.4%)	(599.9)	(56.1%)
Gross profit	**530.0**	**44.6%**	**469.9**	**43.9%**
Other services & expenses	(255.9)	(21.6%)	(230.7)	(21.6%)
Value added	**274.1**	**23.1%**	**239.3**	**22.4%**
Payroll (non-production)	(104.8)	(8.8%)	(93.6)	(8.8%)
Provisions	(13.8)	(1.2%)	(21.1)	(2.0%)
EBITDA before non-recurring income/expenses	**155.4**	**13.1%**	**124.5**	**11.6%**
Change 2011/2010	*30.9*	*24.8%*		
Other non-recurring income (expenses)	(4.9)	(0.4%)	(4.5)	(0.4%)
EBITDA	**150.5**	**12.7%**	**120.0**	**11.2%**
Amortization, depreciation and impairment	(40.7)	(3.4%)	(27.9)	(2.6%)
EBIT	**109.8**	**9.3%**	**92.0**	**8.6%**
Change 2011/2010	*17.8*	*19.3%*		
Financial income (expenses)	(28.0)	(2.4%)	(24.5)	(2.3%)
Profit (loss) before taxes	**81.8**	**6.9%**	**67.6**	**6.3%**
Income taxes	(28.8)	(2.4%)	(21.4)	(2.0%)
Profit (loss) after taxes	**53.0**	**4.5%**	**46.2**	**4.3%**
Profit (loss) pertaining to minority interests	0.4	0.0%	0.1	0.0%
Profit (loss) pertaining to the group	**52.6**	**4.4%**	**46.1**	**4.3%**

The gross profit reported in the reclassified income statement differs by €111.8 million at 30 September 2011 (€99.5 million at 30 September 2010) from the consolidated income statement; this is because, in order to represent period performance better, non-recurring income and expenses have been separately presented above and production-related payroll and service costs have been reclassified from payroll and services respectively.

De'Longhi closed the first nine months of 2011 with an increase of €30.9 million (+24.8%) in EBITDA before non-recurring income/expenses; gross profit, which climbed by €60.1 million from €469.9 million in the first nine months of 2010 to €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 made up for the growth in raw material costs.

Expenditure on advertising and promotions increased by €17.2 million (to €78 million in 2011 from €60.9 million in 2010) in support of marketing and sales campaigns for the group's major brands.

Non-production payroll costs were 12.0% higher than in the same period of 2010, reflecting growth in the number of staff employed by certain group companies, salary increases and provisions for variable pay and long-term employee benefits.

EBIT was €109.8 million in 2011 (€92.0 million in 2011) after recognizing €16.4 million in non-recurring expenses and extraordinary impairment, 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 goodwill, for the company that operates in the water-filled radiators sector, was recognized in view of the growing macroeconomic uncertainties in recent months and also as a result of finalizing in October the Professional division's new business plan, prepared with the assistance of a leading advisory firm in relation to the objectives of the aforesaid demerger.

Adjusted EBIT before non-recurring expenses was €126.2 million, with a 10.6% margin (€96.6 million with a 9.0% margin in 2010).

Net financial expenses came to €28 million at 30 September 2011 (€24.5 million in the same period of 2010), primarily due to €9 million in net currency management losses inclusive of hedging costs (€6 million in 2010). The higher hedging costs are due to an increased number of derivative transactions while the exchange losses (most of which unrealized) mainly refer to certain marginal currencies in which the group operates (Brazilian real, Russian rouble and South African rand) that are not hedged because not financially worthwhile and which experienced a sudden fluctuation close to the end of the third quarter of 2011, followed by a partial reversal after the nine-month close (applying the end of October exchange rates, the loss would have been less than €3.5 million).

Profit after taxes was €52.6 million, an increase of €6.6 million on the same period in 2010, despite the aforesaid extraordinary costs and higher currency management losses.

The group's business is traditionally seasonal, with nine-month revenues and profit proportionately lower than those of the year as a whole.

Results by operating segment

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

(€/million)	30.09.2011 (9 months) Household + Corporate (*)	Professional	Consolidated total	30.09.2010 (9 months) Household + Corporate (*)	Professional	Consolidated total
Revenues	913.3	281.4	**1,187.1**	825.1	250.6	**1,069.8**
Change 2011/2010	*88.3*	*30.7*	***117.3***			
% change	*10.7%*	*12.3%*	***11.0%***			
Constant currency revenues (**)	917.4	281.6	**1,191.4**	825.6	250.9	**1,070.6**
Constant currency change 2011/2010 (**)	*91.8*	*30.7*	***120.8***			
% change	*11.1%*	*12.2%*	***11.3%***			
EBITDA before non-recurring expenses	127.9	27.3	**155.4**	101.8	22.7	**124.5**
Change 2011/2010	*26.0*	*4.7*	***30.9***			
% margin on revenues	*14.0%*	*9.7%*	***13.1%***	*12.3%*	*9.0%*	***11.6%***
EBITDA	124.0	26.3	**150.5**	98.8	21.2	**120.0**
Change 2011/2010	*25.2*	*5.2*	***30.5***			
% margin on revenues	*13.6%*	*9.4%*	***12.7%***	*12.0%*	*8.4%*	***11.2%***
EBIT	102.5	7.1	**109.8**	78.1	13.9	**92.0**
Change 2011/2010	*24.4*	*(6.8)*	***17.8***			
% margin on revenues	*11.2%*	*2.5%*	***9.3%***	*9.5%*	*5.5%*	***8.6%***

(*) Sub-consolidated figures of the Household and Corporate divisions.
(**) As adjusted for the effect of hedges.
Total segment revenues are reconciled to the consolidated figures by eliminating certain intersegment transactions, amounting to €7.6 million at 30 September 2011 and €5.9 million at 30 September 2010.

Household

The operating segment's economic performance is summarized as follows:

	30.09.2011 (9 months)			**30.09.2010 (9 months)**		
(€/million)	**Household**	**Corporate**	**Household + Corporate (*)**	**Household**	**Corporate**	**Household + Corporate (*)**
Revenues	910.7	9.5	913.3	822.2	8.5	825.1
Change 2011/2010	*88.5*		*88.3*			
% change	*10.8%*		*10.7%*			
EBITDA before non-recurring expenses/income	134.6	(6.8)	127.9	106.4	(4.5)	101.8
Change 2011/2010	*28.2*		*26.0*			
% margin on revenues	*14.8%*		*14.0%*	*12.9%*		*12.3%*
EBITDA	133.5	(9.6)	124.0	103.3	(4.5)	98.8
Change 2011/2010	*30.2*		*25.2*			
% margin on revenues	*14.7%*		*13.6%*	*12.6%*		*12.0%*
EBIT	112.5	(10.0)	102.5	83.1	(5.0)	78.1
Change 2011/2010	*29.4*		*24.4*			
% margin on revenues	*12.4%*		*11.2%*	*10.1%*		*9.5%*

(*) Sub-consolidated figures of the Household and Corporate divisions.

Third-quarter sales came to €323.6 million, in line with 2010 (€325.2 million); in a climate of market uncertainty affected by the existing macroeconomic scenario, this performance reflected a growth in cooking and food preparation products and a decline in portable air-conditioning and heating products, due to different seasonal conditions, and in household cleaning products, mainly due to lower sales in the MEIA region.

As for its nine-month results, the division reported €910.7 million in revenues (up €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 by coffee machines and food processors, while, despite a negative third quarter, portable air-conditioning products also grew, mainly thanks to sales to certain important customers in the United States.

Nine-month EBITDA before non-recurring expenses was €134.6 million (€106.4 million in 2010), with the margin improving by almost 2 percentage points (from 12.9% to 14.8%) thanks to higher volumes, better product mix and net positive exchange rate effects.
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

Third-quarter sales came to €102.6 million, up 7.8% on the third quarter of 2010; in a climate of market uncertainty affected by the existing macroeconomic scenario, this performance reflected a growth in sales of machinery for air-conditioning systems and ICT industrial process chillers by both the Climaveneta and RC brands.

Water-filled radiator sales increased, particularly thanks to a good performance in the French market.

As for its nine-month results, the division reported €281.4 million in revenues (up €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 €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 €27.3 million (€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).

Markets

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

(€/million)	30.09.2011 (9 months)	30.09.2010 (9 months)	Change	% change
Mature markets				
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%
Total	**819.0**	**748.6**	**70.5**	**9.4%**
Emerging markets				
Eastern Europe	119.7	97.6	22.1	22.7%
Rest of the world	248.3	223.6	24.7	11.0%
Total	**368.1**	**321.3**	**46.8**	**14.6%**
Total revenues	**1,187.1**	**1,069.8**	**117.3**	**11.0%**

Both mature and emerging markets enjoyed a positive performance, except for Spain and the MEIA region, both affected by weak market conditions; mature markets, amongst which Germany, France, the United Kingdom and other West European countries, posted a revenue increase of €70.5 million (+9.4%).

Sales in the United States benefited from the supply of portable air-conditioning units to a number of important customers.

Emerging markets (which include Eastern Europe and the rest of the world, primarily China, Australia, the Americas and the Middle East) posted an increase of €46.8 million (+14.6% on the same period in 2010) despite the current difficulties on certain markets (mainly the Middle East and North Africa) and the high level of stocks present at the end of 2010.

Review of the statement of financial position

The reclassified consolidated statement of financial position is presented below:

(€/million)	**30.09.2011**	**30.09.2010**	**31.12.2010**	**Change 30.09.11 – 30.09.10**	**Change 30.09.11 – 31.12.10**
- Intangible assets	398.4	415.8	408.6	(17.4)	(10.2)
- Property, plant and equipment	196.6	178.9	186.4	17.7	10.2
- Financial assets	3.6	2.2	2.1	1.3	1.5
- Deferred tax assets	41.4	37.1	33.5	4.4	8.0
Non-current assets	**640.1**	**634.0**	**630.6**	**6.0**	**9.5**
- Inventories	416.3	361.7	288.0	54.7	128.3
- Trade receivables	312.9	304.2	387.9	8.7	(75.0)
- Trade payables	(380.4)	(320.1)	(374.2)	(60.4)	(6.2)
- Other payables (net of receivables)	(64.1)	(56.4)	(74.9)	(7.7)	10.8
Net working capital	**284.7**	**289.4**	**226.9**	**(4.7)**	**57.9**
Total non-current liabilities and provisions	(101.0)	(84.7)	(92.2)	(16.3)	(8.8)
Net capital employed	**823.8**	**838.7**	**765.3**	**(14.9)**	**58.5**
Net debt*	**21.0**	**112.4**	**4.7**	**(91.5)**	**16.2**
Total net equity	**802.9**	**726.3**	**760.6**	**76.6**	**42.3**
Total net debt and equity	**823.8**	**838.7**	**765.3**	**(14.9)**	**58.5**

(*) Net financial position includes €13.6 million in net financial assets (€10.3 million in net financial liabilities at 31 December 2010) relating to the fair value of derivatives and to the recognition of options on minority interests.

Investments in property, plant and equipment amounted to €29.7 million (€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 to have close control over production for local markets.

Net working capital decreased by €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 are as follows:

(€/million)	**30.09.2011**	**30.09.2010**	**31.12.2010**	**Change 30.09.11 – 30.09.10**	**Change 30.09.11 – 31.12.10**
Cash and cash equivalents	166.2	132.3	193.5	33.9	(27.3)
Other financial receivables	33.7	14.0	12.2	19.7	21.5
Current portion of non-current debt	(42.7)	(54.1)	(40.6)	11.5	(2.1)
Current financial debt	(86.4)	(84.6)	(62.2)	(1.8)	(24.3)
Net current financial assets	**70.8**	**7.6**	**103.0**	**63.2**	**(32.2)**
Non-current financial debt	**(91.8)**	**(120.0)**	**(107.7)**	**28.2**	**15.9**
Total net financial position	**(21.0)**	**(112.4)**	**(4.7)**	**91.5**	**(16.2)**
of which:					
- net bank financial position	*(34.5)*	*(106.1)*	*5.6*	*71.5*	*(40.2)*
- fair value of options and hedging derivatives	*13.6*	*(6.4)*	*(10.3)*	*19.9*	*23.9*

The net current financial position reported €70.8 million in net financial assets at 30 September 2011 (compared with net financial assets of €7.6 million at 30 September 2010).
As for non-current debt, De'Longhi S.p.A., the parent company, has received €12 million during 2011 as the second tranche of the loan arranged with a banking syndicate in the prior year.

If financial items other than net bank debt (i.e. fair value of options and hedging derivatives) are eliminated, the net financial position becomes a negative €34.5 million at 30 September 2011 (versus a negative €106.1 million at 30 September 2010).

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

(€/million)	**30.09.2011 (9 months)**	**30.09.2010 (9 months)**	**31.12.2010 (12 months)**
Cash flow generated (absorbed) by current operations	124.5	100.0	168.0
Cash flow generated (absorbed) by other changes in working capital	(94.1)	(48.3)	9.5
Cash flow generated (absorbed) by current operations and changes in net working capital	**30.3**	**51.7**	**177.5**
Cash flow generated (absorbed) by investment activities	(37.9)	(27.3)	(45.4)
Cash flow generated (absorbed) by operating activities	**(7.6)**	**24.4**	**132.1**
Non-recurring cash flow	(2.2)	-	-
Cash flow generated (absorbed) by changes in net equity	(6.4)	(19.7)	(19.7)
Cash flow for the period	**(16.2)**	**4.7**	**112.4**
Opening net financial position	(4.7)	(117.1)	(117.1)
Closing net financial position	**(21.0)**	**(112.4)**	**(4.7)**

Cash flow generated by current operations amounted to €30.3 million in the first nine months of 2011 (€51.7 million in the same period of 2010).
Cash flow absorbed by operating activities, including after the higher investment expenditure mentioned earlier, was €7.6 million (having generated €24.4 million in the first nine months of 2010).

Changes in net equity absorbed €6.4 million in cash flow (having absorbed €19.7 million in 2010) and includes the outflow for the larger dividend distribution and the negative change in the currency translation reserve, as partially offset by the change in the cash flow hedge reserve (with a positive flow of €18.7 million at 30 September 2011 and negative one of €7.2 million at 30 September 2010).

The statement of financial position of the two divisions is as follows: Household + Corporate (which aggregates the two traditional Household and Corporate segments) and Professional:

	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
Non-current assets	**318.7**	**321.4**	**640.1**	**304.5**	**329.5**	**634.0**	**305.4**	**325.2**	**630.6**
- 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)
Net working capital	**243.0**	**41.8**	**284.7**	**234.0**	**55.5**	**289.4**	**185.8**	**39.7**	**226.9**
Total non-current liabilities and provisions	**(68.9)**	**(32.1)**	**(101.0)**	**(52.2)**	**(32.5)**	**(84.7)**	**(60.8)**	**(31.4)**	**(92.2)**
Net capital employed	**492.7**	**331.1**	**823.8**	**486.3**	**352.4**	**838.7**	**430.3**	**333.5**	**765.3**
Net (cash) debt	**(41.9)**	**63.0**	**21.0**	**(116.1)**	**228.3**	**112.4**	**(208.5)**	**211.7**	**4.7**
Total net equity	**534.7**	**268.2**	**802.9**	**602.4**	**124.1**	**726.3**	**638.9**	**121.9**	**760.6**
Total net debt and equity	**492.7**	**331.1**	**823.8**	**486.3**	**352.4**	**838.7**	**430.3**	**333.5**	**765.3**

(*) 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 €6.5 million (€5.8 million at 30 September 2010; €4.5 million at 31 December 2010); trade payables by €8.3 million (€6.8 million at 30 September 2010; €7.2 million at 31 December 2010); other net liabilities by €1.8 million (€1.0 million at 30 September 2010; €1.3 million at 31 December 2010).

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 €150 million authorized and paid by De'Longhi S.p.A. on 30 June 2011 to De'Longhi Professional S.A..

The net financial position of the two divisions is 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)
Net current financial (debt) assets	**100.0**	**184.0**	**267.9**	**(30.2)**	**(176.2)**	**(163.4)**
Non-current financial debt	**(58.1)**	**(67.9)**	**(59.4)**	**(32.7)**	**(52.1)**	**(48.2)**
Total net financial position	**41.9**	**116.1**	**208.5**	**(63.0)**	**(228.3)**	**(211.7)**
of which:						
- 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)*

Human resources

The De'Longhi Group had 7,679 employees at 30 September 2011.

The following table summarizes the average number of employees during the first nine months of 2011 compared with the same period of 2010:

	30.09.2011 (9 months)	%	30.09.2010 (9 months)	%	31.12.2010 (12 months)	%
Household	5,319	73%	5,800	76%	5,743	76%
Professional	1,851	26%	1,712	23%	1,680	23%
Corporate	84	1%	83	1%	84	1%
Total	**7,254**	**100%**	**7,595**	**100%**	**7,507**	**100%**

The group had an average of 7,254 employees during the first nine months of the year, 341 fewer than in the same period of 2010; this was the product of different trends in the group's two divisions.

The Household division reported a reduction of 481 employees, reflecting a downsizing of the workforce at the Chinese and Russian electric oil-filled radiator factories to match market demand and a growth in the workforce at the Italian high-end coffee machines factory in the face of strong product demand.

The Professional division reported an increase of 139 employees, reflecting new recruits at the Climaveneta factories in Italy and at the Chinese production company and consolidation of the newly acquired or formed companies in the United Kingdom and India.

Principal risks and uncertainties facing the group

Reference should be made to the Group Annual Report at 31 December 2010.

Corporate governance and ownership structure

Reference should be made to the Group Annual Report at 31 December 2010.

Subsequent events

As previously mentioned, during the month of October the shareholders' meetings of De'Longhi S.p.A. and De'Longhi Clima S.p.A. approved the demerger and the application for admission to listing of De'Longhi Clima S.p.A.'s shares was presented to Borsa Italiana.

Outlook for the current year

Markets are currently being affected by uncertainties caused by the tension on financial markets.
Nevertheless, the group believes that both its divisions can carry on growing even in the fourth quarter of 2011.

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.

The Professional division should confirm its growth trend, also thanks to its strong presence in major markets and in certain emerging markets, including China and India that are generating high rates of growth for the division.

Treviso, 10 November 2011

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

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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

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