PRESS RELEASE

# De'Longhi S.p.A.

**The Board of Directors today has approved the consolidated results as of September 30th 2016.**

**The Group improves its profitability due to the selective actions on markets and product families and despite the unfavorable environment in several important geographies and a negative foreign exchange impact.**

**In the 9 months:**

- **Ebitda up to € 154.5 million, equal to 13.3% of revenues (from 12.3%);**
- **Lower revenues by -4.6% (-2% organic), notwithstanding growth in automatic and manual espresso coffee makers and the continued progress of Braun, especially in North America;**
- **Net income up by € 9.6 million (+15.4%);**
- **Positive net financial position at € 159.3 million, with € 95 million cash flow generation since September 2015.**

**Regarding the guidance for the current year, the target of an improvement of Ebitda in absolute terms is confirmed, while the Group expects approximately stable revenues in organic terms and, for 2017, a return to organic growth which, today, can be estimated in the mid single-digit range, in a context of expected neutral exchange rates.**

# Results summary

- **Revenues** contracted by -4,6% in the 9 months, to € 1,159.1 million, and by -8.7%, to € 387.2 million, in quarter three;
- In organic terms, revenues were down by -2.0% in the first 9 months and by -6.3% in the third quarter.

| | **9 months** (Jan 1st - Sept 30th) | | **Q3** (Jul 1st - Sept 30th) | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| | *(Eur million unless specified)* | | | |
| **revenues** | **1,159.1** | 1,214.8 | **387.2** | 424.3 |
| *chg %* | *-4.6%* | | *-8.7%* | |
| *chg% organic (LFL)* | *-2.0%* | | *-6.3%* | |

All operating margins, in percentage of revenues, improved both over the first 9 months of the year and over the third quarter; however, in absolute terms, in the third quarter, although up in percentage of sales, margins suffered due to the contraction in revenues;

- **Net Industrial margin** was € 571.7 million, up from 47.1% to 49.3% of revenues in the 9-month period; over the quarter, it was equal to € 189.9 million, from 47.8% to 49.0% of revenues;
- **Ebitda** amounted to € 154.5 million, improving from 12.3% to 13.3% of revenues in the 9 months; in the quarter it was worth € 50.6 million, up from 12.9% to 13.1% of revenues;

- Operating result (**Ebit**) was € 117.7 million, up from 9.2% to 10.2% of revenues over the 9 months; in the quarter, it was € 37.9 million, stable at 9.8% of revenues;

- **Net Income** pertaining to the Group was € 72.1 million, or 6.2% of turnover in the 9 months; net income for the quarter was € 22.6 million, 5.8% of revenues;

| | **9 months** (Jan 1st - Sept 30th) | | **Q3** (Jul 1st - Sept 30th) | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| | *(Eur million unless specified)* | | | |
| **net industrial margin** | **571.7** | 572.2 | **189.9** | 202.8 |
| *% of revenues* | *49.3%* | *47.1%* | *49.0%* | *47.8%* |
| **Ebitda before non recur. items** | **158.2** | 149.9 | **51.6** | 54.6 |
| *% of revenues* | *13.6%* | *12.3%* | *13.3%* | *12.9%* |
| **Ebitda** | **154.5** | 149.9 | **50.6** | 54.6 |
| *% of revenues* | *13.3%* | *12.3%* | *13.1%* | *12.9%* |
| **Ebit** | **117.7** | 111.8 | **37.9** | 41.4 |
| *% of revenues* | *10.2%* | *9.2%* | *9.8%* | *9.8%* |
| **Net Income** | **72.1** | 62.5 | **22.6** | 25.0 |
| *% of revenues* | *6.2%* | *5.1%* | *5.8%* | *5.9%* |

Regarding the balance sheet, the positive **net financial position** stood at € 159.3 million, improving by € 95 million over the past 12 months.

Positive net financial position with banks and other lenders improved by € 108 million in the 12 months, reaching € 197.8 million.

| | **as of 30.09.2016** | as of 31.12.2015 | as of 30.09.2015 |
|---|---|---|---|
| | *Eur million* | *Eur million* | *Eur million* |
| **net financial position** | **159.3** | 188.9 | 64.3 |
| *change in 9 months* | *-29.5* | | |
| *change in 12 months* | *95.0* | | |
| **bank net financial position** | **197.8** | 210.1 | 89.8 |

Net working capital was € 263.1 million, of which € 433.9 million in inventory, improving as a percentage of 12-month rolling revenues from 15.1% to 14.3%, in line with the positive trend in the previous quarters.

# Business review: the 9 months

overview

For the De'Longhi Group, the current year is confirmed as transitional, with quarterly volatility as well as careful planning in light of future growth.

Most of the volatility, especially for what concerns revenues, clearly visible in quarter three, stems from the unpredictable developments of social and economic situations in several strategic markets for the Group, in particular Russia, the UK and the Middle East area.

Such situations, however, are not such to question the favorable trends of espresso coffee makers (especially the automatic models) and Braun, which this year is returning into the US market.

Moreover, several actions to optimize the product portfolio and go-to-market structure, already planned at the beginning of the year and for which a negative volume impact was forecasted, had positive impacts on margins, which grew both in absolute terms and in percentage of sales over the first 9 months of the year.

markets

The revenues trend for the first 9 months of 2016 (-4.6%, -2% organic), was influenced by the severe contraction of the MEIA region (-25.8%), which was even stronger in quarter three (-31.4%), and by a slight contraction in the other regions, although with significant differences across markets.

Against this backdrop, the Group put in place several actions aimed at modifying the commercial strategies in several markets which, while leading to a negative impact on revenues, build more solid foundations for the future growth path; such actions include the non-repetition of certain extraordinary promotional activities of 2015 and a new go-to-market strategy in some markets (Turkey and the Nordics).

More in particular on Europe (revenues -2.1%), the South-Western region has recorded a contraction limited to -1.1%, with the good performance of Germany, Spain, Portugal and Italy which limited the impact of the contraction in Switzerland and Turkey, among others; North-East Europe (revenues -4.0%) was negatively affected by the continued weakness of Russia and the UK as well as the impact of the new distribution strategy in the Nordics, whereas Poland and the main markets in Eastern Europe were up at double-digit rates.

The persisted negative economic and geo-political environment has continued to determine a reduction in consumption in the MEIA region (Middle East-India-Africa), with revenues down by -25.8%, in particular in Saudi Arabia, the United Arab Emirates and Egypt, the latter being penalized by the ongoing currency restrictions.

In the APA area (Asia-Pacific-Americas), despite the slight contraction in revenues (-2.1%), the Group shows a positive performance in the United States, China, Japan and North Korea, all growing at high single-digit rates, which however did not fully counterbalance the negative impact from markets such as Brazil, Mexico and Canada.

products

Over the first 9 months of 2016, coffee markets are confirmed as the most dynamic product line, growing due to the performance of fully automatic and manual models, up strongly ("high single digit"). The contraction of the single-serve models continues, being affected by the downturn in the market and comparing with the exceptionally high volumes of 2015, when the Group launched the Lattissima Touch.

Cooking and food preparation products declined significantly, notwithstanding the strong growth of Braun products, hand blenders and spin juicers in particular. The contraction was particularly evident in Kenwood products, due the effect of the prolonged demand weakness in relevant markets (among which Russia, the Middle East and UK), which account for approximately 33% of the brand's turnover. With the aim to contrast such unfavorable market trend and the competitive pressure in certain product families, the Group has introduced two new models of power blenders and slow-juicers with the Kenwood brand, the contribution of which will be mostly recorded from next year.

Finally, the ironing segment showed a decline in revenues, mostly due to the transition process from the De'Longhi brand to Braun in most markets, whereas the positive trend in ironing systems, the most profitable category in the segment, continued.

operating margins

Product mix improvement and the positive contribution of price increases translated into a significant growth of margins over the first 9 months of 2016. In addition, product costs were also lower, due mostly to raw materials, industrial efficiencies and a reduction in other costs.

**Net industrial margin**, equal to € 571.7 million over the 9 months between January and September 2016, reached 49.3% of revenues, improving by 2.2 percentage points as against 2015.

**Ebitda** improved by 5.5% reaching € 158.2 million before non-recurring items, or 13.6% of revenues compared with 12.3% of 2015. Reported Ebitda was € 154.5 million, at 13.3% of revenues (12.3% in the previous year).

At constant exchange rates and excluding the impact of hedging, Ebitda before non-recurring items in the first 9 months of 2016 would have been € 157.4 million, with an impact of exchange rates and hedging negative by € -21.8 million compared with the first 9 months of 2015 (which benefited from positive hedging for a total € 22.6 million).

At € 117.7 million, **Ebit** marked an improvement of +5,3% against 2015 stood at 10.2% of revenues (+1 percentage point compared with 2015).

net financial charges

Net financial charges, € 20.4 million in the 9 months, were down by € 6.8 million as compared with the same period in 2015, due to a reduction in bank interests, factoring commissions and foreign exchange charges.

net income

Net income pertaining to the Group recorded a 15.4% improvement reaching €72.1 million ( €62.5 million in 2015).

net financial position

The net financial position is positive for € 159.3 million, due to a significant cash generation over the last 12 months, equal to € 95.0 million.

Net financial position with banks and other lenders is positive for € 197.8 million, improving by € 108.0 million against September 30, 2015.

Such cash flow generation performance is also due to the higher efficiency in the management of net working capital, at 14.3% of past 12-months revenues from 15.1% of the previous year, confirming the positive trend of the previous quarters.

# The Third Quarter

The revenues and profitability trends of the third quarter show the effectiveness of the Group strategy in facing the current difficult market environment with actions aimed at protecting margins and at improving its commercial effectiveness in the coming years.

Revenues in the quarter (-8.7%), if compared with the 9-month trend, reflect a concentration of factors which played a negative role: firstly the impact of exchange rates, the relevant negative seasonality of comfort products and the rationalization of product portfolio and go-to-market strategy in markets such as Turkey and the Nordics, excluding which the reduction in revenues would have been limited to approximately -3%.

Moreover, there was the steep contraction of important markets (such as the Middle East, Russia and the UK), together with weakness in single-serve Nespresso coffee makers and the decision to not repeat certain promotional activities put in place in 2015, especially in Italy.

Nevertheless, the positive trend in several markets (such as the United States, China and Germany), of coffee makers and Braun, as well as the mentioned efficiency actions, allowed the Group to limit the negative impact of lower volumes on profitability, have resulted in an improvement of operating margins as a percentage of sales (although not in absolute value) and have built a solid foundation for stronger future growth.

Ebitda for quarter three, equal to € 51.6 million before non-recurring items, improved by 0.4 percentage points on sales as compared with the third quarter of 2015.

# Additional information

As reported in the press release dated Sept. 03,2016, the Group, on Sept. 22, 2016, has signed a company lease contract with Procond Elettronica S.r.l., based in Longarone (BL), for a period of 36 months, which, additionally, provides for a possible future acquisition of Procond.
By way of this agreement, the Group gained operating control of a strategic supplier of electronic components, enabling the Group to achieve future benefits in terms of technological development and cost of components.
De' Longhi shall pay Procond a rental fee, including the rental of the factory building, equal to Euro 300,000 per year.

The Board of Directors has approved, according to art. 3 of the Consob resolution n. 18079 of Jan. 20, 2012, to adopt the opt-out regime provided for by articles 70, sub.8 and 71, sub. 1-bis of Regulation Consob n. 11971/99, taking the advantage of the available option of not publishing the documents required in case of significant transactions like mergers, demergers, share capital increases by way of contribution in kind, acquisitions and disposals.

# Events occurred after the end of the quarter

There are no significant events occurred after the end of the quarter

# Foreseeable business development and guidance

The strategy of the Group for the current year was aimed at protecting and improving profitability, potentially at the detriment of sales volumes, in a context of weakness in several markets and certain product segments (food preparation and single-serve coffee).

Yet, the Group has witnessed a prolonged, and at times worsening, market contraction in certain markets (mainly the Middle East) and the occurrence of other instances of market weakness (the UK, for example).
Such elements have more than counterbalanced the good performance of the other segments of coffee makers and the Braun products.
As a consequence, for 2016, the Group, while on the one hand confirms the expectations of an improvement in Ebitda in absolute value, on the other, regarding revenues, expects approximately stable organic revenes and, for 2017, a return to organic growth which can be estimated today in the mid single-digit area, in a context of expected neutral exchange rates.

# Regulatory statements

The manager responsible for the preparation of the company's accounts, Stefano Biella, hereby declares, as per article 154 bis, paragraph 2, of the "Testo Unico della Finanza", that all information related to the company's accounts contained in this press release are fairly representing the accounts and the books of the company.

The financial results as of September 30, 2016 are published, in continuity with the past, on a voluntary basis, as the mandatory requirement under article 154-ter of Consolidated Finance Law ("TUF") is no longer in force, and the current regulatory requirements in place will be applicable as of January 2, 2017.
This decision is not meant to be binding for the future and will be appropriately reassessed by the Company also in light of the principles and criteria mandated by the new article 82-ter of Consob regulation n. 11971/1999 as subsequently modified and integrated.

The Company highlights that the interim report, in compliance with art. 154-ter, comma 5 of T.U.F., is unaudited.

# Contacts

| | |
|---|---|
| analysts, investors and press | Investor Relations:<br>Fabrizio Micheli, T: +39 0422 413235<br>Fabio Ruffini, T: +39 0422 413764<br>e-mail: investor.relations@delonghigroup.com |
| on the web | http://www.delonghigroup.com/en/investor-relations |

# ANNEXES

## Consolidated results of De'Longhi SpA
## as of September 30, 2016

# 1. Consolidated income statement

| € million | 30.09.2016 (9 months) | % of revenues | 30.09.2015 (9 months) | % of revenues |
|---|---|---|---|---|
| **Net revenues** | **1,159.1** | **100.0%** | **1.214.8** | **100.0%** |
| *Change 2016/2015* | *(55.7)* | *(4.6%)* | | |
| Materials consumed and other production costs (services and production payroll costs) | (587.4) | (50.7%) | (642.6) | (52.9%) |
| **Net Industrial margin** | **571.7** | **49.3%** | **572.2** | **47.1%** |
| Cost for services and other operating costs | (288.2) | (24.9%) | (301.0) | (24.8%) |
| Labour cost (non industrial) | (125.3) | (10.8%) | (121.3) | (10.0%) |
| **EBITDA BEFORE NON RECURRING ITEMS** | **158.2** | **13.6%** | **149.9** | **12.3%** |
| *Change 2016/2015* | *8.3* | *5.5%* | | |
| Non recurring items | (3.7) | (0.3%) | - | - |
| **EBITDA** | **154.5** | **13.3%** | **149.9** | **12.3%** |
| Amortization | (36.8) | (3.2%) | (38.1) | (3.1%) |
| **EBIT** | **117.7** | **10.2%** | **111.8** | **9.2%** |
| *Change 2016/2015* | *5.9* | *5.3%* | | |
| Net financial charges | (20.4) | (1.8%) | (27.2) | (2.2%) |
| **Profit before taxes** | **97.3** | **8.4%** | **84.6** | **7.0%** |
| Taxes | (25.0) | (2.2%) | (21.9) | (1.8%) |
| **Profit / (Loss) of the period** | **72.4** | **6.2%** | **62.6** | **5.2%** |
| Profit (loss) pertaining to minority interests | 0.3 | - | 0.2 | - |
| **Profit (loss) pertaining to the Group** | **72.1** | **6.2%** | **62.5** | **5.1%** |

# 2. Revenues break down by geography

| € million | 30.09.2016 | % of revenues | 30.09.2015 | % of revenues | change | % change |
|---|---|---|---|---|---|---|
| North East Europe | 275.0 | 23.7% | 286.5 | 23.6% | (11.6) | (4.0%) |
| South West Europe | 502.5 | 43.3% | 507.9 | 41.8% | (5.4) | (1.1%) |
| **EUROPE** | **777.4** | **67.1%** | **794.4** | **65.4%** | **(17.0)** | **(2.1%)** |
| **MEIA (Middle East/India/Africa)** | **93.1** | **8.0%** | **125.5** | **10.3%** | **(32.4)** | **(25.8%)** |
| USA and Canada | 102.2 | 8.8% | 98.0 | 8.1% | 4.1 | 4.2% |
| Australia and New Zealand | 72.6 | 6.3% | 73.5 | 6.1% | (0.9) | (1.2%) |
| Japan | 30.7 | 2.6% | 28.4 | 2.3% | 2.3 | 8.0% |
| other countries of APA region | 83.1 | 7.2% | 94.9 | 7.8% | (11.8) | (12.5%) |
| **APA (Asia/Pacific/Americas)** | **288.6** | **24.9%** | **294.9** | **24.3%** | **(6.3)** | **(2.1%)** |
| **Total revenues** | **1,159.1** | **100.0%** | **1.214.8** | **100.0%** | **(55.7)** | **(4.6%)** |

# 3. Consolidated balance sheet

| € million | 30.09.2016 | 30.09.2015 | 31.12.2015 | Change 30.09.16 – 30.09.15 | Change 30.09.16 – 31.12.15 |
|---|---|---|---|---|---|
| - Intangible assets | 325.8 | 324.2 | 322.5 | 1.7 | 3.3 |
| - Tangible assets | 192.3 | 197.5 | 199.1 | (5.1) | (6.7) |
| - Financial assets | 7.9 | 8.4 | 8.4 | (0.6) | (0.5) |
| - Deferred tax assets | 48.3 | 52.9 | 39.8 | (4.6) | 8.5 |
| **Fixed assets** | **574.4** | **583.0** | **569.7** | **(8.6)** | **4.7** |
| - Inventories | 433.9 | 438.2 | 323.4 | (4.3) | 110.5 |
| - Trade receivables | 194.5 | 255.8 | 372.1 | (61.4) | (177.6) |
| - Trade payables | (305.9) | (360.8) | (383.3) | 54.8 | 77.4 |
| - Other net current assets / (liabilities) | (59.3) | (53.8) | (61.7) | (5.6) | 2.4 |
| **Net working capital** | **263.1** | **279.5** | **250.4** | **(16.4)** | **12.7** |
| **Non-current liabilities** | **(110.6)** | **(103.5)** | **(103.2)** | **(7.2)** | **(7.5)** |
| **Net capital employed** | **726.9** | **759.1** | **717.0** | **(32.2)** | **9.9** |
| **Net debt / (net cash)** | **(159.3)** | **(64.3)** | **(188.9)** | **(95.0)** | **29.5** |
| **Total shareholders' equity** | **886.2** | **823.4** | **905.9** | **62.8** | **(19.7)** |
| **Total net financial position and shareholders' equity** | **726.9** | **759.1** | **717.0** | **(32.2)** | **9.9** |

# 4. Detailed net financial position

| € million | 30.09.2016 | 30.09.2015 | 31.12.2015 | change 30.09.16 – 30.09.15 | change 30.09.16 – 31.12.15 |
|---|---|---|---|---|---|
| Cash and cash equivalents | 328.9 | 211.9 | 357.9 | 117.0 | (29.0) |
| Other financial receivables | 8.5 | 13.6 | 15.9 | (5.2) | (7.4) |
| Current financial debt | (65.2) | (51.4) | (71.5) | (13.8) | 6.3 |
| **Net current financial assets** | **272.1** | **174.2** | **302.3** | **98.0** | **(30.2)** |
| **Non-current financial debt** | **(112.8)** | **(109.8)** | **(113.5)** | **(3.0)** | **0.6** |
| **Total net financial position** | **159.3** | **64.3** | **188.9** | **95.0** | **(29.5)** |
| *of which:* | | | | | |
| *- positions with banks and other financial payables* | *197.8* | *89.8* | *210.1* | *108.0* | *(12.2)* |
| *-- financial assets/(liabilities) other than bank debt (residual payable to P&G related to the Braun acquisition, fair value of derivatives and options, financial payable connected to the pension fund transaction)* | *(38.5)* | *(25.5)* | *(21.2)* | *(13.0)* | *(17.3)* |

# 5. Consolidated cash flow statement

| € million | 30.09.2016 (9 months) | 30.09.2015 (9 months) | 31.12.2015 (12 months) |
|---|---|---|---|
| Cash flow from operations | 137.9 | 114.1 | 243.3 |
| Cash flow from changes in working capital | (37.2) | (62.3) | (51.5) |
| Cash flow from investments | (35.9) | (38.7) | (53.3) |
| **Operating cash flow** | **64.7** | **13.1** | **138.6** |
| | | | |
| Dividends | (65.8) | (61.3) | (61.3) |
| Change in Fair value and Cash flow hedge reserves | (12.9) | (2.3) | (7.7) |
| Cash flow from other changes in the the net equity | (15.6) | 25.8 | 30.3 |
| **Cash flow from changes in the net equity** | **(94.3)** | **(37.8)** | **(38.7)** |
| | | | |
| **Net cash flow** | **(29.5)** | **(24.7)** | **99.9** |
| Opening net financial position | 188.9 | 89.0 | 89.0 |
| **Closing net financial position** | **159.3** | **64.3** | **188.9** |