Interim management statement at 31 March 2012

De'Longhi S.p.A. – Registered office: Via L. Seitz, 47 – 31100 Treviso, Italy
Share Capital: Eur 224,250,000
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

The main consolidated figures at 31 March 2012 are as follows:

1st quarter results

- Revenues €317.7 million (+€29.9 milioni; +10.4% on 1st quarter 2011)
- EBITDA * €42.8 million (+ €3.1 million, 13.5% on revenues; vs. 13.8% in 1st quarter 2011)

* (before non-recurring expenses)

Net financial position

- Net financial assets €93.7 million (improvement of €47.9 milioni on 31.03.11, without considering the capital contribution to the Professional division)

Income statement

(€/million)	1st quarter 2012	% revenues	1st quarter 2011 (*)	% revenues	Change	% change
Revenues	317.7	100.0%	287.8	100.0%	29.9	10.4%
Gross profit	149.3	47.0%	137.0	47.6%	12.3	9.0%
EBITDA before non-recurring expenses	42.8	13.5%	39.7	13.8%	3.1	7.9%
EBITDA	41.4	13.0%	38.9	13.5%	2.5	6.4%
EBIT *adjusted*	35.0	11.0%	32.5	11.3%	2.5	7.6%
EBIT	33.6	10.6%	31.7	11.0%	1.8	5.7%
Profit (loss) pertaining to the group	22.7	7.2%	19.5	6.8%	3.3	16.8%

(*) In accordance with IFRS 5, the figures for the first quarter 2011 have been restated to exclude the businesses transferred to DeLclima Group on 1 January 2012 under the Demerger.

Statement of financial position

(€/million)	31.03.2012	31.03.2011 (*)	31.12.2011 (*)
Net working capital	245.4	204.7	235.2
Net capital employed	503.4	447.3	469.2
Net financial position	93.7	195.8	117.4
Net financial position adjusted (**)		*45.8*	
Net equity	597.1	643.1	586.6

(*) Figures restated to take account of the effects of the demerger which took effect from 1 January 2012.
(**) The net financial position at 31.03.2011 has been restated to eliminate the effects of the capital contribution to the Professional division.

Introduction

The partial, proportionate demerger of the Professional division's activities from De'Longhi S.p.A. to its wholly-owned subsidiary DeLclima S.p.A. took effect from 1 January 2012 and has led to the creation of two distinct groups, De'Longhi S.p.A. and DeLclima S.p.A.; trading in the shares of DeLclima S.p.A. commenced on 2 January 2012 on the screen-traded market managed by Borsa Italiana S.p.A., with the two companies operating as two separate groups, each focused on their own business.
The interim management statement at 31 March 2012 therefore reports the activities of the former Household and Corporate divisions, which have become a single operating division since 1 January 2012; for the sake of consistent comparison, corresponding pro-forma figures are presented at 31 March 2011 which take account of the effects of the aforesaid demerger.

Content of the interim management statement

The present document reporting the unaudited consolidated results at 31 March 2012 constitutes the interim management statement required by art. 154-ter of Decree 58/98 (known as "Testo Unico della Finanza" or "TUF").
The income statement figures refer to the three months to 31 March 2012, with comparatives at 31 March 2011, which have been restated in accordance with IFRS 5 – *Assets held for sale and discontinued operations* to take account of the aforesaid demerger.
The statement of financial position figures refer to 31 March 2012, 31 March 2011 and 31 December 2011 (with the comparative figures, like as above, restated for consistency with 31 March 2012 to take account of the effects of the demerger).
This report includes details of any significant transactions, including those 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 financial reports.

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

The figures contained in the present 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.

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.

- <u>Gross profit and EBITDA</u>: 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, amortization and impairment 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.
- <u>Adjusted EBIT</u>: this corresponds to EBIT, as adjusted to exclude non-recurring items and goodwill impairment.
- <u>Net working capital</u>: this measure is the sum of inventories, trade receivables, current tax assets and other receivables, minus trade payables, current tax liabilities and other payables.
- <u>Net capital employed</u>: 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 benefits and provisions for contingencies and other charges.
- <u>Net financial position</u>: 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.

Significant events

The group's major focus during the first quarter of 2012 was on completing the demerger, with the introduction of operational and organizational procedures to create two independently governed holding company structures, and on finalizing certain important investments in the production area to support the group's strong growth.
In particular, production activities were restarted following the new tariff status of the factory in Russia, where another warehouse next to the existing one was purchased in order to make logistics costs more efficient. In addition, work was basically completed on the new small domestic appliances factory in China.
At the end of March 2012, following receipt of the necessary authorizations from the local authorities, an agreement was finalized to acquire a production facility in Cluj in Romania.
The acquisition forms part of the group's development strategies to support its fast-growing international presence, and to diversify its industrial platform, so as to partly restore the balance in production between the currently dominant Far East and Europe, where De'Longhi is present with one factory in Italy.

Group results

The reclassified consolidated income statement is summarized as follows:

(€/million)	1st quarter 2012	% revenues	1st quarter 2011 (*)	% revenues
Revenues	**317.7**	**100.0%**	**287.8**	**100.0%**
Change	*29.9*	*10.4%*		
Materials consumed & other production costs (production services and payroll costs)	(168.4)	(53.0%)	(150.8)	(52.4%)
Gross profit	**149.3**	**47.0%**	**137.0**	**47.6%**
Other services, expenses and provisions	(75.8)	(23.9%)	(68.9)	(23.9%)
Payroll (non-production)	(30.6)	(9.6%)	(28.5)	(9.9%)
EBITDA before non-recurring income/expenses	**42.8**	**13.5%**	**39.7**	**13.8%**
Change	*3.1*	*7.9%*		
Other non-recurring income (expenses)	(1.5)	(0.5%)	(0.8)	(0.3%)
EBITDA	**41.4**	**13.0%**	**38.9**	**13.5%**
Change	*2.5*	*6.4%*		
Amortization, depreciation and impairment	(7.8)	(2.5%)	(7.1)	(2.5%)
EBIT	**33.6**	**10.6%**	**31.7**	**11.0%**
Change	*1.8*	*5.7%*		
Financial income (expenses)	(2.8)	(0.9%)	(3.3)	(1.1%)
Profit (loss) before taxes	**30.8**	**9.7%**	**28.4**	**9.9%**
Income taxes	(7.9)	(2.5%)	(8.8)	(3.1%)
Profit (loss) after taxes	**22.9**	**7.2%**	**19.7**	**6.8%**
Profit (loss) pertaining to minority interests	0.2	0.1%	0.2	0.1%
Profit (loss) pertaining to the group	**22.7**	**7.2%**	**19.5**	**6.8%**

(*) In accordance with IFRS 5, the figures for the first quarter 2011 have been restated to exclude the businesses transferred to DeLclima Group on 1 January 2012 under the Demerger.

The group closed the first quarter of 2012 with excellent results even though certain markets were still very tough; revenues amounted to €317.7 million, up 10.4% on the first quarter of 2011, a quarter that had enjoyed record 24.3% growth.

Coffee makers and Kenwood cooking and food preparation appliances both enjoyed double-digit growth.

Geographically, the APA sales region confirmed its strong growth (especially in Australia, Japan and China); Europe reported good growth in Germany, Russia and in other East European countries; in contrast, there was a decline in sales in Spain, the United Kingdom and North Europe; despite generally weak consumption, the Italian market managed a small increase.

In this still weak economic context, especially in certain core markets, and with raw material/finished product prices up on the first quarter of 2011 following rises during the second half of 2011, the group improved its gross profit, which climbed from €137 million to €149.3 million, thanks to higher volumes and the positive effect of exchange rates and product mix, which more than offset the higher procurement costs. The gross profit margin went from 47.6% to 47.0% due to the combined effect of the factors discussed above.

EBITDA before non-recurring expenses came to €42.8 million, up €3.1 million on the first quarter of 2011 with the margin going from 13.8% in 2011 to 13.5% in 2012; this positive result, achieved despite the current market difficulties and impact of higher product costs, also reflects higher advertising and promotional costs in respect of campaigns in certain markets (Germany and France above all).

EBIT amounted to €33.6 million in the first three months of 2012, with a margin of 10.6% versus 11% in the prior year equivalent period.

Net financial expenses were down at 31 March 2012, from €3.3 million to €2.8 million, partly thanks to €1 million in increased exchange gains.

Profit pertaining to the group amounted to €22.7 million, an increase of €3.3 million on the equivalent period of 2011 (€19.5 million).

Performance by market and product line

The following table summarizes sales performance in the Group's various business regions (Europe, APA and MEIA):

(€/million)	**1st quarter 2012**	**%**	**1st quarter 2011 (*)**	**%**	**Change**	**% change**
Western Europe	166.8	52.5%	168.5	58.5%	(1.7)	(1.0%)
Eastern Europe	44.9	14.1%	32.8	11.4%	12.1	37.1%
Europe	**211.7**	**66.6%**	**201.2**	**69.9%**	**10.4**	**5.2%**
MEIA	**17.7**	**5.6%**	**17.9**	**6.2%**	**(0.2)**	**(1.3%)**
APA	**88.4**	**27.8%**	**68.7**	**23.9%**	**19.7**	**28.7%**
Total revenues	**317.7**	**100.0%**	**287.8**	**100.0%**	**29.9**	**10.4%**

(*) Figures restated to take account of the effects of the demerger which took effect from 1 January 2012.

Europe reported €211.7 million in revenues, up 5.2% on the equivalent period of 2011. Markets in Western Europe (€166.8 million basically in line with the first quarter of 2011) saw good results in Germany (now the top market) and Benelux, higher sales in Italy, a particularly positive result in view of the weak market, and a decline in the United Kingdom and Spain. Markets in Eastern Europe (€44.9 million, up 37.1% on the first quarter of 2011) reported good revenue growth in Russia and Ukraine.

The APA region enjoyed a particularly strong sales performance (€88.4 million in the first quarter of 2012, up 28.7% on the equivalent period of 2011), thanks to growth in key markets (Australia, Japan, China).

Sales in the MEIA region were broadly in line with the first quarter of 2011 at €17.7 million, with sales still dampened by political unrest in this area; these markets are benefiting from restructuring measures adopted by the group during 2011 to enhance its sales and back offices in this potentially high-growth region.

The following table analyzes revenues between so-called mature and emerging countries:

(€/million)	1st quarter 2012		1st quarter 2011 (*)		Change	% change
Mature markets	199.4	62.5%	195.5	67.9%	3.9	2.0%
Emerging markets	118.3	37.5%	92.3	32.1%	26.0	28.2%
Total revenues	**317.7**	**100.0%**	**287.8**	**100.0%**	**29.9**	**10.4%**

(*) Figures restated to take account of the effects of the demerger which took effect from 1 January 2012.

As for performance by product line, coffee makers enjoyed continued growth, both for fully automatic machines and capsule machines (branded Nespresso), especially the in-house manufactured "Lattissima +" range.
There was also growth in other food preparation product lines, especially Kenwood ones.

Review of the statement of financial position

The reclassified consolidated statement of financial position is presented below:

(€/million)	31.03.2012	31.03.2011 (*)	31.12.2011 (*)	Change 31.03.12 – 31.03.11	Change 31.03.12 – 31.12.11
- Intangible assets	174.9	178.4	175.8	(3.5)	(0.9)
- Property, plant and equipment	123.6	88.4	109.1	35.2	14.6
- Financial assets	3.1	2.1	3.0	1.0	0.1
- Deferred tax assets	35.4	36.2	32.8	(0.8)	2.6
Non-current assets	**337.0**	**305.1**	**320.7**	**31.9**	**16.3**
- Inventories	316.9	273.1	278.0	43.9	38.9
- Trade receivables	252.9	201.7	349.5	51.2	(96.5)
- Trade payables	(287.5)	(225.9)	(330.8)	(61.6)	43.3
- Other payables (net of receivables)	(36.9)	(44.2)	(61.5)	7.3	24.6
Net working capital	**245.4**	**204.7**	**235.2**	**40.8**	**10.2**
- Deferred tax liabilities	(8.9)	(3.1)	(9.7)	(5.8)	0.8
- Employee benefits	(14.0)	(18.4)	(15.5)	4.4	1.5
- Other provisions	(56.2)	(41.1)	(61.5)	(15.1)	5.3
Total non-current liabilities and provisions	**(79.0)**	**(62.5)**	**(86.7)**	**(16.5)**	**7.7**
Net capital employed	**503.4**	**447.3**	**469.2**	**56.2**	**34.2**
Net debt/(Net financial assets)	**(93.7)**	**(195.8)**	**(117.4)**	**102.1**	**23.7**
Total net equity	**597.1**	**643.1**	**586.6**	**(45.9)**	**10.5**
Total net debt and equity	**503.4**	**447.3**	**469.2**	**56.2**	**34.2**

(*) Figures restated to take account of the effects of the demerger which took effect from 1 January 2012. The figures relating to net financial position and net equity at 31 March 2011 are not entirely consistent with those at 31 March 2012, because they are prior to the payment of the capital contribution of €150 million to the Professional division.

Net investments in property, plant and equipment amounted to €22.8 million in the first quarter of 2012 (€5.1 million in the first quarter of 2011), and included the purchase of the property in Romania, due to operate as a new factory for high-growth product lines, and the investment in Russia to open a logistics warehouse.

Net working capital increased by €40.8 million on 31 March 2011, with net working capital turnover going from 15.3% of revenues at the end of March 2011 to 16.8% in 2012. This increase reflected the still high level of inventories accumulated in some countries during 2011, currently in the process of being reduced.
Trade payables and trade receivables were also higher due to the growth in business and to the sale of certain seasonal products at the end of 2011 by some group companies whose payment will be settled after the end of the quarter.

The net financial position at 31 March 2012 was a positive €93.7 million, of which €79.2 million in bank balances and €14.5 million in non-banking items (fair value of derivatives and options); the positive net bank financial position compares with a corresponding figure of €206.0 at 31 March 2011, reflecting a reduction of €126.7 million over the twelve months; eliminating the cash of €150 million absorbed for the capital increase by the Professional division in preparation for the demerger, net cash flow over the twelve months would have been a positive €23.3 million, after making €30 million in non-recurring investments in new, primarily industrial projects in China, Russia and Romania.

Details of the net financial position are as follows:

(€/million)	**31.03.2012**	**31.03.2011 (*)**	**31.12.2011 (*)**	**Change 31.03.12 – 31.03.11**	**Change 31.03.12 – 31.12.11**
Cash and cash equivalents	208.0	200.0	195.7	8.0	12.3
Other financial receivables	25.8	110.6	33.7	(84.8)	(8.0)
Current financial debt	(92.7)	(46.3)	(61.0)	(46.4)	(31.7)
Net current financial debt	**141.1**	**264.3**	**168.5**	**(123.2)**	**(27.4)**
Non-current financial debt	**(47.4)**	**(68.5)**	**(51.1)**	**21.1**	**3.8**
Total net financial position	**93.7**	**195.8**	**117.4**	**(102.1)**	**(23.7)**
Of which:					
- positions with banks and other financial payables	*79.2*	*206.0*	*90.4*	*(126.7)*	*(11.2)*
- options and fair value of derivative financial instruments	*14.5*	*(10.2)*	*27.0*	*24.7*	*(12.5)*

(*) Figures restated to take account of the effects of the demerger which took effect from 1 January 2012.

The net financial position includes the positive effect of €14.5 million from measuring the fair value of derivative financial instruments and call options (compared with a negative effect of €10.2 million at 31 March 2011).
The change in net financial position since 31 March 2011 reflects the capital contribution by De'Longhi S.p.A. to the Professional division in connection with the demerger.

The statement of cash flows can be summarized as follows:

(€/million)	**31.03.2012 (3 months)**	**31.03.2011 (*) (3 months)**	**31.12.2011 (*) (12 months)**
Cash flow generated (absorbed) by current operations	32.3	34.6	177.4
Cash flow generated (absorbed) by changes in working capital	(20.5)	(31.5)	(80.5)
Cash flow generated (absorbed) by investment activities	(22.8)	(5.1)	(41.7)
Cash flow generated (absorbed) by operating activities	**(11.1)**	**(2.0)**	**55.2**
Payment of dividends	-	-	(21.8)
Capital contribution	-	-	(150.0)
Cash flow generated (absorbed) by changes in fair value and cash flow hedge reserves	(13.7)	(7.2)	28.0
Cash flow generated (absorbed) by other changes in net equity	1.2	(3.5)	(2.4)
Cash flow generated (absorbed) by changes in net equity	**(12.6)**	**(10.7)**	**(146.3)**
Cash flow for the period	**(23.7)**	**(12.7)**	**(91.1)**
Opening net financial position	117.4	208.5	208.5
Closing net financial position	**93.7**	**195.8**	**117.4**

(*) Figures restated to take account of the effects of the demerger which took effect from 1 January 2012.

Operating activities in the first three months of the year, which traditionally absorb the cash balances reported at 31 December of the previous year, absorbed €11.1 million in cash flows in 2012 (versus an absorption of €2 million in the first quarter of 2011); cash flows in the first quarter of 2012 benefited from improved flows from current operations and working capital, which partly offset the cash absorbed by the higher investments in production discussed earlier.
First-quarter cash flows were also adversely affected by changes in equity: changes in the fair value of currency derivatives generated a negative impact of €13.7 million in the first three months of 2012 (versus a negative impact of €7.2 million in the first quarter of 2011).

The following tables present the statement of comprehensive income and the principal changes in net equity in the first three months of 2012:

(€/million)	**1st quarter 2012**	**1st quarter 2011 (*)**
Profit (loss) for the period	22.9	19.7
Other components of comprehensive income:		
Change in fair value of cash flow hedges and fair value of available-for-sale financial assets	(13.7)	(7.2)
Tax effect of change in fair value of cash flow hedges and fair value of available-for-sale financial assets	3.7	2.0
Other components of comprehensive income (loss)	(2.3)	(10.4)
Total comprehensive income (loss) for the period	**10.6**	**4.1**
Total comprehensive income (loss) attributable to:		
Parent company shareholders	10.4	3.9
Minority interests	0.2	0.2

(*) Figures restated to take account of the effects of the demerger which took effect from 1 January 2012.

(€/million)	Group portion of net equity	Minority interests in net equity	Total net equity
Net equity at 31 December 2011	**584.6**	**2.0**	**586.6**
Total comprehensive income (loss) for the period	10.4	0.2	10.6
Net equity at 31 March 2012	**595.0**	**2.2**	**597.1**

Subsequent events

On 16 April 2012 Procter & Gamble agreed to grant De'Longhi a perpetual licence over the Braun brand for small kitchen appliances, irons and other minor categories.
In addition to the perpetual licence over the Braun brand and related patents (in the above categories), the transaction has involved the sale of certain manufacturing assets and inventories relating to the categories concerned. Finalization of the agreement is subject to approval from the antitrust authorities and trade unions in Germany.
The acquisition will allow the group to strengthen its business at the top-end of the small domestic appliances market, where quality, innovation and design are key product features.

Outlook for the current year

Despite the slowing global economy, the Group has been able to achieve good growth in the first quarter and expects to close 2012 with an increase on the previous year.

Treviso, 11 May 2012

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 art. 154-bis para. 2 of TUF, Stefano Biella, the Financial Reporting Officer, declares that the accounting information contained in the present interim management statement corresponds to the underlying documentary and accounting records.

Treviso, 11 May 2012

Financial Reporting Officer
Stefano Biella

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