



## **Quarterly report at 30 September 2007**

**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

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**Company officers \*****Board of Directors**

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

**Board of Statutory Auditors**

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

**External auditors**

PRICEWATERHOUSECOOPERS S.P.A. \*\*\*

**Internal Auditing and Corporate Governance Committee**

RENATO CORRADA \*\*  
CARLO GARAVAGLIA  
GIOVANNI TAMBURI \*\*

**Compensation Committee**

ALBERTO CLÒ \*\*  
CARLO GARAVAGLIA  
GIOVANNI TAMBURI \*\*

\* The company officers were elected at the shareholders' meeting of 18 April 2007 for the period 2007-2009; Dario Melò resigned as a director on 12 July 2007 with Silvia De'Longhi being co-opted to the Board on the same date.

\*\* Independent directors.

\*\*\* Extension of audit engagement to financial years 2007-2008-2009 approved by the shareholders' meeting of 18 April 2007.

## **REPORT ON OPERATIONS**

The third-quarter results for 2007 reported good growth in revenues and profitability despite an economic background featuring a stronger euro and a rising trend in raw material prices, confirming the strength of the group's brands and products.

Third-quarter net revenues came to €381 million, an increase of €38.4 million (+11.2%) on the same period in 2006.

EBITDA, before non-recurring expenses, was €47.5 million in the third quarter of 2007 (with a margin of 12.5% on revenues), having increased by 33.2% of last year's third-quarter figure of €35.6 million (with a margin of 10.4% on revenues).

The figures for the first nine months of 2007 report €1,017.6 million in net revenues, representing an increase of €98.8 million (+10.8%) on the corresponding prior year period, despite the negative impact of the euro's appreciation and the consequences of the fire at the factory in Treviso which hurt sales of certain product lines. The growth in net revenues at constant exchange rates was 12.7%.

Gross profit was €395.6 million, with a margin of 38.9% up from 37.5% in the first nine months of 2006, reflecting product mix and the dollar's depreciation and confirming the upward trend already seen in the first six months.

EBITDA, before non-recurring expenses, came to €105 million for the nine months, up 40.6% on the same period in 2006 and reporting an improvement in margin from 8.1% in 2006 to 10.3% in 2007. Assuming the same scope of consolidation, this margin improved from 8.0% to 10.3%.

EBIT increased by 40.1% to €68.2 million, with the margin climbing from 5.3% in the first nine months of 2006 to 6.7% in the same period of 2007 despite the adverse impact of the fire. Assuming the same scope of consolidation, this margin improved from 5.2% to 6.6%.

These results were achieved thanks to growth by both the Household division and the Professional division; the latter performed the better of the two thanks not only to its historic businesses but also to the newly-acquired RC Group.

The Household division reported a 2.5% increase in revenues; assuming the same scope of consolidation the division's revenues would have been 5.1% higher. EBITDA, before non-recurring expenses, increased by 36% (43.2% assuming the same scope of consolidation). These results mostly reflected higher sales of coffee machines and food processors which more than made up for poor sales of portable heating products due to the mild winter.

The Professional division reported a 38.4% increase in revenues (17.3% assuming the same scope of consolidation); EBITDA, before non-recurring expenses, improved by 52% (29.2% assuming the same scope of consolidation) mainly thanks to large thermo-cooling systems.

In terms of performance on individual markets, sales in Europe were higher with a particular improvement in Germany and Russia; revenues in both North America and the rest of the world were generally in line with the first nine months of 2006, reflecting not only the mild winter in 2007 but also the revaluation of the euro.

Net financial expenses remained virtually the same as in the first nine months of 2006; the increase in financial expenses due to the rise in interest rates and the start-up costs of the new without-recourse factoring programme was absorbed by exchange gains and savings in borrowing costs.

The result after taxes was a profit of €19.9 million having increased by €13.2 million on the same period in 2006, ignoring the extraordinary financial income arising on the sale of Elba.

The net financial position reported net borrowings of €419.7 million, €105.1 million more than at 31 December 2006. This increase reflected not only the greater absorption of financial resources typifying the first nine months of the year, but also €14.5 million in fewer receivables factored without recourse, the acquisition of €11.2 million (inclusive of the related debt) in equity investments during 2007 and the funding of the sharp growth in business, especially in the second and third quarters of the year.

### Consolidated income statement - highlights

(€/million)	9 months 2007	9 months 2006	% change	3rd quarter 2007	3rd quarter 2006	% change
Revenues	1,017.6	918.8	10.8%	381.0	342.6	11.2%
Gross profit	395.6	344.4	14.9%	145.5	124.4	16.9%
EBITDA before non-recurring expenses	105.0	74.7	40.6%	47.5	35.6	33.2%
<i>% of revenues</i>	<i>10.3%</i>	<i>8.1%</i>		<i>12.5%</i>	<i>10.4%</i>	
EBIT	68.2	48.7	40.1%	35.5	26.4	34.5%
<i>% of revenues</i>	<i>6.7%</i>	<i>5.3%</i>		<i>9.3%</i>	<i>7.7%</i>	
Profit (loss) for the period pertaining to the group	19.9	31.7	(37.1%)	16.4	7.3	123.7%
Profit (loss) pertaining to the group before extraordinary income/expenses from equity investments	19.9	6.6	201.9%	16.4	7.3	123.7%

### Consolidated balance sheet - highlights

(€/million)	30.09.2007	31.12.2006	30.09.2006
Net working capital	417.6	307.0	405.9
Net capital employed	1,042.8	935.2	1,007.9
Net financial position	419.7	314.6	396.6
Rolling 12-month net working capital/net revenues turnover ratio (*)	28.6%	22.5%	30.3%

(\*) Assuming the same scope of consolidation and before the benefits of factoring receivables without recourse, the net working capital turnover ratio improved from 36.7% of revenues at 30 September 2006 to 35.6% at 30 September 2007.

## Results by business segment

### Household

(€/million)	9 months 2007	9 months 2006	3rd quarter 2007	3rd quarter 2006
Net revenues (*)	737.7	719.5	288.4	280.7
% change	2.5%		2.7%	
EBITDA before non-recurring items (*)	70.0	51.5	37.4	28.7
% of revenues	9.5%	7.2%	13.0%	10.2%

(\*) Assuming the same scope of consolidation, revenues would have been 5.1% higher in the first nine months of 2007 at €735.6 million compared with €700 million at 30 September 2006 and EBITDA before non-recurring items would have been 43.2% higher in the first nine months of 2007 at €69.9 million compared with €48.8 million at 30 September 2006.

### Professional

(€/million)	9 months 2007	9 months 2006	3rd quarter 2007	3rd quarter 2006
Net revenues (*)	300.9	217.4	97.4	72.4
% change	38.4%		34.6%	
EBITDA before non-recurring items (*)	35.1	23.1	10.4	7.0
% of revenues	11.7%	10.6%	10.6%	9.6%

(\*) Assuming the same scope of consolidation, revenues would have been 17.3% higher in the first nine months of 2007 at €255.1 million compared with €217.4 million at 30 September 2006 and EBITDA before non-recurring items would have been 29.2% higher in the first nine months of 2007 at €29.9 million compared with €23.1 million at 30 September 2006.

### Household

The Household division reported a 5.1% increase in revenues in the first nine months of 2007 relative to the same period in 2006 assuming the same scope of consolidation; this was mostly thanks to higher sales of coffee machines and food processors and despite poor sales of portable heating products.

### Professional

The major growth in the Professional division reflected the consolidation of the RC Group and the increase in revenues from water-filled radiators and large thermo-cooling systems; the growth in large thermo-cooling systems related to chillers, especially more powerful ones, both in Italy and abroad, and to roof top products, especially in the Italian market.

## Markets

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

(€/million)	9 months 2007	9 months 2006	% change	3rd quarter 2007	3rd quarter 2006	% change
<b>Geographical area</b>						
Italy	234.0	221.0	5.9%	70.5	74.7	(5.6%)
United Kingdom	102.6	100.5	2.2%	35.4	36.9	(4.1%)
Rest of Europe	426.9	344.2	24.0%	163.5	134.3	21.8%
United States, Canada and Mexico	94.9	95.2	(0.4%)	51.7	52.7	(1.8%)
Rest of the world	159.2	158.0	0.8%	60.0	44.1	36.1%
<b>Total</b>	<b>1,017.6</b>	<b>918.8</b>	<b>10.8%</b>	<b>381.0</b>	<b>342.6</b>	<b>11.2%</b>

Sales on the Italian and UK markets improved thanks to large thermo-cooling systems, which made up for performance by electrical heating products and Elba's departure from the scope of consolidation.

The growth in sales in the "Rest of Europe" particularly reflected good performance in Germany, where demand for coffee machines and food preparation products continued to grow, in Greece and in Russia, which benefited from investments the previous year (acquisition of a factory producing oil-filled radiators and opening of a sales office).

Revenues in both North America and the rest of the world were generally in line with the first nine months of 2006, with both markets affected by the mild winter in 2007 and the revaluation of the euro. As for the rest of the world, revenues were higher in local currency in Japan, Australia and New Zealand.

## Group results

Gross profit reported in the following reclassified income statement has been redefined to include all transformation costs.

(€/million)	9 months 2007	% of revenues	9 months 2006	% of revenues	3rd quarter 2007	% of revenues	3rd quarter 2006	% of revenues
<b>Net revenues</b>	<b>1,017.6</b>	<b>100.0%</b>	<b>918.8</b>	<b>100.0%</b>	<b>381.0</b>	<b>100.0%</b>	<b>342.6</b>	<b>100.0%</b>
<i>Change 2007/2006</i>	<i>98.8</i>	<i>10.8%</i>			<i>38.4</i>	<i>11.2%</i>		
Materials consumed & production costs (services and production payroll costs)	(622.0)	(61.1%)	(574.4)	(62.5%)	(235.6)	(61.8%)	(218.2)	(63.7%)
<b>Gross profit</b>	<b>395.6</b>	<b>38.9%</b>	<b>344.4</b>	<b>37.5%</b>	<b>145.5</b>	<b>38.2%</b>	<b>124.4</b>	<b>36.3%</b>
Services & other expenses	(204.4)	(20.1%)	(192.7)	(21.0%)	(69.5)	(18.2%)	(65.1)	(19.0%)
Payroll (non-production)	(76.7)	(7.5%)	(68.6)	(7.5%)	(25.0)	(6.6%)	(20.7)	(6.0%)
Provisions	(9.5)	(0.9%)	(8.5)	(0.9%)	(3.5)	(0.9%)	(3.0)	(0.9%)
<b>EBITDA before non-recurring items</b>	<b>105.0</b>	<b>10.3%</b>	<b>74.7</b>	<b>8.1%</b>	<b>47.5</b>	<b>12.5%</b>	<b>35.6</b>	<b>10.4%</b>
<i>Change 2007/2006</i>	<i>30.3</i>	<i>40.6%</i>			<i>11.8</i>	<i>33.2%</i>		
Other non-recurring income (expenses)	(7.7)	(0.8%)	2.8	0.3%	(2.0)	(0.5%)	0.4	0.1%
<b>EBITDA</b>	<b>97.3</b>	<b>9.6%</b>	<b>77.4</b>	<b>8.4%</b>	<b>45.5</b>	<b>11.9%</b>	<b>36.0</b>	<b>10.5%</b>
<i>Change 2007/2006</i>	<i>19.9</i>	<i>25.7%</i>			<i>9.5</i>	<i>26.4%</i>		
Amortization and depreciation	(29.1)	(2.9%)	(28.7)	(3.1%)	(10.0)	(2.6%)	(9.6)	(2.8%)
<b>EBIT</b>	<b>68.2</b>	<b>6.7%</b>	<b>48.7</b>	<b>5.3%</b>	<b>35.5</b>	<b>9.3%</b>	<b>26.4</b>	<b>7.7%</b>
<i>Change 2007/2006</i>	<i>19.5</i>	<i>40.1%</i>			<i>9.1</i>	<i>34.5%</i>		
Financial income (expenses)	(32.9)	(3.2%)	(34.9)	(3.8%)	(11.1)	(2.9%)	(12.3)	(3.6%)
Financial expenses for new without-recourse receivables factoring programme	(1.3)	(0.1%)	-	0.0%	-	0.0%	-	0.0%
Extraordinary income (expenses) from equity investments	-	0.0%	24.9	2.7%	-	0.0%	-	0.0%
<b>Profit before taxes</b>	<b>34.0</b>	<b>3.3%</b>	<b>38.8</b>	<b>4.2%</b>	<b>24.4</b>	<b>6.4%</b>	<b>14.1</b>	<b>4.1%</b>
Taxes	(13.7)	(1.3%)	(6.5)	(0.7%)	(7.8)	(2.0%)	(6.4)	(1.9%)
<b>Profit (loss) for the period</b>	<b>20.3</b>	<b>2.0%</b>	<b>32.3</b>	<b>3.5%</b>	<b>16.7</b>	<b>4.4%</b>	<b>7.7</b>	<b>2.2%</b>
Profit (loss) pertaining to minority interests	0.4	0.0%	0.6	0.1%	0.2	0.1%	0.4	0.1%
<b>Profit (loss) pertaining to the group</b>	<b>19.9</b>	<b>2.0%</b>	<b>31.7</b>	<b>3.4%</b>	<b>16.4</b>	<b>4.3%</b>	<b>7.3</b>	<b>2.1%</b>
<b>Profit (loss) pertaining to the group before extraordinary income/expenses from equity investments</b>	<b>19.9</b>	<b>2.0%</b>	<b>6.6</b>	<b>0.7%</b>	<b>16.4</b>	<b>4.3%</b>	<b>7.3</b>	<b>2.1%</b>

The gross profit presented above differs by €97.8 million in the first nine months of 2007 (€97.6 million in the first nine months of 2006) from the consolidated income statement, reflecting the reclassification of production-related payroll and service costs from payroll and services respectively, with the purpose of achieving a better presentation of period performance.

Gross profit improved by €51.2 million from €344.4 million in 2006 to €395.6 million in 2007 (with the margin going from 37.5% to 38.9%) despite the strong pressure on raw material prices over the period.

EBITDA, before non-recurring expenses, came to €105 million in the nine months, up 40.6% on the same period in 2006 and reporting an improvement in margin from 8.1% in the first nine months of 2006 to 10.3% in the same period of 2007. Assuming the same scope of consolidation, the margin would have increased from 8.0% to 10.3%.

The Household division reported €70 million in EBITDA before non-recurring expenses (€51.5 million in 2006); this represented an improvement of €18.5 million (+36%) or €21.1 million (+43.2%) assuming the same scope of consolidation. These results mostly reflected higher sales of coffee machines and food processors which more than made up for poor sales of heating products due to the mild winter.

The Professional division reported €35.1 million in EBITDA before non-recurring expenses in 2007 (€23.1 million in 2006); the increase was €12 million (+52%) or €6.7 million (+29.2%) assuming the same scope of consolidation, and reflected a big rise in sales of large thermo-cooling systems both in Italy and abroad.

Net financial expenses remained virtually the same as in the first nine months of 2006; the increase in financial expenses due to the rise in interest rates and the start-up costs of the new without-recourse factoring programme was absorbed by exchange gains.

The result after taxes was a profit of €19.9 million having increased by €13.2 million on the same period in 2006, ignoring the extraordinary financial income arising on the sale of Elba.

## Review of the balance sheet and financial position

The reclassified consolidated balance sheet is summarized below:

(€/million)	30.09.2007	31.12.2006	Change 30.09.07 – 31.12.06	30.09.2006	Change 30.09.07 – 30.09.06
<b>Non-current assets</b>	<b>712.2</b>	<b>718.9</b>	<b>(6.7)</b>	<b>692.7</b>	<b>19.6</b>
-Inventories	403.1	323.7	79.4	373.6	29.5
-Receivables	349.5	348.0	1.5	334.0	15.5
-Suppliers	(319.4)	(327.1)	7.7	(265.7)	(53.7)
-Other	(15.6)	(37.7)	22.1	(36.0)	20.4
<b>Net working capital</b>	<b>417.6</b>	<b>307.0</b>	<b>110.6</b>	<b>405.9</b>	<b>11.7</b>
Total non-current liabilities and provisions	(87.1)	(90.7)	3.7	(90.7)	3.7
<b>Net capital employed</b>	<b>1,042.8</b>	<b>935.2</b>	<b>107.6</b>	<b>1,007.9</b>	<b>34.9</b>
<b>Net financial position</b>	<b>419.7</b>	<b>314.6</b>	<b>105.1</b>	<b>396.6</b>	<b>23.0</b>
<b>Total net equity</b>	<b>623.1</b>	<b>620.6</b>	<b>2.5</b>	<b>611.2</b>	<b>11.9</b>
<b>Total net borrowings and equity</b>	<b>1,042.8</b>	<b>935.2</b>	<b>107.6</b>	<b>1,007.9</b>	<b>34.9</b>

The group's net financial position at the end of the third quarter is affected by the seasonal nature of sales which are concentrated in the last quarter of the year, with a resulting need to have sufficient inventories, which consequently absorb cash relative to the end of December.

The cash flow statement can be summarized as follows:

(€/million)	30.09.2007	30.09.2006	31.12.2006
Cash flow from current operations	61.5	19.2	49.8
Cash flow from other changes in working capital	(100.3)	(64.9)	45.5
Cash flow from investment activities	(35.4)	(21.6)	(38.0)
<b>Cash flow from operating activities</b>	<b>(74.2)</b>	<b>(67.4)</b>	<b>57.3</b>
Cash flow generated by deconsolidating Marka Finance S.A. and factoring receivables without recourse	-	112.1	112.9
Cash flow from changes in scope of consolidation	(11.2)	76.6	34.6
Cash flow from changes in equity accounts	(19.6)	(6.6)	(8.0)
<b>Cash flow for the period</b>	<b>(105.1)</b>	<b>114.8</b>	<b>196.8</b>
Opening net financial position	(314.6)	(511.4)	(511.4)
<b>Closing net financial position</b>	<b>(419.7)</b>	<b>(396.6)</b>	<b>(314.6)</b>

As regards working capital management, net working capital turnover improved from 30.3% of revenues at 30 September 2006 to 28.6% at 30 September 2007; assuming the same scope of consolidation and ignoring the benefits of factoring receivables without recourse, this turnover ratio improved from 36.7% at 30 September 2006 to 35.6% at 30 September 2007.

The net financial position reported net borrowings of €419.7 million, €105.1 million more than at 31 December 2006. This increase reflected not only the greater absorption of financial resources typifying the first nine months of the year, but also €14.5 million in fewer receivables factored without recourse, the acquisition of €11.2 million (inclusive of the related debt) in equity investments during 2007 and the funding of the sharp growth in business, especially in the second and third quarters of the year.

### 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.

## **Significant events**

### **Group reorganization**

The Board of Directors of De'Longhi S.p.A. has approved a plan to reorganize the group's corporate structure involving its separation into the two distinct business sectors in which it operates (Household and Professional) in order to improve its market positioning and competitiveness.

The reasons for this reorganization are as follows:

- the need to have a corporate structure that corresponds to the two divisions characterizing the group's business;
- the opportunity to create a system of governance that responds to the need for a more efficient, effective management of the individual businesses and the possibility of optimizing the human resources common to both the Professional and Household divisions by centralizing certain services under the parent company; De'Longhi S.p.A. will therefore be left as a holding company, with the role of setting strategy, controlling, coordinating and managing centralized activities and resources;
- the prospect of more easily developing synergies and joint ventures with other players in either sector;
- the opportunity to communicate the positioning of De'Longhi S.p.A. correctly to investors, informing them of the existence of the two different business areas.

The reorganization has taken place by creating two sub-holding companies, one for the Professional division and one for the Household division, and through a number of corporate actions involving:

- the transfer of the investment in DL Radiators (a company which produces and sells terminal units for fixed heating systems) to the sub-holding company De'Longhi Professional and the transfer from De'Longhi S.p.A. to De'Longhi Professional of the entire investment currently held in Climaveneta (a company specialized in the production of large thermo-cooling systems for commercial and industrial use);
- the conferral by De'Longhi S.p.A., completed in July 2007, on a wholly-owned subsidiary (De'Longhi Appliances) of the business represented by the Household division, inclusive of its numerous foreign subsidiaries and investments.

All these operations have been carried out on a tax-neutral basis and have not had any impact on consolidated net equity, financial position or EBITDA.

A document was filed on 16 July 2007 at the company's registered office and with Borsa Italiana S.p.A. containing information for the market on the group's reorganization process. This document reports on the nature of the corporate actions (between group companies and with no effect on consolidated net equity, financial position or EBITDA), and was drawn up in accordance with articles 71 and 71-bis and Appendix 3B (format 4) of CONSOB Regulation 11971 dated 14 May 1999 and subsequent amendments and additions thereto (the "Issuers' Regulations").

**Fire at the Treviso headquarters on 18 April 2007**

On 18 April 2007 a fire broke out in the company's headquarters in Via L. Seitz, Treviso. The fire affected the factory, the production lines and certain technical offices without harming anybody, either employees, firefighters or police. The fire did not affect computer equipment or the supply chain, which remained intact with no interruption to their operation, while the accounting and commercial offices resumed their business as usual just a few days after the fire.

A company task force immediately drew up an extraordinary action plan, involving the activation of new production lines at the factory in Mignagola (Treviso) in place of those destroyed. The new production lines have raised production capacity to a higher level than before the fire.

As regards the associated effects on the consolidated financial statements relating to the "Buildings" and "Production plant" of De'Longhi S.p.A. that were destroyed, the estimated net book value of these assets of €19.3 million is adequately covered by the property all-risks plan with Assicurazioni Generali.

As for inventories, the damage incurred (inclusive of samples, prototypes and consumable materials) amounted to around €19.5 million and is also covered by insurance, less the related exempt amount.

The group also has adequate insurance for the reimbursement of all the extra costs that have been and will be incurred for restarting production and getting back to previous levels of production.

During the month of June Assicurazioni Generali paid the sum of €15 million as an advance on the total claim, in accordance with the terms of the insurance policy.

The pre-tax impact on the consolidated income statement of the costs incurred following the fire, less the related insurance reimbursement, has been estimated at €5.5 million. This amount is classified in the income statement under "Other non-recurring income (expenses)", as detailed in the explanatory notes. It is not final because it does not take account of the right to receive additional compensation on top of the book value of the assets destroyed and the entitlement to reimbursement for indirect expenses (amongst which the loss of earnings from the sale of material destroyed in the fire), which will be recognized when the claim is finally settled.

**Kenwood Swiss AG**

On 23 July Kenwood Swiss AG, a wholly-owned subsidiary of the group, purchased the De'Longhi and Kenwood distribution business in Switzerland, which reported sales of around CHF 25 million in financial year 2006/2007; this transaction was completed at a value of CHF 5 million for acquiring CHF 2.2 million in net equity (with an impact on net financial position of €4.6 million, inclusive of the related debt).

The acquisition will make it possible to integrate the distribution activities within the De'Longhi Group in an ever more competitive, globalized market.

**Top Clima S.A.**

During the month of July the group acquired 25% of the share capital in the current Climaveneta distributor in Spain, giving it joint control of this company, which reported €30.5 million in sales in 2006 and has €7 million in net equity; the transaction was completed at a value of €2.5 million, inclusive of a positive price adjustment for the purchase of the previous shares. Joint control of this company will make it possible to be more competitive in one of the most important European markets for large thermo-cooling systems.

This acquisition had an impact on net financial position of €6.6 million, inclusive of the related debt.

### **Subsequent events**

There have been no significant events since the end of the third quarter.

### **Outlook for the rest of 2007**

Based on the results in the first nine months of the year, the group can realistically confirm the original growth targets, although it is revising up its operating margins.

*Treviso, 13 November 2007*

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

\*\*\*\*\*

**Declaration by the Financial Reporting Officer**

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

Treviso, 13 November 2007

Financial Reporting Officer  
Stefano Biella

CONSOLIDATED INCOME STATEMENT (€/000)	Notes	9 months 2007	9 months 2006	3rd quarter 2007	3rd quarter 2006
Revenues from sales and services		998,998	899,617	375,917	337,311
Other operating income and revenues		18,582	19,173	5,129	5,305
<b>Total consolidated net revenues</b>	1	<b>1,017,580</b>	<b>918,790</b>	<b>381,046</b>	<b>342,616</b>
Raw and ancillary materials, consumables and goods	2	(622,562)	(530,015)	(219,235)	(174,308)
Change in inventories of finished products and work in progress		75,573	46,360	19,926	(7,906)
Change in inventories of raw and ancillary materials, consumables and goods		22,794	6,886	(1,175)	(5,048)
<b>Materials consumed</b>		<b>(524,195)</b>	<b>(476,769)</b>	<b>(200,484)</b>	<b>(187,262)</b>
Payroll costs		(128,088)	(121,675)	(43,221)	(37,223)
Services and other operating expenses	3	(250,851)	(237,237)	(86,387)	(79,443)
Contingency and other provisions		(9,471)	(8,448)	(3,465)	(3,037)
Other non-recurring income (expenses)	4	(7,679)	2,757	(1,972)	367
Amortization and depreciation	5	(29,084)	(28,729)	(9,997)	(9,614)
<b>EBIT</b>		<b>68,212</b>	<b>48,689</b>	<b>35,520</b>	<b>26,404</b>
Financial income (expenses) from equity investments		3	24,941	1	-
Other financial income (expenses)		(34,212)	(34,850)	(11,075)	(12,348)
<b>Financial income (expenses)</b>	6	<b>(34,209)</b>	<b>(9,909)</b>	<b>(11,074)</b>	<b>(12,348)</b>
<b>Earnings before tax (EBT)</b>		<b>34,003</b>	<b>38,780</b>	<b>24,446</b>	<b>14,056</b>
Taxes		(13,688)	(6,499)	(7,787)	(6,352)
<b>PROFIT (LOSS) AFTER TAXES</b>		<b>20,315</b>	<b>32,281</b>	<b>16,659</b>	<b>7,704</b>
Profit (loss) pertaining to minority interests		374	593	241	365
<b>PROFIT (LOSS) PERTAINING TO THE GROUP</b>		<b>19,941</b>	<b>31,688</b>	<b>16,418</b>	<b>7,339</b>
<b>EARNINGS PER SHARE</b>					
- basic		<b>0.13</b>	<b>0.21</b>	<b>0.11</b>	<b>0.05</b>
- diluted		<b>0.13</b>	<b>0.21</b>	<b>0.11</b>	<b>0.05</b>

<b>CONSOLIDATED BALANCE SHEET - ASSETS</b>				
<b>(€'000)</b>	<i>Notes</i>	<b>30.09.2007</b>	<b>31.12.2006</b>	<b>30.09.2006</b>
<b>NON-CURRENT ASSETS</b>				
INTANGIBLE ASSETS	7	418,113	414,158	395,667
- Goodwill		227,649	223,679	204,030
- Other intangible assets		190,464	190,479	191,637
PROPERTY, PLANT AND EQUIPMENT	8	243,898	255,183	236,700
- Land, property, plant and machinery		202,672	213,522	198,549
- Other tangible assets		41,226	41,661	38,151
EQUITY INVESTMENTS AND OTHER FINANCIAL ASSETS		7,991	11,317	8,953
- Equity investments (in associated companies)		2,632	6,476	6,311
- Equity investments (in other companies)		731	731	204
- Receivables		2,098	1,610	2,438
- Other securities		2,530	2,500	-
DEFERRED TAX ASSETS		45,236	41,332	52,517
<b>TOTAL NON-CURRENT ASSETS</b>		<b>715,238</b>	<b>721,990</b>	<b>693,837</b>
<b>CURRENT ASSETS</b>				
INVENTORIES	9	403,106	323,733	373,589
TRADE RECEIVABLES	10	349,469	348,014	334,018
CURRENT TAX ASSETS		26,265	20,530	14,003
OTHER RECEIVABLES		37,953	18,865	22,637
CURRENT FINANCIAL RECEIVABLES AND ASSETS		8,857	994	8,072
CASH AND CASH EQUIVALENTS	11	98,941	112,952	99,233
<b>TOTAL CURRENT ASSETS</b>		<b>924,591</b>	<b>825,088</b>	<b>851,552</b>
<b>TOTAL ASSETS</b>		<b>1,639,829</b>	<b>1,547,078</b>	<b>1,545,389</b>
<b>CONSOLIDATED BALANCE SHEET - NET EQUITY AND LIABILITIES</b>				
<b>(€'000)</b>	<i>Notes</i>	<b>30.09.2007</b>	<b>31.12.2006</b>	<b>30.09.2006</b>
<b>NET EQUITY</b>				
GROUP PORTION OF NET EQUITY		617,784	615,568	608,822
- Share capital		448,500	448,500	448,500
- Reserves		149,343	127,292	128,634
- Profit (Loss) pertaining to the group		19,941	39,776	31,688
MINORITY INTERESTS		5,315	5,037	2,412
<b>TOTAL NET EQUITY</b>		<b>623,099</b>	<b>620,605</b>	<b>611,234</b>
<b>NON-CURRENT LIABILITIES</b>				
FINANCIAL PAYABLES		177,608	209,648	252,394
- Bank loans and borrowings (long-term portion)		161,983	191,919	234,489
- Other financial payables (long-term portion)		15,625	17,729	17,905
DEFERRED TAX LIABILITIES		23,060	20,461	16,773
NON-CURRENT PROVISIONS FOR CONTINGENCIES AND OTHER CHARGES		64,002	70,236	73,942
- Employee benefits		34,684	42,009	39,260
- Other provisions		29,318	28,227	34,682
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>264,670</b>	<b>300,345</b>	<b>343,109</b>
<b>CURRENT LIABILITIES</b>				
TRADE PAYABLES		319,364	327,088	265,690
FINANCIAL PAYABLES		352,858	221,975	252,700
- Bank loans and borrowings (short-term portion)		324,739	203,898	242,448
- Other financial payables (short-term portion)		28,119	18,077	10,252
CURRENT TAX LIABILITIES		23,940	21,154	17,203
OTHER PAYABLES		55,898	55,911	55,453
<b>TOTAL CURRENT LIABILITIES</b>		<b>752,060</b>	<b>626,128</b>	<b>591,046</b>
<b>TOTAL NET EQUITY AND LIABILITIES</b>		<b>1,639,829</b>	<b>1,547,078</b>	<b>1,545,389</b>

<b>CONSOLIDATED CASH FLOW STATEMENT</b> <b>(in terms of Cash and cash equivalents)</b> <b>(€/000)</b>	<i>Notes</i>	<b>30.09.2007</b> <b>9 months</b>	<b>30.09.2006</b> <b>9 months</b>
Profit (loss) pertaining to the group		19,941	31,688
Net capital losses relating to the fire		14,320	-
Capital (gains) losses on disposal of equity investments and deconsolidation of Marka Finance		-	(25,083)
Amortization and depreciation		29,084	28,729
Net change in provisions and writedowns		(1,811)	(16,182)
<b>Cash flow generated (absorbed) by current operations (A)</b>		<b>61,534</b>	<b>19,152</b>
<b>Change in assets and liabilities for the period:</b>			
Trade receivables		3,029	(17,926)
Inventories		(92,260)	(46,932)
Trade payables		(9,384)	4,072
Other current assets and liabilities		(1,730)	(4,129)
<b>Cash flow generated (absorbed) by movements in working capital (B)</b>		<b>(100,345)</b>	<b>(64,915)</b>
<b>Cash flow generated (absorbed) by current operations and movements in working capital (A+B)</b>		<b>(38,811)</b>	<b>(45,763)</b>
<b>Investment activities:</b>			
Net investments in intangible assets		(7,258)	(7,606)
Net investments in property, plant and equipment		(27,678)	(13,585)
Net investments in equity investments and other financial assets		(477)	(410)
<b>Cash flow generated (absorbed) by ordinary investment activities (C)</b>		<b>(35,413)</b>	<b>(21,601)</b>
Effect on cash flow of selling Elba S.p.A.		-	76,637
Effect on cash flow of acquiring Top Clima and KW Swiss		(11,219)	-
<b>Cash flow generated (absorbed) by investment activities (C)</b>		<b>(46,632)</b>	<b>55,036</b>
Changes in net equity for IAS 32 and 39		(6,545)	(1,880)
Payment of dividends		(8,970)	(2,990)
Change in currency translation reserve		(4,378)	(2,378)
Increase (decrease) in minority interests in capital and reserves		278	659
Net change in other sources of finance		91,047	(80,482)
<b>Cash flow generated by changes in equity accounts and by financing activities (D)</b>		<b>71,432</b>	<b>(87,071)</b>
<b>Increase (decrease) in cash and cash equivalents (A+B+C+D)</b>		<b>(14,011)</b>	<b>(77,798)</b>
<b>Opening cash and cash equivalents</b>	<i>12</i>	<b>112,952</b>	<b>177,031</b>
Increase (decrease) in cash and cash equivalents (A+B+C+D)		(14,011)	(77,798)
<b>Closing cash and cash equivalents</b>	<i>12</i>	<b>98,941</b>	<b>99,233</b>

<b>CONSOLIDATED CASH FLOW STATEMENT</b> <b>(in terms of Net financial position)</b> <b>(€/000)</b>	<i>Notes</i>	<b>30.09.2007</b> <b>9 months</b>	<b>30.09.2006</b> <b>9 months</b>
Profit (loss) pertaining to the group		19,941	31,688
Net capital losses relating to the fire		14,320	-
Capital (gains) losses on disposal of equity investments and deconsolidation of Marka Finance		-	(25,083)
Amortization and depreciation		29,084	28,729
Net change in provisions and writedowns		(1,811)	(16,182)
<b>Cash flow generated (absorbed) by current operations (A)</b>		<b>61,534</b>	<b>19,152</b>
<b>Change in assets and liabilities for the period:</b>			
Trade receivables (*)		3,029	(17,926)
Inventories		(92,260)	(46,932)
Trade payables		(9,384)	4,072
Other current assets and liabilities		(1,730)	(4,129)
<b>Cash flow generated (absorbed) by movements in working capital (B)</b>		<b>(100,345)</b>	<b>(64,915)</b>
<b>Cash flow generated (absorbed) by current operations and movements in working capital (A+B)</b>		<b>(38,811)</b>	<b>(45,763)</b>
<b>Investment activities:</b>			
Net investments in intangible assets		(7,258)	(7,606)
Net investments in property, plant and equipment		(27,678)	(13,585)
Net investments in equity investments and other financial assets		(477)	(410)
<b>Cash flow generated (absorbed) by ordinary investment activities (C)</b>		<b>(35,413)</b>	<b>(21,601)</b>
Effect on cash flow of selling Elba S.p.A.		-	76,637
Effect on cash flow of acquiring Top Clima and KW Swiss		(11,219)	-
<b>Cash flow generated (absorbed) by investment activities (C)</b>		<b>(46,632)</b>	<b>55,036</b>
Changes in net equity for IAS 32 and 39		(6,545)	(1,880)
Payment of dividends		(8,970)	(2,990)
Change in currency translation reserve		(4,378)	(2,378)
Increase (decrease) in minority interests in capital and reserves		278	659
<b>Cash flow generated by changes in equity accounts (D)</b>		<b>(19,615)</b>	<b>(6,589)</b>
<b>Effect of factoring receivables without recourse (E)</b>		<b>-</b>	<b>112,096</b>
<b>Cash flow for the period (A+B+C+D+E)</b>		<b>(105,058)</b>	<b>114,780</b>
<b>Opening net financial position</b>	<i>12</i>	<b>(314,604)</b>	<b>(511,398)</b>
Cash flow for the period (A+B+C+D+E)		(105,058)	114,780
<b>Closing net financial position</b>	<i>12</i>	<b>(419,662)</b>	<b>(396,618)</b>

## STATEMENT OF CHANGES IN CONSOLIDATED NET EQUITY

(€/000)	SHARE CAPITAL	SHARE PREMIUM RESERVE	LEGAL RESERVE	OTHER RESERVES	FAIR VALUE AND CASH FLOW HEDGE RESERVES	PROFIT (LOSS) CARRIED FORWARD	PROFIT (LOSS) PERTAINING TO GROUP	GROUP PORTION OF NET EQUITY
Balance at 31 December 2005	448,500	325	5,393	43,384	(620)	61,979	24,820	583,781
Allocation of 2005 result as per AGM resolution of 27 April 2006								
- payment of dividends							(2,990)	(2,990)
- allocation to reserves			200	808		20,822	(21,830)	-
Changes in reserves for application of IAS					(1,279)			(1,279)
Difference from conversion of foreign companies' financial statements into euro								
						(2,378)		(2,378)
Profit pertaining to the group							31,688	31,688
Balance at 30 September 2006	448,500	325	5,593	44,192	(1,899)	80,423	31,688	608,822

(€/000)	SHARE CAPITAL	SHARE PREMIUM RESERVE	LEGAL RESERVE	OTHER RESERVES	FAIR VALUE AND CASH FLOW HEDGE RESERVES	PROFIT (LOSS) CARRIED FORWARD	PROFIT (LOSS) PERTAINING TO GROUP	GROUP PORTION OF NET EQUITY
Balance at 31 December 2006	448,500	325	5,593	44,192	(1,525)	78,707	39,776	615,568
Allocation of 2006 result as per AGM resolution of 18 April 2007								
- payment of dividends							(8,970)	(8,970)
- allocation to reserves			692	4,184		25,930	(30,806)	-
Changes in reserves for application of IAS					(4,377)			(4,377)
Difference from conversion of foreign companies' financial statements into euro								
						(4,378)		(4,378)
Profit pertaining to the group							19,941	19,941
Balance at 30 September 2007	448,500	325	6,285	48,376	(5,902)	100,259	19,941	617,784

## STATEMENT OF GAINS (LOSSES) RECOGNIZED IN CONSOLIDATED NET EQUITY

(€/000)	30.09.2007	30.09.2006
Gains (losses) recognized directly in cash flow hedge reserve	(4,377)	(1,279)
Gains (losses) recognized directly in currency translation reserve	(4,378)	(2,378)
<b>Total gains (losses) recognized directly in net equity in period</b>	<b>(8,755)</b>	<b>(3,657)</b>
Profit (loss) for the period	20,315	32,281
<b>Total gains (losses) recognized in the period</b>	<b>11,560</b>	<b>28,624</b>
<b>Attributable to:</b>		
Group	11,101	28,031
Minority interests	459	593
<b>Total gains (losses) recognized in the period</b>	<b>11,560</b>	<b>28,624</b>

## 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 by the European Commission (as of the date of 30 September 2007), pursuant to EC Regulation 1606 of 19 July 2002. More specifically this quarterly report has been prepared in accordance with IAS 34 - Interim Financial Reporting.

The following documents have been used for interpretation and application purposes even though not endorsed 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 accounting policies and measurement bases are the same as those adopted for preparing the consolidated financial statements at 31 December 2006, to which the reader should refer for more information.

The balance sheet has been prepared on a basis that distinguishes between current and non-current items. The income statement has been presented on the basis of the nature of expense, being a structure regarded as suitable for faithfully representing the group's performance.

As regards the comparative periods, it is reported that for the purposes of consistent comparison a number of minor income statement and balance sheet reclassifications have been made to the figures previously published at 30 September 2006, which have not however affected the profit for the period or the group's portion of net equity; details can be found in the notes on *2.Raw and ancillary materials, consumables and goods* and *3.Services and other operating expenses*.

Based on the provisions of IAS 34, the interim financial report is presented 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.

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

The quarterly report has been prepared on the basis of historical cost, adjusted as required for the valuation of certain financial instruments.

The figures contained in this report are 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 parent company, De'Longhi S.p.A., and its subsidiaries at 30 September 2007, meaning those companies in which the parent directly or indirectly owns the majority of share capital or shares with voting rights, or over which the parent has the power, including through contractual agreements, to govern their financial and operating policies.

The following changes took place in the scope of consolidation during 2007:

- On 23 July Kenwood Swiss AG, a wholly-owned subsidiary of the group, purchased the De'Longhi and Kenwood distribution business in Switzerland, which reported sales of around CHF 25 million in financial year 2006/2007; this transaction was completed at a value of CHF 5 million for acquiring CHF 2.2 million in net equity (with an overall impact on net financial position of €4.6 million, inclusive of the related debt).

The acquisition will make it possible to integrate distribution activities within the De'Longhi Group in an ever more competitive, globalized market.

- During the month of July the group acquired 25% of the share capital in the current Climaveneta distributor in Spain, giving it joint control of this company, which reported €30.5 million in sales in 2006 and has €7 million in net equity; the transaction was completed at a value of €2.5 million, inclusive of a positive price adjustment for the purchase of the previous shares. Joint control of this company will make it possible to be more competitive in one of the most important European markets for large thermo-cooling systems. This acquisition had an impact on net financial position of €6.6 million, inclusive of the related debt.

In view of the corporate actions carried out in 2006 and 2007, the principal results from the income statement have been reported on a consistent comparative basis in the report on operations, ie. assuming the same scope of consolidation.

As part of the process of reorganizing the group's corporate structure, already described in the report on operations, a number of corporate actions were commenced during 2007, which have involved the transfer of the investment in DL Radiators (a company which produces and sells terminal units for fixed heating systems) to De'Longhi Professional and the transfer from De'Longhi S.p.A. to De'Longhi Professional of the entire investment held in Climaveneta (a company specialized in the production of large thermo-cooling systems for commercial and industrial use).

All these operations have been carried out on a tax-neutral basis and have not had any impact on consolidated net equity, financial position or EBITDA.

## Exchange rates

The following exchange rates were used:

Currency		30.09.2007		30.09.2006		31.12.2006
		Period-end exchange rate (*)	Average exchange rate (*)	Period-end exchange rate (*)	Average exchange rate (*)	Period-end exchange rate (*)
US dollar	USD	1.41790	1.34439	1.26600	1.24416	1.31700
British pound	GBP	0.69680	0.67654	0.67770	0.68472	0.67150
Hong Kong dollar	HKD	11.00550	10.49979	9.86400	9.66055	10.24090
Chinese renminbi (Yuan)	CNY	10.64290	10.30143	10.00660	9.96427	10.27930
Australian dollar	AUD	1.60730	1.63728	1.69920	1.66412	1.66910
Canadian dollar	CAD	1.41220	1.48444	1.41360	1.40916	1.52810
Japanese yen	JPY	163.55000	160.38856	149.34000	144.12967	156.93000
Malaysian ringgit	MYR	4.83150	4.65614	4.66840	4.57939	4.64900
New Zealand dollar	NZD	1.87370	1.85191	1.94270	1.94413	1.87250
Polish zloty	PLN	3.77300	3.82582	3.97130	3.91142	3.83100
South African rand	ZAR	9.75620	9.60902	9.82770	8.21650	9.21240
Singapore dollar	SGD	2.10660	2.04929	2.00760	1.98855	2.02020
Russian rouble	RUB	35.34900	34.79262	33.94200	34.05240	34.68000
Turkish lira	TRY	1.71590	1.80673	1.91120	1.78314	1.86400
Czech koruna	CZK	27.53200	28.07936	28.32600	28.44006	27.48500
Swiss franc	CHF	1.66010	1.63709	1.58810	1.56646	1.60690

(\*) source: UIC (Italian Exchange Office)

## SEGMENT REPORTING

Segment information is provided by business segment and geographical area as required by IAS 14 "Segment reporting".

The primary reporting format consists of the "Household" and "Professional" business segments, while the secondary reporting format refers to geographical areas. This distinction is based on the nature of the risks and returns relating to the group's business and reflects its internal organizational structure and the management reporting system.

The notes on the income statement contain a breakdown of revenues by business segment and geographical area; the segment information (for the primary reporting format) relating to EBIT and the balance sheet can be found in note 14. *Segment reporting*.

Comments on the results by business segment and geographical area can be found in the report on operations.

**COMMENTS ON THE INCOME STATEMENT****1. REVENUES**

Revenues, comprising revenues from sales and services and other operating income and revenues, are broken down as follows:

**Revenues by business segment:**

	<b>30.09.2007</b>	<b>30.09.2006</b>	<b>Change</b>	<b>% change</b>
<i>Household</i>	737,662	719,510	18,152	2.5%
<i>Professional</i>	300,901	217,429	83,472	38.4%
Intersegment transactions	(20,983)	(18,149)	(2,834)	
<b>Total</b>	<b>1,017,580</b>	<b>918,790</b>	<b>98,790</b>	<b>10.8%</b>

**Revenues by geographical area:**

	<b>30.09.2007</b>	<b>30.09.2006</b>	<b>Change</b>	<b>% change</b>
Italy	233,990	220,954	13,036	5.9%
United Kingdom	102,625	100,451	2,174	2.2%
Rest of Europe	426,929	344,209	82,720	24.0%
United States, Canada and Mexico	94,863	95,207	(344)	(0.4%)
Rest of the world	159,173	157,969	1,204	0.8%
<b>Total</b>	<b>1,017,580</b>	<b>918,790</b>	<b>98,790</b>	<b>10.8%</b>

The related trends are discussed in the report on operations.

**2. RAW AND ANCILLARY MATERIALS, CONSUMABLES AND GOODS**

These are broken down as follows:

	<b>30.09.2007</b>	<b>30.09.2006</b>	<b>Change</b>
Raw materials	177,461	146,794	30,667
Parts	182,084	147,894	34,190
Finished products	253,034	225,596	27,438
Other purchases	9,983	9,731	252
<b>Total</b>	<b>622,562</b>	<b>530,015</b>	<b>92,547</b>

The figure for 2006 differs from the previously published one after reclassifying €2,464 thousand to "services and other operating expenses" for the purpose of consistent comparison with 2007.

### 3. SERVICES AND OTHER OPERATING EXPENSES

These are detailed as follows:

	30.09.2007	30.09.2006	Change
Transport (for purchases and sales)	55,234	51,881	3,353
Advertising	15,779	14,428	1,351
Promotional expenses	32,809	30,141	2,668
Subcontracted work	13,757	15,933	(2,176)
Commissions	20,070	16,671	3,399
Technical support	10,744	10,028	716
Travel	9,804	9,959	(155)
Insurance	3,470	3,104	366
Storage and warehousing	13,096	12,181	915
Consulting services	9,563	7,717	1,846
Power	7,159	7,164	(5)
Postage, telegraph and telephones	3,458	3,390	68
Maintenance	3,135	3,366	(231)
Other services	17,600	17,112	488
Rentals and leasing	15,551	16,723	(1,172)
<b>Total services</b>	<b>231,229</b>	<b>219,798</b>	<b>11,431</b>
Out-of-period losses	1,536	1,167	369
Sundry taxes	14,968	12,059	2,909
Bad debts	50	17	33
Other	3,068	4,196	(1,128)
<b>Total other operating expenses</b>	<b>19,622</b>	<b>17,439</b>	<b>2,183</b>
<b>Total services and other operating expenses</b>	<b>250,851</b>	<b>237,237</b>	<b>13,614</b>

"Rentals and leasing" at 30 September 2007 consist of premises rental (€11,982 thousand), operating lease payments (€661 thousand), royalties (€919 thousand) and equipment hire (€1,989 thousand).

The figure for 2006 differs from the previously published one after reclassifying €2,464 thousand from "raw and ancillary materials, consumables and goods" for the purpose of consistent comparison with 2007.

### 4. OTHER NON-RECURRING INCOME (EXPENSES)

These mainly consist of income (expenses) recognized in the period in relation to non-recurring events or prior periods.

The breakdown is as follows:

	30.09.2007	30.09.2006	Change
Non-recurring expenses relating to inventories destroyed (*)	(17,094)	-	(17,094)
Capital losses on property, plant and equipment	(18,723)	-	(18,723)
Other costs relating to the fire	(6,194)	-	(6,194)
Insurance reimbursements	36,497	-	36,497
<i>Total net non-recurring expenses relating to the fire</i>	<i>(5,514)</i>	<i>-</i>	<i>(5,514)</i>
Non-recurring income (Law 296 of 27.12.2006)	2,974	-	2,974
Other non-recurring income (expenses)	(5,139)	2,757	(7,896)
<b>Total non-recurring income (expenses)</b>	<b>(7,679)</b>	<b>2,757</b>	<b>(10,436)</b>

(\*) these expenses do not include samples, prototypes and uncoded consumables, which were already expensed to income for the period and which were physically present in inventories at the time of the fire.

The "Net non-recurring expenses relating to the fire" refer to the estimated costs of the fire at the factory in Treviso on 18 April 2007, net of related insurance receipts. The expenses relate to the losses arising on the destruction of property, plant and equipment (buildings and plant), the destruction of inventories and to the costs directly related to the fire. The "Insurance reimbursements" relate to the

reimbursement for damages, under the terms and conditions of current insurance policies. This amount, which includes €15,000 thousand in advances already paid against the claim by Assicurazioni Generali, is not final because it does not take account of the right to receive additional compensation on top of the book value of the assets destroyed or the entitlement to reimbursement for indirect expenses, which will be recognized when the claim is finally settled.

"Non-recurring income" of €2,974 thousand is the result of applying Law 296 of 27 December 2006 ("2007 Finance Act") and subsequent decrees and regulations on the treatment of severance indemnity.

"Other non-recurring income (expenses)" mostly refer to expenses outside the normal course of business, including costs for reorganizing the Group, for commencing the new without-recourse receivables factoring programme, and for moving the registered office and other offices of a group company.

## 5. AMORTIZATION AND DEPRECIATION

These charges comprise:

	30.09.2007	30.09.2006	Change
Amortization of intangible assets	8,492	8,663	(171)
Depreciation of property, plant and equipment	20,592	20,066	526
<b>Total amortization and depreciation</b>	<b>29,084</b>	<b>28,729</b>	<b>355</b>

## 6. FINANCIAL INCOME (EXPENSES)

Net financial income and expenses are broken down as follows:

	30.09.2007	30.09.2006	Change
Net capital gain on sale of Elba S.p.A.	-	26,430	(26,430)
Effect of deconsolidating Marka Finance	-	(1,501)	1,501
Other income from equity investments	3	12	(9)
<b>Financial income (expenses) from equity investments</b>	<b>3</b>	<b>24,941</b>	<b>(24,938)</b>
<b>Exchange gains (losses)</b>	<b>2,022</b>	<b>(1,310)</b>	<b>3,332</b>
<b>Charges for the new transaction of receivables sales on a non recourse basis</b>	<b>(1,278)</b>	<b>-</b>	<b>(1,278)</b>
Interest expense and other bank charges	(27,973)	(26,820)	(1,153)
Financial discounts	(6,854)	(6,501)	(353)
Other financial income (expenses)	(129)	(219)	90
<b>Other financial income (expenses)</b>	<b>(34,956)</b>	<b>(33,540)</b>	<b>(1,416)</b>
<b>Total financial income (expenses)</b>	<b>(34,209)</b>	<b>(9,909)</b>	<b>(24,300)</b>

"Interest expense and other bank charges" include not only bank interest on the group's financial debt but also the cost of factoring receivables without recourse and of leases, as well as adjustments arising under IAS to calculate the amortized cost of bank loans and borrowings and the forward component of currency hedging instruments.

**COMMENTS ON THE BALANCE SHEET****7. INTANGIBLE ASSETS**

These are detailed as follows:

	<b>30.09.2007</b>	<b>31.12.2006</b>	<b>Change</b>
Goodwill	227,649	223,679	3,970
Trademarks and similar rights	164,022	165,339	(1,317)
Other assets	26,442	25,140	1,302
<b>Total</b>	<b>418,113</b>	<b>414,158</b>	<b>3,955</b>

Goodwill is not amortized since it is considered to have an indefinite useful life. Instead, it is tested for impairment at least once a year to identify any evidence of loss in value.

The impairment test carried out at the end of 2006 did not reveal any significant evidence that goodwill might have suffered an impairment loss. No events of significance have occurred so far in 2007 such as might suggest that the carrying amounts of trademarks may have suffered an impairment loss.

"Trademarks and similar rights" include trademarks viewed as having an indefinite useful life under the criteria specified in IAS 38. The review of the De'Longhi and Climaveneta trademarks carried out upon IFRS transition supported the thesis that they have indefinite useful lives. This conclusion was based on their brand notoriety, their economic performance, the characteristics of their particular markets, the specific brand strategies and the level of investment in brand support.

The impairment test carried out at the end of 2006 on the basis of discount rates reflecting current market assessments of the time value of money and the risks specific to the individual cash generating units, did not reveal any significant evidence that these assets might have suffered an impairment loss. No events of significance have occurred so far in 2007 such as might suggest that the carrying amounts of trademarks may have suffered an impairment loss.

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

**8. PROPERTY, PLANT AND EQUIPMENT**

These are detailed as follows:

	<b>30.09.2007</b>	<b>31.12.2006</b>	<b>Change</b>
Land and buildings	136,246	147,496	(11,250)
Plant and machinery	66,426	66,026	400
Industrial and commercial equipment	24,456	26,440	(1,984)
Other	12,246	11,770	476
Work in progress and advances	4,524	3,451	1,073
<b>Total</b>	<b>243,898</b>	<b>255,183</b>	<b>(11,285)</b>

The additions to "Industrial and commercial equipment" mostly refer to the purchase of moulds for manufacturing new products.

## 9. INVENTORIES

This balance, shown net of the provision for obsolete and slow-moving goods, can be broken down as follows:

	30.09.2007	31.12.2006	Change
Raw, ancillary and consumable materials	77,392	69,211	8,181
Work in progress and semi-finished products	23,619	26,142	(2,523)
Finished products and goods	301,895	228,150	73,745
Advances	200	230	(30)
<b>Total</b>	<b>403,106</b>	<b>323,733</b>	<b>79,373</b>

The value of inventories is adjusted by a provision for obsolete or slow-moving goods totalling €26,668 thousand (€24,081 thousand at 31 December 2006), in relation to products and raw materials no longer deemed to be of strategic interest.

If inventories had been valued on a current cost basis the valuation would not have been significantly different.

The change in the balance since 31 December 2006 reflects the writedown of €17,094 thousand for the inventories destroyed in the fire on 18 April 2007. These inventories had been partially replaced as of 30 September 2007.

## 10. TRADE RECEIVABLES

These are made up as follows:

	30.09.2007	31.12.2006	Change
Trade receivables			
- due within 12 months	366,935	362,089	4,846
- due beyond 12 months	21	-	21
Provision for doubtful accounts	(17,487)	(14,075)	(3,412)
<b>Total</b>	<b>349,469</b>	<b>348,014</b>	<b>1,455</b>

A new without-recourse receivables factoring programme was agreed on 20 March 2007 and falls within the scope of Law 52/91 (known as the Factoring Law ). The purpose of these new arrangements was to replace those adopted since September 2002; the previous arrangements were such that the adoption of IAS/IFRS led to a steady reduction in the amount factored, making it necessary to redesign them in order to restore this benefit to above its original level (a maximum amount of €100 million) by reincluding without-recourse factoring carried out on a non-recurring basis. This increase in receivables qualifying for derecognition was achieved by also including the factoring of receivables from foreign customers and adopting a system of factoring receivables gross of any credit notes.

The operation was arranged by BNP Paribas and Finanziaria Internazionale (both of whom were the arrangers of the previous operation). In addition to the parent company De'Longhi S.p.A., the companies assigning their receivables are DL Radiators S.p.A and Ariete S.p.A..

The one-off costs of this operation, which include upfront arrangers fees and placement fees (for placing the mezzanine and junior notes, for the credit line and the legal costs for structuring the deal), amount to €1.5 million and have been expensed in full to the consolidated income statement at 30 June 2007.

The without-recourse factoring of receivables is carried out by the Italian branch of BNP Paribas, while the non-senior notes issued, split into three tranches (mezzanine A, mezzanine B and Junior notes) with an increasing degree of risk, have been subscribed by banks and/or institutional investors.

In accordance with the disclosure required by CONSOB Circular 3369 of 9 April 1997, we report that the total amount of receivables factored without recourse by the parent company and its subsidiaries (under Law 52/1991 known as the Factoring Law) in the period from January to the end of September 2007 was €193,954 thousand.

Trade receivables are stated net of a provision for doubtful accounts of €17,487 thousand, representing a reasonable estimate of the expected risk at the quarterly reporting date. Provisions are made against a number of disputed receivables or those whose collection is otherwise in doubt, taking account of the fact that a significant proportion of the receivables are covered by insurance policies with major insurers.

## 11. 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 €74.4 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 €67.6 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 workings of the international cash pooling system, the positive and negative cash balances have been netted against one another in the consolidated balance sheet, as allowed by IAS 32. 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.

## 12. NET FINANCIAL POSITION

Details of the net financial position are as follows:

	Balance 30.09.2007	Balance 31.12.2006	Change
A. Cash	180	1,034	(854)
B. Cash equivalents	98,761	111,918	(13,157)
C. Securities	44	19	25
<b>D. Total liquidity (A+B+C)</b>	<b>98,985</b>	<b>112,971</b>	<b>(13,986)</b>
<b>E 1. Current financial receivables</b>	<b>8,813</b>	<b>975</b>	<b>7,838</b>
<b>E 2. Non-current financial receivables and other securities (*)</b>	<b>3,006</b>	<b>3,074</b>	<b>(68)</b>
F. Current bank loans and borrowings	(272,146)	(103,545)	(168,601)
G. Current portion of non-current debt	(52,593)	(100,354)	47,761
H. Other current financial payables	(28,119)	(18,077)	(10,042)
<b>I. Current financial debt (F+G+H)</b>	<b>(352,858)</b>	<b>(221,976)</b>	<b>(130,882)</b>
<b>J. Net current financial debt (I +E 1 + E 2+D)</b>	<b>(242,054)</b>	<b>(104,956)</b>	<b>(137,098)</b>
K. Non-current bank loans and borrowings	(161,983)	(191,919)	29,936
L. Bonds	-	-	-
M. Other non-current payables	(15,625)	(17,729)	2,104
<b>N. Non-current financial debt (K+L+M)</b>	<b>(177,608)</b>	<b>(209,648)</b>	<b>32,040</b>
<b>Total</b>	<b>(419,662)</b>	<b>(314,604)</b>	<b>(105,058)</b>

(\*) This amount differs from that reported in the balance sheet because the balance sheet amount also includes non-financial receivables of €1,622 thousand at 30 September 2007 and €1,036 thousand at 31 December 2006.

For a better understanding of changes in the group's net financial position, please refer to the complete consolidated cash flow statement and the summary table in the report on operations.

### 13. TRANSACTIONS AND BALANCES WITH RELATED PARTIES

Appendix 1 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.

### 14. SEGMENT REPORTING

Segment information is presented below (using the primary reporting format):

#### *Income statement data*

	<b>30.09.2007</b>				<b>30.09.2006</b>			
	Professional	Household	Eliminations	Consolidated total	Professional	Household	Eliminations	Consolidated total
Total revenues	300,901	737,662	(20,983)	1,017,580	217,429	719,510	(18,148)	918,791
<b>EBITDA</b>	<b>34,536</b>	<b>62,964</b>	<b>(204)</b>	<b>97,296</b>	<b>23,120</b>	<b>54,250</b>	<b>46</b>	<b>77,417</b>
Amortization and depreciation	(5,559)	(23,525)	-	(29,084)	(4,128)	(24,601)	-	(28,729)
<b>EBIT</b>	<b>28,977</b>	<b>39,439</b>	<b>(204)</b>	<b>68,212</b>	<b>18,992</b>	<b>29,649</b>	<b>46</b>	<b>48,687</b>
Financial income (expenses)				(34,210)				(9,909)
<b>Profit before taxes</b>				<b>34,002</b>				<b>38,779</b>
Taxes				(13,688)				(6,498)
<b>Profit (loss) after taxes</b>				<b>20,314</b>				<b>32,281</b>
Profit (loss) pertaining to minority interests				374				(593)
<b>Profit (loss) for the period</b>				<b>19,940</b>				<b>31,687</b>

#### *Balance sheet data*

	<b>30.09.2007</b>				<b>31.12.2006</b>			
	Professional	Household	Eliminations	Consolidated total	Professional	Household	Eliminations	Consolidated total
<b>Total assets</b>	579,443	1,181,706	(121,080)	1,640,069	525,158	1,106,950	(85,030)	1,547,078
<b>Total liabilities</b>	(513,353)	(624,693)	121,075	(1,016,971)	(392,100)	(619,413)	85,041	(926,473)

## **15. SUBSEQUENT EVENTS**

Details of significant events since the end of September 2007 can be found in the report on operations.

Treviso, 13 November 2007

De'Longhi S.p.A.  
Vice Chairman and CEO  
Fabio De'Longhi

## APPENDICES

**This appendix contains additional information to that reported in the explanatory notes, of which it forms an integral part.**

This information is contained in the following appendix:

1. Transactions and balances with related parties:
  - a) *Summary by company*

## Transactions and balances with related parties

### Summary by company

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 the following information concerning transactions with related parties during the first nine months of 2007:

(€/million)	Revenues	Raw material and other costs	Trade and other receivables	Trade payables
<i>Associated companies: (1)</i>				
Top Clima SA (6 months)	7.6	(0.7)	-	-
<b>Total associated companies</b>	<b>7.6</b>	<b>(0.7)</b>	<b>-</b>	<b>-</b>
<i>Ultimate parent companies:</i>				
De'Longhi Soparfi S.A.	0.4	-	0.4	-
<b>Total ultimate parent companies</b>	<b>0.4</b>	<b>-</b>	<b>0.4</b>	<b>-</b>
<i>Related companies:</i>				
Omas S.r.l.	0.2	(0.4)	0.7	-
Max Information S.r.l. (2)	-	(0.6)	-	-
Mokarabia S.p.A.	0.1	(0.5)	-	(0.2)
<b>Total related companies</b>	<b>0.3</b>	<b>(1.5)</b>	<b>0.7</b>	<b>(0.2)</b>
<b>TOTAL RELATED PARTIES</b>	<b>8.3</b>	<b>(2.2)</b>	<b>1.1</b>	<b>(0.2)</b>

(1) These mostly refer to dealings of a commercial nature.

(2) These refer to receivables for the recharge of services rendered and for the sale of the equity investment in Omas S.r.l.

Other than the above, there are no transactions with related parties except for the fees for professional services paid to the firm of Bisozzi Nobili.