Quarterly report at 31 March 2006

De'Longhi S.p.A. – Registered office: Via L. Seitz 47, 31100 Treviso, Italy
Share capital: €448,500,000.00
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

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

Board of Statutory Auditors

Chairman	GIANLUCA PONZELLINI
Standing members	MASSIMO LANFRANCHI
	GIULIANO SACCARDI
Alternate auditors	ROBERTO CORTELLAZZO-WIEL
	ENRICO PIAN

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.
In the meeting of 27 June 2005 the Board of Directors renewed the managerial powers delegated, revising them for the restrictions required by law, for the Guidelines and principles for identifying significant transactions and particularly related-party transactions and the Ethical Code.
** Independent directors.
*** Engaged by the shareholders' meeting of 28 April 2004 to audit the 2004, 2005 and 2006 financial statements.

Report on operations at 31 March 2006

Introduction
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 in accordance with international accounting and financial reporting standards and specifically on the basis of the provisions of IAS 34 – Interim Financial Reporting; as a result, the comparative amounts for the corresponding period in 2005 have been restated under the new standards.

Overview of the group's results in 1st quarter 2006
The group reported another set of improved results for the first quarter of 2006, confirming the trend already emerging in the third and fourth quarters of 2005. First-quarter net revenues came to €276.2 million (€234.2 million in the first quarter of 2005), having increased by 17.9% thanks to the good performance of the group's main product categories and markets.

Gross profit climbed from €92.9 million to €103.4 million (with the margin going from 39.7% to 37.4%) despite the negative trend in exchange rates and raw materials in the first quarter of the year.

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 €14.4 million to €19.5 million (with the margin rising from 6.2% to 7.1%), while EBIT increased from €5.8 million to €9.7 million (with the margin climbing from 2.5% to 3.5%).

First-quarter profit before taxes came to €0.2 million, compared with a pre-tax loss of €2.0 million in the same period of 2005.

The net financial position reported net borrowings of €511.9 million at period end, staying basically the same as at 31 December 2005 (€511.4 million) even though the first quarter of the year has traditionally been an absorber of cash. The increase in borrowings relative to the first quarter of 2005 (€477.9 million) is mainly explained by the rise in trade receivables due to the higher amount of first-quarter sales in 2006 than in 2005 and by the predicted increase in inventories following the adverse trend in air-conditioner sales in 2005.

Net borrowings at 31 March 2006 also included €70.4 million in receivables securitized and factored without recourse (€99.2 million at 31 March 2005) which, in accordance with IFRS, have been reinstated in the net financial position even if ownership of the receivables has been legally transferred.

Consolidated income statement - highlights

(€/million)	1st quarter 2006	% of revenues	1st quarter 2005	% of revenues	Change	% change
Total revenues	276.2	100%	234.2	100%	42.0	17.9%
Gross profit	103.4	37.4%	92.9	39.7%	10.5	11.3%
EBITDA	19.5	7.1%	14.4	6.2%	5.1	35.5%
EBIT	9.7	3.5%	5.8	2.5%	3.9	67.2%
Profit (loss) before taxes	0.2	0.1%	(2.0)	(0.8%)	2.1	(109.2%)
Profit (loss) for the period pertaining to the group	(1.3)	(0.5%)	(2.2)	(0.9%)	0.9	(39.9%)

Consolidated balance sheet - highlights

(€/million)	31.03.2006	31.12.2005	31.03.2005
Net working capital	464.3	469.8	440.5
Net capital employed	1,096.4	1,096.9	1,041.3
Net financial position (*)	(511.9)	(511.4)	(477.8)

(*) The net financial position at 31 March 2006 includes €70.4 million in securitization transactions and receivables factored without recourse (€99.2 million at 31 March 2005). The breakdown is as follows:

	31.03.2006	31.12.2005	31.03.2005
Net bank borrowings	441.5	398.3	378.6
Payables for assigned receivables	70.4	113.1	99.2
Total	511.9	511.4	477.8

Group results

The reclassified consolidated income statement is summarized as follows:

(€/million)	*1st quarter 2006*	*% of revenues*	*1st quarter 2005*	*% of revenues*
Net revenues	**276.2**	100.0%	**234.2**	100.0%
Change	*42.0*	*17.9%*		
Materials consumed and production costs (services and production payroll costs)	(172.8)	(62.6%)	(141.3)	(60.3%)
Gross profit	**103.4**	**37.4%**	**92.9**	**39.7%**
Cost of services & other expenses	(59.2)	(21.5%)	(54.1)	(23.1%)
Value added	**44.1**	**16.0%**	**38.8**	**16.6%**
Payroll (non-industrial)	(22.8)	(8.2%)	(21.7)	(9.3%)
Provisions	(1.6)	(0.6%)	(2.4)	(1.0%)
EBITDA before non-recurring income (expenses)	**19.7**	**7.1%**	**14.7**	**6.3%**
Non-recurring income (expenses)	(0.2)	(0.1)%	(0.3)	(0.1%)
EBITDA	**19.5**	**7.1%**	**14.4**	**6.2%**
Change	*5.1*	*35.5%*		
Amortization and depreciation	(9.8)	(3.5%)	(8.6)	(3.7%)
EBIT	**9.7**	**3.5%**	**5.8**	**2.5%**
Change	*3.9*	*67.2%*		
Financial income (expenses)	(9.6)	(3.5%)	(7.8)	(3.3%)
Profit before taxes	**0.2**	**0.1%**	**(2.0)**	**(0.8%)**
Taxes	(1.3)	(0.5%)	(0.2)	(0.1%)
Profit (loss) for the period	**(1.1)**	**(0.4%)**	**(2.1)**	**(0.9%)**
Profit (loss) pertaining to minority interests	0.2	0.0%	0.0	0.0%
Profit (loss) pertaining to the group	**(1.3)**	**(0.5%)**	**(2.2)**	**(0.9%)**

Revenues

The group's net revenues came to €276.2 million in the first quarter of 2006, an increase of 17.9% on the same period in 2005.

Results by business segment

Household

(€/million)	*1st quarter 2006*	*1st quarter 2005*	*Change*	*% change*
Net revenues	212.3	177.1	35.2	*19.9%*
EBITDA	12.8	9.6	3.2	*33.7%*
% of revenues	*6.0%*	*5.4%*		

Professional

(€/million)	*1st quarter 2006*	*1st quarter 2005*	*Change*	*% change*
Net revenues	63.9	57.1	6.8	*11.9%*
EBITDA	6.7	4.8	1.9	*38.9%*
% of revenues	*10.5%*	*8.5%*		

Household

The Household division reported a major increase in first-quarter sales (+19.9% compared with the same period in 2005) mainly thanks to growth by coffee machines, small kitchen appliances and heating products.

Air-conditioner sales were basically in line with 2005.

Professional

The Professional division posted a significant 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)	1st quarter 2006	%	1st quarter 2005	%	% change
Geographical area					
Italy	64.1	23.2%	62.0	26.5%	3.5%
United Kingdom	34.4	12.5%	36.4	15.5%	(5.4)%
Rest of Europe	94.8	34.3%	82.2	35.1%	15.3%
North America	21.0	7.6%	13.8	5.9%	52.0%
Japan	5.8	2.1%	4.9	2.1%	16.5%
Rest of the world	56.1	20.3%	34.9	14.9%	61.0%
Total	**276.2**	**100%**	**234.2**	**100%**	**17.9%**

All the group's markets reported a positive sales performance, except for the United Kingdom, where demand continued to be weak, especially for kitchen appliances.

Europe performed exceptionally well, particularly Germany, France and other countries in Western Europe.

The Italian market benefited from the growth in sales of kitchen appliances. The group's principal business segments also reported higher sales in North America, Japan and the Rest of the world.

Profitability

Gross profit, which improved from €92.9 million in the first quarter of 2005 to €103.4 million this year, suffered from first-quarter movements in exchange rates and raw material prices and also, to a minor extent, from a number of sales designed to shift slow-moving products.

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 €14.4 million to €19.5 million (with the margin rising from 6.2% to 7.1%), while EBIT increased from €5.8 million to €9.7 million (with the margin climbing from 2.5% to 3.5%).

As for the results by business segment, the Household segment reported three-month EBITDA of €12.8 million, representing 6% of revenues, having improved from €9.6 million in the first quarter of 2005 (with a margin of 5.4%). This improvement reflected the good profitability of product categories with higher sales (coffee machines, small kitchen appliances and heating products).

EBITDA in the Professional segment was €6.7 million in the first quarter of 2006, representing 10.5% of revenues, having increased from €4.8 million in the first three months of 2005 (with a margin of 8.5%). Profitability benefited first and foremost from the increase in margins on large thermo-cooling systems.

EBIT was €9.7 million (€5.8 million in 2005).

The first quarter of the year closed with €0.2 million in profit before taxes compared with a pre-tax loss of €2 million in the same period of 2005.

It should be noted that first-quarter profitability is not generally comparable with that of the full year because sales in the first three months represent less than 20% of the annual total.

Key balance sheet figures

The reclassified consolidated balance sheet is summarized below:

(€/million)	**31.03.2006**	**31.12.2005**	**Change 31.03.06 – 31.12.05**	**31.03.2005**	**Change 31.03.06 – 31.03.05**
Non-current assets	**730.7**	**730.2**	**0.5**	**698.1**	**32.7**
-Inventories	372.6	340.2	32.3	357.2	15.3
-Receivables	377.7	450.1	(72.4)	343.6	34.1
-Suppliers	(259.2)	(285.9)	26.7	(253.4)	(5.9)
-Other	(26.7)	(34.5)	7.8	(7.0)	(19.7)
Net working capital	**464.3**	**469.8**	**(5.6)**	**440.5**	**23.8**
Total non-current liabilities and provisions	(98.6)	(103.1)	4.5	(97.2)	(1.4)
Net capital employed	**1,096.4**	**1,096.9**	**(0.5)**	**1,041.3**	**55.1**
Net financial position (*)	**511.9**	**511.4**	**0.5**	**477.9**	**34.0**
Total net equity	**584.5**	**585.5**	**(1.0)**	**563.5**	**21.1**
Total net borrowings and equity	**1,096.4**	**1,096.9**	**(0.5)**	**1,041.3**	**55.1**

(*) The net financial position at 31 March 2006 includes €70.4 million in securitization transactions and receivables factored without recourse (€99.2 million at 31 March 2005).

The financial position is made up as follows:

	31.03.2006	**31.12.2005**	**31.03.2005**
Net bank borrowings	441.5	398.3	378.6

As a result of applying IFRS, the payables to factors for securitization agreements and receivables assigned without recourse have been treated as part of the net financial position, even though their ownership has been legally transferred.

	31.03.2006	**31.12.2005**	**31.03.2005**
Payables to factors for assigned receivables	70.4	113.1	99.2

Debt thus adjusted is as follows:

	31.03.2006	**31.12.2005**	**31.03.2005**
Debt adjusted for payables to factors for assigned receivables	511.9	511.4	477.8

The cash flow statement can be summarized as follows:

(€/million)	***31.03.2006 (3 months)***
Net operating cash flow	**(0.8)**
Cash flows generated by changes in equity accounts	0.3
Cash flow for the period	**(0.5)**
Opening net financial position	(511.4)
Closing net financial position	**(511.9)**

The net financial position reported net borrowings of €511.9 million at period end, staying basically the same as at 31 December 2005 (€511.4 million) even though the first quarter of the year has traditionally been an absorber of cash. The increase in borrowings relative to the first quarter of 2005 (€477.8 million) is mainly explained by the rise in trade receivables due to the higher amount of sales made in the first quarter of 2006 compared with the same period in 2005 and by the increase in inventories following the adverse trend in air-conditioner sales in 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

There are no significant subsequent events to report.

Outlook for the rest of 2006

Based on its positive first-quarter trend, the group confirms its objective of increasing revenues this year.

Treviso, 12 May 2006

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

INCOME STATEMENT	***Notes***	**31.03.2006**	**31.03.2005**
NET REVENUES			
Revenues from sales and services		270 672	229 744
Other operating income and revenues		5 508	4 428
Total consolidated net revenues	*(1)*	***276 180***	***234 172***
Change in inventories of finished products and work in progress		29 495	50 470
Raw and ancillary materials, consumables and goods		(174 601)	(167 408)
Change in inventories of raw and ancillary materials, consumables and goods		6 286	8 907
Raw materials and consumables consumed		***(138 820)***	***(108 031)***
Payroll costs		(42 692)	(41 335)
Services and other operating expenses	*(2)*	(73 317)	(67 723)
Contingency and other provisions		(1 610)	(2 395)
Amortization and depreciation	*(3)*	(9 775)	(8 580)
Other operating expenses		***(127 394)***	***(120 033)***
Non-recurring income (expenses)	*(4)*	(229)	(284)
EBIT		**9 737**	**5 824**
FINANCIAL INCOME (EXPENSES)			
Financial income (expenses)	*(5)*	(9 556)	(7 781)
Earnings before tax (EBT)		**181**	**(1 957)**
Taxes		(1 311)	(181)
PROFIT (LOSS) FROM ORDINARY OPERATIONS BEFORE MINORITY INTERESTS		**(1 130)**	**(2 138)**
Profit (loss) pertaining to minority interests		182	45
PROFIT (LOSS) FROM ORDINARY OPERATIONS PERTAINING TO THE GROUP		**(1 312)**	**(2 183)**
EARNINGS PER SHARE		**(0.01)**	**(0.01)**

ASSETS	*Notes*	31.03.2006	31.03.2005	31.12.2005
NON-CURRENT ASSETS				
INTANGIBLE ASSETS	*(6)*	418 209	418 513	418 779
- Goodwill		219 158	216 702	219 239
- Other intangible assets		199 051	201 811	199 540
PROPERTY, PLANT AND EQUIPMENT		266 293	249 030	263 842
- Land, property, plant and machinery		219 757	202 093	218 139
- Other tangible assets		46 536	46 937	45 703
FINANCIAL ASSETS		8 880	10 061	8 865
- Equity investments (in associated companies)		6 496	7 304	6 496
- Equity investments (other)		190	57	221
- Receivables		2 194	2 700	2 148
DEFERRED TAX ASSETS		38 616	22 272	40 022
TOTAL NON-CURRENT ASSETS		731 998	699 876	731 508
CURRENT ASSETS				
INVENTORIES	*(7)*	372 552	357 237	340 210
TRADE RECEIVABLES	*(8)*	377 662	343 562	450 064
CURRENT TAX ASSETS		24 223	25 387	12 338
OTHER RECEIVABLES		14 214	13 994	19 062
CURRENT FINANCIAL RECEIVABLES AND ASSETS		2 753	23 596	1 662
CASH AND CASH EQUIVALENTS	*(9) (10)*	94 177	90 908	177 031
TOTAL CURRENT ASSETS		885 581	854 684	1 000 367
TOTAL ASSETS		**1 617 579**	**1 554 560**	**1 731 875**

NET EQUITY AND LIABILITIES		31.03.2006	31.03.2005	31.12.2005
NET EQUITY				
GROUP PORTION OF NET EQUITY		582 606	561 730	583 781
- Share capital		448 500	448 500	448 500
- Reserves		135 418	115 413	110 461
- Profit (Loss) for the period		(1 312)	(2 183)	24 820
MINORITY INTERESTS		1 936	1 734	1 754
TOTAL NET EQUITY		584 542	563 464	585 535
NON-CURRENT LIABILITIES				
FINANCIAL PAYABLES		289 088	191 489	234 477
- Bank loans and borrowings (long-term portion)	*(10)*	274 711	177 082	217 823
- Other financial payables (long-term portion)	*(10)*	14 377	14 407	16 654
DEFERRED TAX LIABILITIES		16 573	16 088	16 715
NON-CURRENT PROVISIONS FOR CONTINGENCIES AND OTHER CHARGES		82 030	81 157	86 435
- Employee benefits		41 767	44 193	42 824
- Other provisions		40 263	36 964	43 611
TOTAL NON-CURRENT LIABILITIES		387 691	288 734	337 627
CURRENT LIABILITIES				
TRADE PAYABLES		259 244	253 355	285 932
FINANCIAL PAYABLES		319 657	402 648	456 885
- Bank loans and borrowings (short-term portion)	*(10)*	218 017	279 323	313 751
- Other financial payables (short-term portion)	*(10)*	101 640	123 325	143 134
CURRENT TAX LIABILITIES		23 379	13 650	25 149
OTHER PAYABLES		43 066	32 709	40 747
TOTAL CURRENT LIABILITIES		645 346	702 362	808 713
TOTAL NET EQUITY AND LIABILITIES		**1 617 579**	**1 554 560**	**1 731 875**

	31/03/2006
Profit (loss) for the quarter	(1 312)
Amortization and depreciation	9 775
Net change in provisions and writedowns	(3 619)
Cash flow generated (absorbed) by current operations (A)	**4 844**
Change in assets and liabilities in the quarter:	
Trade receivables	72 880
Inventories	(32 342)
Trade payables	(26 689)
Other current assets and liabilities	(7 806)
Cash flow generated (absorbed) by movements in working capital (B)	**6 043**
Investment activities	
Net investments in intangible assets	(2 314)
Net investments in property, plant and equipment	(9 342)
Net investments in non-current financial assets	(32)
Cash flow generated (absorbed) by investment activities (C)	**(11 688)**
Changes in net equity	85
Change in currency translation reserve	53
Increase (decrease) in minority interests in share capital	182
Cash flow generated by changes in equity accounts (D)	**320**
Cash flow for the quarter (A+B+C+D)	**(481)**
Opening net financial position	**(511 398)**
Cash flow for the quarter (A+B+C+D)	(481)
Closing net financial position	**(511 879)**

	SHARE CAPITAL	SHARE PREMIUM RESERVE	LEGAL RESERVE	OTHER RESERVES	FAIR VALUE RESERVE	PROFIT (LOSS) CARRIED FORWARD	PROFIT (LOSS) FOR THE PERIOD	TOTAL
Balance at 31 December 2004 (IAS)	448 500	325	4 839	41 833	-	31 316	35 329	562 142
Adoption of IAS 32 and IAS 39					(1 507)	(520)		(2 027)
Balance at 1 January 2005	448 500	325	4 839	41 833	(1 507)	30 796	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)	-
Adoption of IAS 32 and IAS 39					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	43 384	(620)	61 979	24 820	583 781
Allocation of prior-year profit to reserves until such time as being apportioned by the AGM						24 820	(24 820)	-
Adoption of IAS 32 and IAS 39					85			85
Difference from conversion of foreign companies' financial statements into euro						52		52
Profit for the period							(1 312)	(1 312)
Balance at 31 March 2006	448 500	325	5 393	43 384	(535)	86 851	(1 312)	582 606

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.
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 comparative figures for the corresponding period in 2005 have been restated in accordance with the new accounting standards.

The accounting policies and measurement bases are the same as those used for preparing the comparative figures at 31 March 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 prepared 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 first-quarter sales proportionately lower than in subsequent quarters), with a consequent effect on the principal components of the income statement.

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 31 March 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 31 December 2005.

COMMENTS ON THE INCOME STATEMENT

1. REVENUES

Net 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:

	1st quarter 2006	1st quarter 2005	Change	% change
Business segments:				
Household	212,314	177,094	35,220	19.9%
Professional	63,866	57,078	6,788	11.9%
Total	**276,180**	**234,172**	**42,008**	**17.9%**

Revenues by geographical area

Revenues are broken down by geographical segment as follows:

	1st quarter 2006	1st quarter 2005	% change
Geographical area:			
Italy	64,113	61,965	3.5%
United Kingdom	34,423	36,385	(5.4)%
Rest of Europe	94,768	82,215	15.3%
North America	21,002	13,814	52.0%
Japan	5,754	4,938	16.5%
Rest of the world	56,120	34,855	61.0%
Total	**276,180**	**234,172**	**17.9%**

More information can be found in the Report on operations.

2. SERVICES AND OTHER OPERATING EXPENSES

These are detailed as follows:

	1st quarter 2006	1st quarter 2005	Change
Advertising and promotions	12,467	11,670	797
Transport (for purchases)	5,962	6,790	(828)
Transport (for sales), returns and internal transport	10,892	10,065	827
Subcontracted work	4,751	4,164	587
Commissions	5,444	4,534	910
Storage and warehousing	3,791	3,641	150
Travel and entertaining	3,357	3,316	41
Other services, rentals and leasing and other operating expenses	26,653	23,543	3,110
Total	**73,317**	**67,723**	**5,594**

3. AMORTIZATION AND DEPRECIATION

These charges comprise:

	1st quarter 2006	1st quarter 2005	Change
Amortization of intangible assets	2,883	2,496	387
Depreciation of property, plant and equipment	6,892	6,084	808
Total	**9,775**	**8,580**	**1,195**

4. NON-RECURRING INCOME (EXPENSES)

This includes income (expenses) relating to prior years.

5. FINANCIAL INCOME (EXPENSES)

These are broken down as follows:

	1st quarter 2006	1st quarter 2005	Change
Bank expenses (income)	6,198	4,833	1,365
Exchange (gains) losses	229	(352)	581
Other financial expenses	3,129	3,300	(171)
Total	**9,556**	**7,781**	**1,775**

Other financial income (expenses) refer mainly to financial discounts and bank charges.

COMMENTS ON THE BALANCE SHEET

6. INTANGIBLE ASSETS

These are broken down as follows:

	31.03.2006	31.12.2005	31.03.2005
Goodwill	219,158	219,239	216,702
Trademarks	173,036	174,138	179,578
Other assets	26,015	25,402	22,233
Total	**418,209**	**418,779**	**418,513**

"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:

	31.03.2006	31.12.2005	31.03.2005
Raw materials	79,543	73,555	82,310
Work in progress and advances	41,021	28,770	31,849
Finished products	278,278	265,868	263,530
Inventory writedown provision	(26,290)	(27,983)	(20,451)
Total	**372,552**	**340,210**	**357,237**

8. TRADE RECEIVABLES
These are broken down as follows:

	31.03.2006	31.12.2005	31.03.2005
Trade receivables	314,953	347,439	254,573
Provision for doubtful accounts	(10,015)	(10,493)	(9,726)
Total	**304,938**	**336,946**	**244,847**
Assigned receivables	72,724	113,118	98,715
Total	**377,662**	**450,064**	**343,562**

Trade receivables include receivables, almost all of which are covered by insurance, which have been transferred under securitization and without-recourse factoring transactions; even if the ownership of these receivables has been legally transferred, under IFRS these balances have been reinstated in the balance sheet with a corresponding adjustment to the net financial position, by recording a payable due to the factor.

Pursuant to CONSOB Circular 3369 of 9 April 1997, we report that the total amount of receivables assigned under the securitization conducted by the parent company and one of its subsidiaries in the period from January to the end of March 2006 was €43,325 thousand.

Trade receivables are stated net of a provision for doubtful accounts of €10,015 thousand, representing a reasonable estimate of the expected risk at the reporting date. Provisions are made for the sake of prudence against 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 €53.8 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 €46.9 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 procedures 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:

	31.03.2006	31.12.2005	31.03.2005
Cash	77,795	164,881	83,339
Current borrowings	(234,159)	(331,618)	(295,864)
Non-current loans and borrowings	(289,088)	(234,477)	(191,489)
Other	4,006	2,933	25,378
Total net bank borrowings	**(441,446)**	**(398,281)**	**(378,636)**
Payables for assigned receivables (*)	(70,432)	(113,118)	(99,215)
Total	**(511,879)**	**(511,399)**	**(477,851)**

(*) This payable is offset in the balance sheet by a higher amount for assigned receivables of €72.7 million at 31 March 2006 (€113.1 million at 31 December 2005 and €98.7 million at 31 March 2005) and by other net working capital balances deriving from the consolidation of the special purpose entity set up for securitization purposes.

The net financial position includes a loan of €150 million from a syndicate of banks, all of which was classified as current at 31 December 2005 after Delonghi failed to satisfy one of the associated financial covenants. Such a classification was in compliance with the requirements of IAS 1.

In the period after 31 December 2005 De'Longhi S.p.A. applied for and obtained a waiver from the agent bank. As a result, the portion of this loan due after more than 12 months of €90 million has now been classified as non-current.

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

Appendix 2 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, 12 May 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 three 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**	**Other income (Other costs)**	**Trade receivables and other receivables**	**Trade payables**
Associated companies: (1)				
Top Clima	3.9		5.2	(0.1)
Omas S.r.l.			0.2	
Total associated companies	**3.9**		**5.4**	**(0.1)**
Ultimate parent companies:				
De'Longhi Soparfi S.A. (2)			0.5	
Total ultimate parent companies			**0.5**	
Related parties:				
Max information		(0.2)		(0.1)
Total related parties		**(0.2)**		**(0.1)**

(1) These mostly refer to dealings of a commercial nature.
(2) These refer to receivables for the recharge of services rendered.

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 quarter of 2006.