Quarterly report at 30 September 2005

De'Longhi S.p.A. –Registered office: Via L. Seitz 47, 31100 Treviso, Italy
Share capital: EUR 448,500,000.00
Tax identification and Business Register no: 11570840154
Treviso Chamber of Commerce R.E.A. no. 224758 - VAT no. 03162730265

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Company officers

Board of Directors

Chairman	GIUSEPPE DE'LONGHI
Vice Chairman and Chief Executive Officer	FABIO DE'LONGHI *
Director	ALBERTO CLÒ **
Director	RENATO CORRADA **
Director	CARLO GARAVAGLIA **
Director and Chief Operating Officer	DARIO MELÒ *
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

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.
During the Board of Directors' meeting of 27 June 2005, Fabio De'Longhi was named Chief Executive Officer to replace resigning CEO Stefano Beraldo. Mr. Beraldo nonetheless continued to be a member of the Board of Directors (without any powers) until 12 October 2005, when he also resigned as a director.
Mr. Dario Melò was co-opted as a director during the Board of Directors' meeting held on 27 June 2005.
Mr. Silvio Sartori was co-opted as a director during the Board of Directors' meeting held on 14 November 2005. During the same meeting, the Board acknowledged the resignation of Mr. Alberto Lanfranchi from the office of alternate auditor.

** Independent directors

*** Engaged by the shareholders' meeting of 28 April 2004 to audit the 2004, 2005 and 2006 financial statements.

Report on operations up to 30 September 2005

Introduction
This quarterly report has been prepared in accordance with article 82 of CONSOB Regulation 11971 and subsequent amendments. The figures for the period have been prepared in accordance with international accounting and financial reporting standards (IFRS); as a result, the comparative amounts for the corresponding period in 2004 have been restated under the new standards.
As a result of introducing the new accounting standards, the group has taken the opportunity to change its reporting structure with the objective of improving the presentation of its results. This structure involves splitting the group into two divisions: "*Household products*" and "*Professional products*" in place of the former split by product segment (air conditioning and air treatment, heating, cooking and food preparation and cleaning and ironing systems).

The *Professional* division includes large thermo cooling machines (Climaveneta), water filled radiators (DL Radiators) and fixed air conditioning units for the professional market (Climaveneta Home System). All these types of product are distributed mainly through the professional channel.

The *Household* division includes all the types of product not included in the *Professional* division, which are distributed through the retail channel.

Overview of the group's results in 3rd quarter 2005 and first 9 months 2005
After the negative effects of the poor air conditioning season, the group's results started to grow once more in the third quarter of 2005, helping reduce the nine-month shortfall on the prior year relative to that reported in June 2005. Third-quarter net revenues were up 2.9%, from €295.4 million to €303.8 million; nine-month revenues were down by 7.4%, from €907.1 million to €840 million.

Gross profit went from €367.6 million to €334.7 million (with a margin that decreased from 40.5% to 39.8%). It was affected by the unfavorable sales mix (lower sales of air conditioners, which return higher-than-average profitability) and the higher proportion of fixed costs relative to revenues.

Third-quarter EBITDA converged towards last year's level (€31.7 million, representing 10.4% of net revenues, compared with €35.1 million in the third quarter of 2004, representing 11.9% of net revenues).
Nine-month EBITDA was €64.3 million in 2005, representing 7.7% of net revenues (€98.9 million or 10.9% of net revenues in the same period of 2004).

Profit in the first nine months of 2005 was €2.9 million (€21.5 million in the same period of 2004).

Consolidated income statement - highlights

(€/million)	3rd quarter 2005	3rd quarter 2004	% change	9 months 2005	9 months 2004	% change
Total revenues	303.8	295.4	2.9%	840.0	907.1	(7.4%)
Gross profit (*)	120.5	119.9	0.5%	334.7	367.6	(8.9%)
EBITDA	31.7	35.1	(9.6%)	64.3	98.9	(35.0%)
% of revenues	*10.4%*	*11.9%*		*7.7%*	*10.9%*	
EBIT	23.3	25.6	(8.7%)	36.3	68.7	(47.2%)
Profit (loss) for the period	2.7	10.0	(72.5%)	2.9	21.5	(86.4%)

(*) To ensure an accurate representation of performance, in the reclassified income statement the gross profit includes all transformation costs, including the portion previously classified among service and payroll costs. Gross profit is defined as revenues net of consumption, industrial payroll costs, temporary employment, subcontracting, power, maintenance, and transport on purchases.

Consolidated balance sheet - highlights

(€/million)	30/09/2005	31/12/2004	30/09/2004
Net working capital	574.8	474.0	513.9
Net capital employed	1,128.7	1,021.9	1,079.3
Net debt (*)	(563.6)	(458.0)	(521.7)

(*) The net financial position at 30 September 2005 includes €119.7 million in securitization transactions and receivables factored without recourse (€129.7 million at 30 September 2004, which includes €57.4 million in receivables factored without recourse to provide a better presentation of group's financial position and ensure a proper basis for comparison even if IAS 39, under which factored receivables fall, is applicable as from 1 January 2005). The breakdown is as follows:

	30/09/2005	31/12/2004	30/09/2004
Net bank debt	443.9	309	392.0
Payables for assigned receivables	119.7	149.0	129.7
Total	**563.6**	**458.0**	**521.7**

Group results

The reclassified consolidated income statement(*) is summarized as follows:

(€/million)	*3rd quarter 2005*	*% of revenues*	*3rd quarter 2004*	*% of revenues*	*9 months 2005*	*% of revenues*	*9 months 2004*	*% of revenues*
Net revenues	**303.8**	**100.0%**	**295.4**	**100.0%**	**840.0**	**100.0%**	**907.1**	**100.0%**
Change	*8.4*	*2.9%*			*(67.1)*	***(7.4%)***		
Consumption and industrial costs (services and industrial labor)	(183.3)	(60.3%)	(175.5)	(59.4%)	(505.3)	(60.2%)	(539.5)	(59.5%)
Gross profit (*)	**120.5**	**39.7%**	**120.0**	**40.6%**	**334.7**	**39.8%**	**367.6**	**40.5%**
Cost of services & other expenses	(57.5)	(18.9%)	(60.2)	(20.4%)	(186.5)	(22.2%)	(189.4)	(20.9%)
Value added	**63.0**	**20.7%**	**59.6**	**20.2%**	**148.2**	**17.6%**	**178.1**	**19.6%**
Payroll (non-industrial)	(28.4)	(9.3%)	(24.8)	(8.4%)	(75.7)	(9.0%)	(69.8)	(7.7%)
Provisions	(2.9)	(0.9%)	0.2	0.1%	(8.3)	(1.0%)	(9.5)	(1.0%)
EBITDA	**31.7**	**10.4%**	**35.1**	**11.9%**	**64.3**	**7.7%**	**98.9**	**10.9%**
Change	*(3.4)*	*(9.6%)*			*(34.6)*	***(35.0%)***		
Amortization and depreciation	(8.4)	(2.8%)	(9.5)	(3.2%)	(28.0)	(3.3%)	(30.2)	(3.3%)
EBIT	**23.3**	**7.7%**	**25.6**	**8.7%**	**36.3**	**4.3%**	**68.7**	**7.6%**
Change	*(2.2)*	*(9.0%)*			*(32.5)*	***(47.2%)***		
Financial income (expenses)	(12.8)	(4.2%)	(11.3)	(3.8%)	(25.4)	(3.0%)	(28.8)	(3.2%)
Profit before taxes	**10.6**	**3.5%**	**14.3**	**4.8%**	**10.9**	**1.3%**	**39.9**	**4.4%**
Taxes	(7.8)	(2.6%)	(3.6)	(1.2%)	(7.7)	(0.9%)	(17.3)	(1.9%)
Profit (loss) for the period	**2.7**	**0.9%**	**10.7**	**3.6%**	**3.2**	**0.4%**	**22.6**	**2.5%**
Profit (loss) pertaining to minority interests	-	-	0.7	0.3%	0.3	0.0%	1.1	0.1%
Profit (loss) pertaining to the group	**2.7**	**0.9%**	**10.0**	**3.4%**	**2.9**	**0.3%**	**21.5**	**2.4%**

(*) To ensure an accurate representation of performance, in the reclassified income statement the gross profit includes all transformation costs, including the portion previously classified among service and payroll costs. Gross profit is defined as revenues net of consumption, industrial payroll costs, temporary employment, subcontracting, power, maintenance, and transport on purchases.

Revenues

The group's net revenues came to €303.8 million in the third quarter of 2005, an increase of 2.9% on the same period of 2004 and representing a reversal of the trend seen up to June 2005.

Net revenues amounted to €840 million in the first nine months of 2005, down 7.4% from €67.1 million in the same period of 2004; this result was affected by performance in the first six months of the year when the group suffered from a lackluster air conditioning season and difficulties in some of its geographical markets.

Results by business segment

Household

(€/million)	3rd quarter 2005	3rd quarter 2004		9 months 2005	9 months 2004
Household					
Net revenues	238.3	229.7		632.6	686.3
% change	*3.7%*			*(7.8%)*	
EBITDA	25.9	24.8	(*)	41.9	65.2
% of revenues	*10.9%*	*10.8%*	(*)	*6.6%*	9.5%

Professional

(€/million)	3rd quarter 2005	3rd quarter 2004		9 months 2005	9 months 2004
Professional					
Net revenues	65.5	65.7		207.4	220.8
% change	*(0.3%)*			*(6.1%)*	
EBITDA	5.8	10.3	(*)	22.4	33.7
% of revenues	*9.0%*	15.7%	(*)	*10.8%*	15.3%

(*) Estimated figures.

<u>Household</u>
This segment enjoyed a significant rebound in the third quarter of 2005 (+3.7% on the same period of 2004) thanks to the good results achieved by coffee machines, food processors and oil heaters.

Net revenues declined by 7.8% in the first nine months of 2005, reflecting the poor season for air conditioners as a result of Europe's bad second-quarter weather.

Coffee machines continued to perform well, partly thanks to the automated models; food processors also sold well. Sales of deep fryers and mini-ovens declined. The launch of a new line of compact ovens for the North American market and the rollout in Europe of a new deep fryer range should help improve results for these two products.

Ironing systems performed in line with 2004, but the cleaning products range suffered from the absence of certain extraordinary sales that took place during the first quarter of 2004.

Heating sales were consistent with those of 2004.

Professional
Third-quarter revenues were basically in line with those in the same period of 2004.

Nine-month revenues reported a decrease of €13 million or 6.1%. Like the *Household* segment, this segment was also hurt by lower sales of fixed air-conditioning units due to Europe's bad second-quarter weather.

Large thermo cooling machines enjoyed healthy sales growth during the first nine months, due in part to expanded business in the Far East.

Sales of water filled radiators were 3% lower than in the first nine months of 2004.

Markets

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

(€/million)	**3rd quarter 2005**	**3rd quarter 2004**	**% change**	**9 months 2005**	**9 months 2004**	**% change**
Geographical area						
Italy	64.2	66.0	(2.7%)	217.0	262.6	(17.4%)
United Kingdom	37.5	49.4	(24.1%)	106.4	125.3	(15.1%)
Rest of Europe	94.1	89.5	5.1%	284.0	291.8	(2.7%)
Japan	10.4	9.7	7.2%	20.1	21.5	(6.5%)
North America	30.3	31.5	(3.8%)	60.5	72.1	(16.1%)
Rest of the world	67.3	49.3	36.5%	152.1	133.9	13.6%
Total	**303.8**	**295.4**	**2.8%**	**840.0**	**907.1**	**(7.4%)**

Third-quarter net revenues recovered on the principal European markets (especially Italy, France, Germany), reflecting increased marketing activities and the end of the poor season for air conditioners.

Sales in the U.K. market were hurt by flagging consumption.
The good performance in the rest of the world was mainly due to higher revenues in Russia.

The poor nine-month performance in Italy was due almost entirely to lower air conditioner sales. Products for cooking and food preparation enjoyed strong sales growth thanks mainly to coffee machines, food processors and small appliances in general.

In the rest of Europe, performance was good in the principal markets (including France and Spain) but declined in Greece and Germany, as a result of difficult market conditions.

Sales in North America suffered from a less vigorous performance by cooking and food preparation products and by portable air conditioners.

The good growth in the rest of the world reflected strong results in South America and Russia.

Profitability

EBITDA's return above the level of 10% in the third quarter of 2005 is a positive sign. This was basically in line with the same period of 2004 despite continuing to be hit by the decline in air conditioner sales. The other sectors of business, particularly cooking and food preparation products, generated higher earnings than in the same period of 2004.

The group's nine-month profitability was still held back by the first-half results, which included non-recurring costs for the process of moving production abroad and an increase in fixed costs as a percentage of net revenues (particularly due to high levels of inventories and the associated supply chain costs).

Gross profit, at €334.7 million (€367.6 million in the first nine months of 2004), was hurt by the smaller contribution from air conditioners, which usually carry a higher return than the group's average.

The process of moving production abroad continued during the first six months of the year, with the production/purchase of Chinese-made goods now accounting for nearly 50% of the total.

Breaking down gross profit, the payroll component decreased by €6.6 million even though it had benefited only in part from the effects of the industrial plan agreement; this agreement, which calls for personnel cuts at the parent company starting in the second quarter of 2005, will produce the expected savings as from the fourth quarter of 2005 and thereafter.

EBITDA was penalized not only by the reduction in sales but also by the higher incidence of non-industrial service and payroll costs, which rose from 20.8% to 22.2% of net revenues, and by non-recurring costs for moving production activities abroad.

As a result, nine-month EBITDA came in at €64.3 million (€98.9 million in the same period of 2004), representing 7.7% of net revenues (10.9% in the first nine months of 2004).

As for the results by business segment, the *Household* segment reported nine-month EBITDA of €41.9 million, representing 6.6% of net revenues (9.5% in 2004), reflecting the results of air conditioner sales and, in part, the costs for moving production abroad.

The *Professional* segment reported nine-month EBITDA of €22.4 million, representing 10.8% of net revenues (15.3% in 2004).
This result reflected increases in the cost of certain raw materials, particularly steel, and the performance of air conditioner sales, like in the *Household* segment. Prices have started to come down since September, with the benefits expected to be felt from the fourth quarter.

Amortization and depreciation totaled €28 million.

EBIT was €36.3 million (€68.7 million in 2004).

Financial operations produced a decrease of €3.4 million in net interest expense, reflecting an increase in interest expense, which climbed from €22.7 million to €23.7 million due to higher average debt, and a decrease of €4.6 million in exchange losses.

The result for the period was a profit of €2.9 million (down from €21.5 million in 2004).

Key balance sheet figures

The reclassified consolidated balance sheet is summarized below:

(€/million)	*30.09.2005*	*31.12.2004*	*30.09.2004*
Total fixed assets	**674.4**	**666.9**	**665.6**
-Inventories	406.4	295.3	368.5
-Receivables	403.9	415.5	404.2
-Suppliers	(251.6)	(265.7)	(254.3)
-Other	16.2	29.0	(4.4)
Net working capital	**574.8**	**474.0**	**513.9**
Total non-current liabilities and reserves	**(120.4)**	**(119.1)**	**(100.2)**
Net capital employed	**1,128.7**	**1,021,9**	**1,079.3**
Net debt (*)	**563.6**	**458.0**	**521.7**
Total shareholders' equity	**565.1**	**563.8**	**557.6**
Total net debt and shareholders' equity	**1,128.7**	**1,021.9**	**1,079.3**

(*) Includes €119.7 million in securitization transactions and receivables factored without recourse at 30 September 2005 (€129.7 million at 30 September 2004, which includes €57.4 million in receivables factored without recourse to provide a better presentation of group's financial position and ensure a proper basis for comparison even if IAS 39, under which factored receivables fall, is applicable as from 1 January 2005).

The financial position is made up as follows:

	30.09.2005	*31.12.2004*	*30.09.2004*
Net bank debt	443.9	309	392.0
Payables for assigned receivables	119.7	149.0	129.7
Total	**563.6**	**458.0**	**521.7**

The cash flow statement can be summarized as follows:

(€/million)	**30.09.2005 (Nine months)**
Net operating cash flow	(103.7)
Cash flows generated by changes in shareholders' equity items	(1.9)
Cash flow for the period	(105.6)
Opening net financial position	(458.0)
Closing net financial position (*)	**(563.6)**

The net financial position includes the debt arising from the inclusion of contracts for the factoring of receivables without recourse in both periods. It went from €521.7 million at 30 September 2004 to €563.6 million at 30 September 2005 due to the rise in net working capital, which was caused mainly by larger stocks of air conditioners resulting from the negative selling season for those products and from the prudent accumulation of stocks in connection with the process of moving production to China.

Significant events

The parent company transferred its business relating to the production and distribution of fixed air conditioners to Climaveneta Home System S.r.l., a wholly-owned subsidiary of De'Longhi S.p.A..

This transfer took place as part of a reorganization of the group's activities involving a reallocation of assets in the professional air conditioning sector to a specific structure within the group (in fact, the business transferred is dedicated to the production and distribution of fixed air conditioning systems for the professional market).
The purpose of this transaction is to give greater focus to the range of products sold to business customers, engineering consultants and professional installers.

Related party transactions

The effects of De'Longhi S.p.A.'s and other group companies' transactions with parent companies, non-consolidated subsidiaries, associated companies and related parties are reported in the explanatory notes.

Subsequent events

There are no significant events to report.

Outlook for the rest of 2005

Revenues reported a positive trend in the month of October. Based on the current outlook, the group expects revenues to have consolidated their recovery by the end of 2005, helping close the year with a positive set of results.

Treviso, 14 November 2005

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

INCOME STATEMENT	30.09.2005 Total 9 months	30.09.2004 Total 9 months	3rd quarter 2005 Total 3 months	3rd quarter 2004 Total 3 months
VALUE OF PRODUCTION				
Revenues from sales and services	824 392	893 042	297 864	290 781
Other operating income and revenues	15 615	14 029	5 951	4 599
Total consolidated net revenues	***840 007***	***907 071***	***303 815***	***295 380***
Change in inventories of finished products and work in progress	93 616	89 483	9 531	9 713
Raw and ancillary materials, consumables and goods	(513 540)	(535 786)	(169 707)	(154 351)
Change in inventories of raw and ancillary materials, consumables and goods	7 343	15 736	1 920	536
Raw materials and consumables consumed	***(412 581)***	***(430 567)***	***(158 256)***	***(144 102)***
Payroll costs	(125 462)	(127 940)	(40 061)	(39 222)
Services and other operating expenses	(229 378)	(240 183)	(70 903)	(77 206)
Provisions for contingencies and other provisions	(8 279)	(9 469)	(2 881)	236
Amortization and depreciation	(28 042)	(30 167)	(8 377)	(9 527)
Other operating expenses	***(391 161)***	***(407 759)***	***(122 222)***	***(125 719)***
EBIT	**36 265**	**68 745**	**23 337**	**25 559**
Financial income (expenses)	(25 364)	(28 845)	(12 775)	(11 257)
Earnings before tax (EBT)	**10 901**	**39 900**	**10 562**	**14 302**
Income taxes	(7 664)	(17 251)	(7 827)	(3 598)
PROFIT (LOSS) BEFORE MINORITY INTERESTS	**3 237**	**22 649**	**2 735**	**10 704**
Profit (loss) pertaining to minority interests	317	1 125	-	746
PROFIT (LOSS) FOR THE PERIOD PERTAINING TO THE GROUP	**2 920**	**21 524**	**2 735**	**9 958**
EARNINGS PER SHARE	**0.02**	**0.14**	**-**	**-**

(€/000)

ASSETS	30.09.2005		31.12.2004		30.09.2004	
	Sub-total	Total	Sub-total	Total	Sub-total	Total
NON-CURRENT ASSETS						
INTANGIBLE FIXED ASSETS						
- Goodwill and consolidation differences	219 226		217 011		216 837	
- Other intangible fixed assets	200 182	419 408	201 432	418 443	201 465	418 302
TANGIBLE FIXED ASSETS						
- Property, plant and machinery	199 432		195 704		195 493	
- Other tangible fixed assets	46 808	246 240	46 795	242 499	46 256	241 749
FINANCIAL FIXED ASSETS						
1- Equity investments	7 850		5 068		4 658	
2- Receivables	875		889		882	
- Other securities	-	8 725	-	5 957	-	5 540
TOTAL NON-CURRENT ASSETS		674 373		666 899		665 591
CURRENT ASSETS						
INVENTORIES		406 275		295 317		368 513
TRADE RECEIVABLES		403 939		415 470		404 179
CURRENT TAX ASSETS		12 993		23 364		24 338
DEFERRED TAX ASSETS		47 108		42 904		35 346
OTHER RECEIVABLES		21 299		13 792		273
OTHER RECEIVABLES AND CURRENT FINANCIAL ASSETS		5 489		4 077		5 574
CASH AND BANKS		100 257		116 795		96 801
TOTAL CURRENT ASSETS		997 360		911 719		935 024
ASSETS HELD FOR SALE						
ASSETS HELD FOR SALE						
- financial assets		-		-		-
- non-financial assets		-		-		-
TOTAL ASSETS		1 671 733		1 578 618		1 600 615

SHAREHOLDERS' EQUITY AND LIABILITIES	30.09.2005		31.12.2004		30.09.2004	
	Sub-total	Total	Sub-total	Total	Sub-total	Total
SHAREHOLDERS' EQUITY						
GROUP'S PORTION OF SHAREHOLDERS' EQUITY						
- Share capital	448 500		448 500		448 500	
- Reserves	111 151		78 312		85 172	
- Profit (Loss) for the period	2 920	562 571	35 329	562 142	21 524	555 195
MINORITY INTERESTS		2 538		1 689		2 399
TOTAL SHAREHOLDERS' EQUITY		565 109		563 831		557 594
NON-CURRENT LIABILITIES						
FINANCIAL PAYABLES						
- Due to banks	533 571		421 155		478 729	
- Due to other sources of finance	135 801	669 372	157 753	578 908	145 378	624 107
RESERVE FOR SEVERANCE INDEMNITIES		25 986		26 243		25 447
DEFERRED TAX LIABILITIES		40 812		36 812		34 670
NON-CURRENT RESERVES FOR CONTINGENCIES AND OTHER CHARGES		53 648		55 999		40 094
TOTAL NON-CURRENT LIABILITIES		789 818		697 962		724 318
CURRENT LIABILITIES						
TRADE PAYABLES		251 590		265 733		254 303
TAX PAYABLES		18 365		14 896		26 725
OTHER PAYABLES		46 851		36 196		37 675
TOTAL CURRENT LIABILITIES		316 806		316 825		318 703
LIABILITIES ASSOCIATED WITH ASSETS HELD FOR SALE						
LIABILITIES ASSOCIATED WITH ASSETS HELD FOR SALE						
- financial assets		-		-		-
- non-financial assets		-		-		-
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		1 671 733		1 578 618		1 600 615

De'Longhi S.p.A.
Consolidated cash flow statement for the period ended 30 September 2005
(€/000)

	30/09/2005 *9 months*
Profit (loss) for the period	2 921
Amortization and depreciation	28 042
Net change in reserves and writedowns	2 118
Cash flow generated (absorbed) by current operations (A)	**33 081**
Change in assets and liabilities for the period:	
Trade receivables	10 836
Inventories	(110 958)
Trade payables	(14 142)
Other current assets and liabilities	13 022
Cash flow generated (absorbed) by movements in working capital (B)	**(101 242)**
Investment activities	
Net investments in intangible fixed assets	(9 920)
Net investments in tangible fixed assets	(22 860)
Net investments in financial fixed assets	(2 769)
Cash flow generated (absorbed) by investment activities (C)	**(35 549)**
Change in shareholders' equity (IAS 32 and 39 reserve)	395
Payment of dividends	(8 970)
Change in currency translation reserve	5 848
Increase (Decrease) in minority interests in share capital	848
Cash flow generated by changes in shareholders' equity accounts (D)	**(1 879)**
Cash flow for the period (A+B+C+D+E)	**(105 589)**
Opening net financial position	(458 038)
Cash flow for the period (A+B+C+D+E)	(105 589)
Closing net financial position (*)	**(563 627)**

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
(€/000)

	Share capital	Share premium reserve	Legal reserve	Other reserves	Currency translation reserve	Fair value reserve	Profits (loss) carried forward	Profit (loss) for the period	Total
Balance at 31 December 2004	**448,500**	**15,000**	**4,839**	**41,833**	**(18,377)**	**-**	**35,063**	**35,329**	**562,187**
Application of IAS 32 and IAS 39	-	-	-	-	-	(2,027)	-	-	(2,027)
Balance at 1 January 2005	**448,500**	**15,000**	**4,839**	**41,833**	**(18,377)**	**(2,027)**	**35,063**	**35,329**	**560,160**
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)	-
Effect of adopting IAS/IFRS	-	-	-	-	-	4,449	15,890	(20,339)	-
Difference from conversion of foreign companies' financial statements into Euro	-	-	-	-	8,461	-	-	-	8,461
Profit (loss) for the period	-	-	-	-	-	-	-	2,920	2,920
Balance at 30 September 2005	**448,500**	**15,000**	**5,393**	**43,384**	**(9,916)**	**2,422**	**54,868**	**2,920**	**562,571**

Explanatory notes

Accounting standards

This quarterly report has been prepared in accordance with article 82 of CONSOB Regulation 11971 of 14 May 1999, in application of Decree 58/1998 and subsequent amendments, on the basis of international accounting and financial reporting standards (IAS/IFRS), as required by Regulation (EC)1606/2002.

The comparative figures for the corresponding period in 2004 have been restated for the new standards, bearing in mind the comments in the note on page 11.

The reconciliations of shareholders' equity and results for the year ended 31 December 2004 and shareholders' equity at the transition date of 1 January 2004 are contained in the appendix to the 2005 half-year report.
The reconciliations of shareholders' equity and results for the period to 30 September 2004 and for the third quarter of 2004 are attached to this report as Attachments 1 and 2 respectively.

The accounting standards adopted comply with those used for preparing the IFRS consolidated financial statements at the transition date of 1 January 2004, as discussed in the appendix to the half-year report at 30 June 2005. Reference should be made to this appendix for additional information on the contents of these accounting standards and policies.

The explanatory notes are provided in an abridged format, as allowed for interim reports, and do not include all the information that would be required for an annual financial report.

Furthermore, interim financial statements require using valuation processes that are generally carried out more completely when preparing the annual financial report. In addition, sales in the small household appliances sector tend to be seasonal, with a consequent effect on the principal components of the balance sheet and income statement.

Scope of consolidation

The scope of consolidation includes the financial statements of the parent company, De'Longhi S.p.A., and of the companies in which, at 30 September 2005, it directly or indirectly owned the majority of share capital or shares with voting rights.

During the first half of 2005, the scope of consolidation expanded due to the acquisition of the production site located in the Republic of Tatarstan (Russia) which manufactures oil radiators for sale on the Russian market. The acquisition was completed in April 2005 with the purchase of 92.8% of Zass Alabuga LLC, the company owning the production plant.
The company was also recapitalized by making a cash payment and by conferring plant formerly used for production in Italy.
De'Longhi LLC was also incorporated. This company sells heating products on the Russian market.

Two companies were set up in Hong Kong and China in June as joint ventures with TCL, a Chinese company listed on the Hong Kong and Shanghai Stock Exchanges and a leading manufacturer and distributor of air conditioners, telephone products and televisions. The group's investment was USD 2,500,000.

The consolidation of these companies has not caused any significant changes to the group's balance sheet or results.

Marka Finance Sa, a company used as assignee company in the securitization process, has also been consolidated.
Under IFRS and specifically SIC 12 (Consolidation - special purpose entities), the vehicle company, even if not controlled by De'Longhi, must be included in the consolidation since the assignor's subscription to subordinated securities means that not all the risks and rewards attaching to the assigned receivables have been transferred, implying that the assignor basically has control over the vehicle. This treatment has meant keeping the related trade receivables on the asset side of the balance sheet and adjusting the net financial position.

PRINCIPAL CHANGES IN THE INCOME STATEMENT AND BALANCE SHEET

Income statement

Net revenues
Revenues are broken down by business segment as follows:

€/000	**30.09.2005**	**30.09.2004**	**Change**
Business segments:			
Professional	207,382	220,772	(13,390)
Household	632,625	686,299	(53,674)
Total	**840,007**	**907,071**	**(67,064)**

Revenues are broken down by geographical segment as follows:

€/000	**Nine months 2005**	**Nine months 2004**	**% change**
Geographical area			
Italy	217,000	262,600	(17.4%)
United Kingdom	106,400	125,300	(15.1%)
Rest of Europe	284,000	291,800	(2.7%)
Rest of the world	232,607	227,400	2.3%
Total	**840,007**	**907,100**	**(7.4%)**

Services and other operating expenses
In detail:

€/000	**30.09.2005**	**30.09.2004**	**Change**
Transport (for purchases and sales)	54,628	59,572	(4,944)
Subcontracted work	13,489	18,358	(4,869)
Commissions	15,826	18,070	(2,244)
Advertising and promotions	47,363	49,343	(1,980)
Storage and warehousing	12,132	12,245	(113)
Travel and entertaining	10,165	9,169	996
Other services, rentals and leasing and other operating expenses	75,775	73,426	2,349
Total	**229,378**	**240,183**	**(10,805)**

This amount includes around €4.5 million in non-recurring expenses (€3.3 million at 30 September, 2004).

Financial expenses

In detail:

€/000	**30.09.2005**	**30.09.2004**	**Change**
Financial expenses	11,885	10,953	932
Exchange (gains) losses	1,629	6,169	(4,540)
Other financial expenses	11,850	11,723	127
Total	**25,364**	**28,845**	**(3,481)**

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

Related-party costs and revenues
Details are provided in an attachment (Attachment 3).

Comments on the balance sheet

Intangible fixed assets
These can be broken down as follows:

€/000	30.09.2005	31.12.2004	30.09.2004
Goodwill	219,226	217,011	216,837
Trademarks	175,125	178,182	179,320
Other assets	25,057	23,250	22,145
Total	**419,408**	**418,443**	**418,302**

Trademarks include €114.8 million in trademarks with an indefinite life.

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

Inventories
These can be broken down as follows:

€/000	30.09.2005	31.12.2004	30.09.2004
Raw materials	79,135	74,152	84,632
Semi-finished products	33,551	25,465	28,517
Finished products	304,615	216,963	272,537
Inventory reserve	(11,026)	(21,263)	(17,173)
Total	**406,275**	**295,317**	**368,513**

Trade receivables
These can be broken down as follows:

€/000	30.09.2005	31.12.2004	30.09.2004
Trade receivables	294,188	275,753	285,234
Assigned receivables	119,728	149,000	129,219
Reserve for doubtful accounts	(9,978)	(9,283)	(10,273)
Total	**403,937**	**415,470**	**404,180**

Assigned trade receivables relate to receivables, almost all of which covered by insurance, which have been transferred under securitization and without-recourse factoring transactions; under IFRS these transactions have been reinstated in the balance sheet with a corresponding adjustment to the net financial position.
The balance at 30 September 2004 also includes transfers of receivables without recourse which fall under the scope of IAS 39, applied since 1 January 2005, in order to provide a better comparison of the group's financial performance that would not otherwise be possible.

Cash and banks

This balance consists of surplus liquidity on bank current accounts, mostly relating to customer payments received at period end, and the temporary liquidity held by the consolidated company Marka Finance as part of the securitization process.

Net financial position

This can be broken down as follows:

€/000	**30.09.2005**	**31.12.2004**	**30.09.2004**
Cash and banks	100,257	116,795	96,801
Current debt	(319,075)	(224,599)	(278,300)
Medium-term loans	(230,569)	(206,807)	(214,624)
Other	5,489	5,573	4,077
Total	**(443,898)**	**(309,038)**	**(392,046)**
Payables for assigned receivables	(119,728)	(149,000)	(129,691)
Total	**(563,626)**	**(458,038)**	**(521,737)**

The increase in medium-term loans reflects the maturity of certain loans and the arrangement in June 2005 of two new loans by two Italian subsidiaries for a total of €120 million. These loans, which are not secured against property or guarantees, last for 8 years and carry interest with a spread of less than one percentage point.

Treviso, 14 November 2005

for the Board of Directors
Vice Chairman and CEO

Fabio De'Longhi

ATTACHMENT 1

Reconciliation between Italian GAAP and IFRS of consolidated shareholders' equity and results for period at 30 September 2004.

	Shareholders' equity 01.01.2004	**Profit (Loss) 30.09.2004**	**Currency translation reserve**	**Shareholders' equity 30.09.2004**
Balance pertaining to the Group under Italian GAAP	**560.7**	**20.2**	**(5.1)**	**575.8**
1) Reversal of intangible fixed assets	(10.1)	2.5		(7.6)
2) Amortization reversal for trademarks with indefinite life	-	5.7		5.7
3) Reversal of goodwill and related amortization	(0.9)	10.0		9.1
4) Deemed cost of buildings	12.1	0.5		12.6
5) Securitizations	1.2	(0.2)		1.0
6) Recognition of hedging transactions	-	-	-	-
7) Employee benefits	(5.9)	(0.1)		(6.0)
8) Other effects	(1.8)	0.2	(2.4)	(4.0)
9) Recognition of deferred taxes	(14.1)	(4.0)		(18.1)
10) Recognition of current taxes		(13.3)		(13.3)
Total IFRS adjustments	(19.5)	1.3	(2.4)	(20.6)
Balance pertaining to the Group under IFRS	**541.2**	**21.5**	**(7.5)**	**555.2**

ATTACHMENT 2
Reconciliation between Italian GAAP and IFRS of results in third quarter 2004.

	Profit (Loss) 3rd quarter 2004
Balance pertaining to the Group under Italian GAAP	**7.0**
1) Reversal of intangible fixed assets	0.8
2) Amortization reversal for trademarks with indefinite life	1.9
3) Reversal of goodwill and related amortization	3.3
4) Deemed cost of buildings	0.2
5) Securitizations	-
6) Recognition of hedging transactions	-
7) Employee benefits	-
8) Other effects	0.3
9) Recognition of deferred taxes	(1.3)
10) Recognition of current taxes	(2.2)
Total IFRS adjustments	3.0
Balance pertaining to the Group under IFRS	**10.0**

ATTACHMENT 3

Transactions with subsidiaries, associated companies, parent 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 provide information concerning transactions between related parties during the first nine months of 2005.

All transactions fall within the group's normal operations, except as otherwise stated in these notes, and are settled at arm's-length conditions.

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

	Sales revenue	Raw material and other costs	Trade and other receivables	Trade payables
Associated companies: (1)				
Omas S.r.l.	0.1	(0.1)	0.2	(0.1)
Interest held through trust company "Comitalia Compagnia Fiduciaria S.p.A."	-	(0.1)	-	-
Top Clima S.L	12.3	(0.1)	8.6	(0.1)
Total associated companies	12.4	(0.3)	8.8	(0.2)
Parent companies:				
De'Longhi Soparfi S.A.	-	-	0.4	-
Total parent companies	-	-	0.4	-
Related companies:				
Max Information S.r.l. (2)	-	(0.7)	-	(0.2)
Mokarabia S.p.A.	0.1	(0.2)	-	-
Total related companies	0.1	(0.9)	-	(0.2)

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

Other than the above, there are no transactions with related parties except for the professional fees paid to the firm of Biscozzi e Nobili during the first nine months of 2005.