The Group H1 2012 results

Investor Relations
September 2012

The Group H1 2012 results

Disclaimer

For the purpose of providing greater details, in some cases we may refer to management accounts' figures (instead of reported figures), as expressly indicated in the footnotes of the relevant pages.

2011 data indicated as "pro-forma" were restated to take into account the effects of the de-merger of the Professional Division

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The H1 2012 results overview

- A positive performance in terms of **sales growth (+9.4%)** in the first half 2012, thanks to:
  - **double digit growth in coffee makers and kitchen machines**
  - **emerging markets growth unabated;** main reference markets, with the exception of Mediterranean countries, still in a positive trend
- **Improved EBITDA and EBIT** before non-recurring items both in absolute value and as a percentage of sales
  - EBITDA and EBIT improved in absolute value even after non-recurring items (negative Eur 7.9 million, mainly related to the Braun deal), though slightly declining slightly as a % of sales
- **Improved net cash position** of Eur 75.2 million over the 12 months (up by Eur 17.4 million) despite higher working capital, significant investments (Romania, China) and Eur 49.3 million dividends paid in the period

The Group H1 2012 results

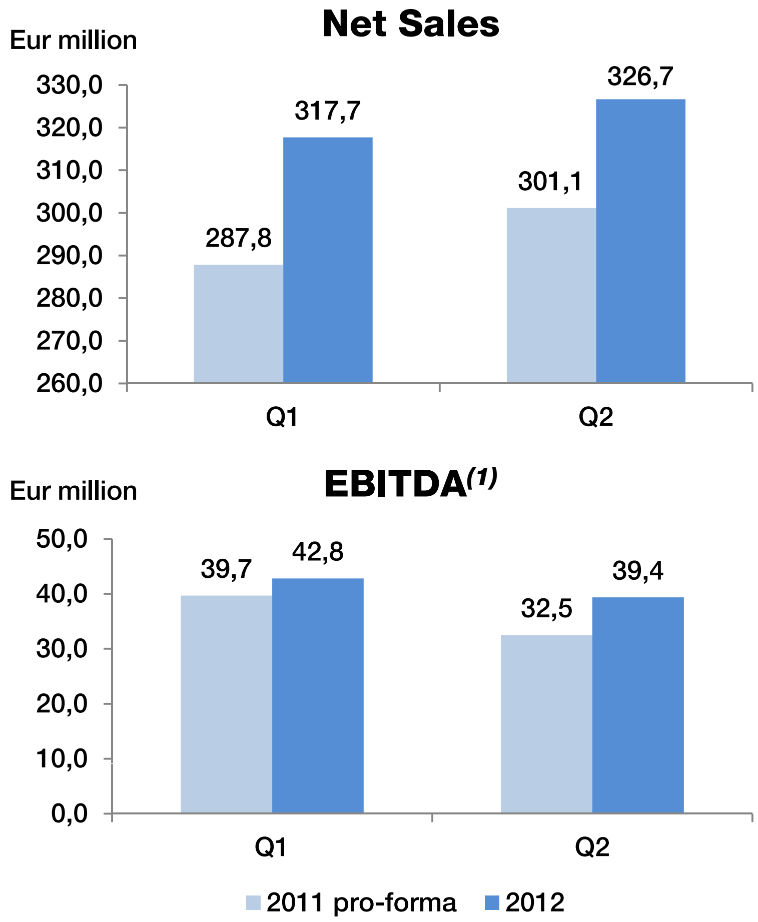
The H1 2012 results: sales and net industrial margin

EUR million	H1 2012	H1 2011 pro-forma	Change H1 2012 - H1 2011	
Sales	644,4	589,0	55,4	*9,4%*
Net Ind. Margin	305,3	277,3	28,1	*10,1%*
% of sales	*47,4%*	*47,1%*	*+31bp*	

- Sales were up by 9.4% in H1 2012; the net industrial margin increased to 47.4% from 47.1% thanks to improved volumes and mix (mainly due to a strong performance in high-end coffee makers and kitchen products) which more than offset the increasing cost pressures
- The growth trend in the emerging markets and the positive performance in the majority of the reference markets compensated for the slowdown of the Mediterranean countries

The Group H1 2012 results

The H1 2012 results: performance by quarter



- On a quarterly basis there has been a constant improvement in Q1 and Q2
  - Sales were up +10.4% in Q1 and +8.5% in Q2
  - EBITDA margin (pre non-recurring items), after a slight dilution in Q1 (from 13.8% to 13.5%), improved from 10.8% to 12.0% in Q2 2012

(1) EBITDA before non-recurring items

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The H1 2012 results: EBITDA and EBIT "*adjusted*"

EUR million	H1 2012	H1 2011 pro-forma	*Change H1 2012 - H1 2011*	
EBITDA before non recurring items	82,2	72,2	10,0	*13,8%*
% of sales	*12,8%*	*12,3%*	+50bp	
EBIT before non recurring items	66,1	58,0	8,0	*13,9%*
% of sales	*10,3%*	*9,9%*	+40bp	

- The Group improved "*adjusted*" margins (i.e. margins before non-recurring items) thanks to the operating leverage, a better product mix and an efficient hedging policy, offsetting the pressure on COGS due to inflation in raw material prices and a stronger USD

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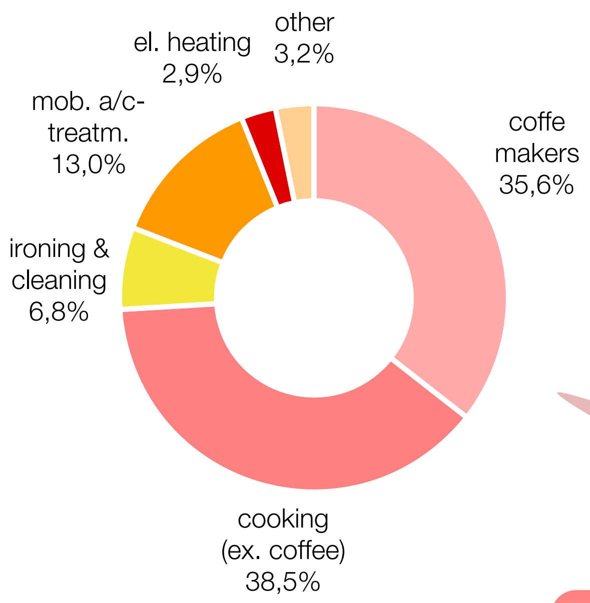
The H1 2012 results: EBITDA, EBIT and Net Profit

EUR million	H1 2012	H1 2011 pro-forma	Change H1 2012 - H1 2011	
EBITDA	**74,2**	**70,7**	**3,6**	*5,0%*
% of sales	*11,5%*	*12,0%*	***-48bp***	
EBIT	**58,2**	**56,5**	**1,6**	*2,9%*
% of sales	*9,0%*	*9,6%*	***-57bp***	
Net Profit pertaining to the Group	**32,3**	**30,3**	**2,0**	*6,5%*
% of sales	*5,0%*	*5,2%*	***-14bp***	

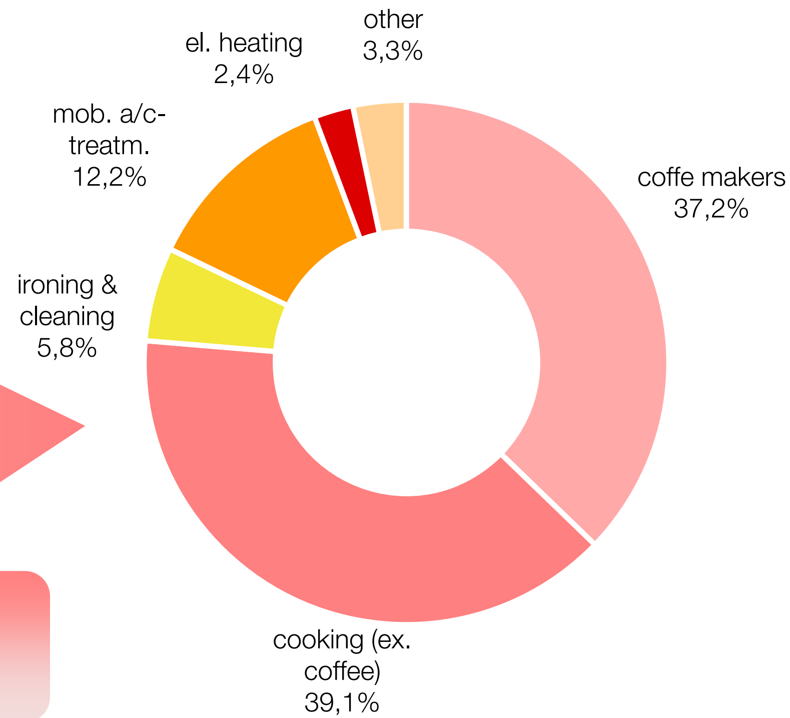
- EBITDA and EBIT increased even after non-recurring items (negative Eur 7.9 million, mainly due to the Braun deal), although as a % of sales there was a slight dilution (about 50bps)
- Net profit improved by Eur 2 million versus H1 2011, broadly flat in terms of sales

The H1 2012 results: sales' breakdown by product(1)

H1 2011 sales breakdown by product



H1 2012 sales breakdown by product



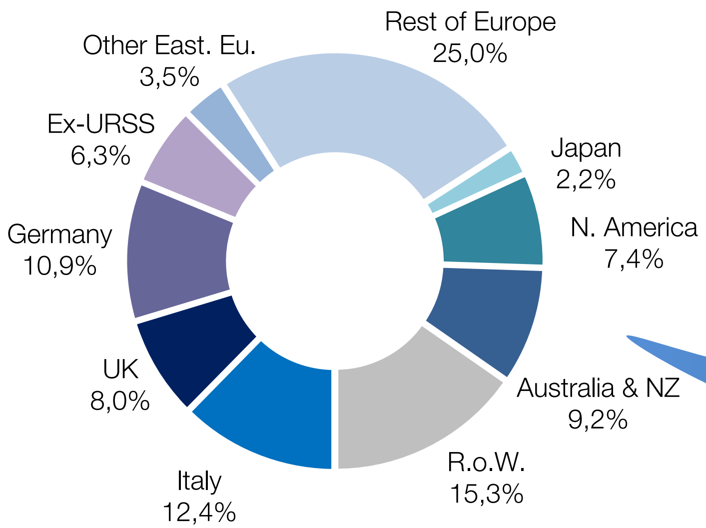
- Increased contribution to sales from **core drivers**, from **74.1% to 76.3%**

(1) Figures based on management accounts

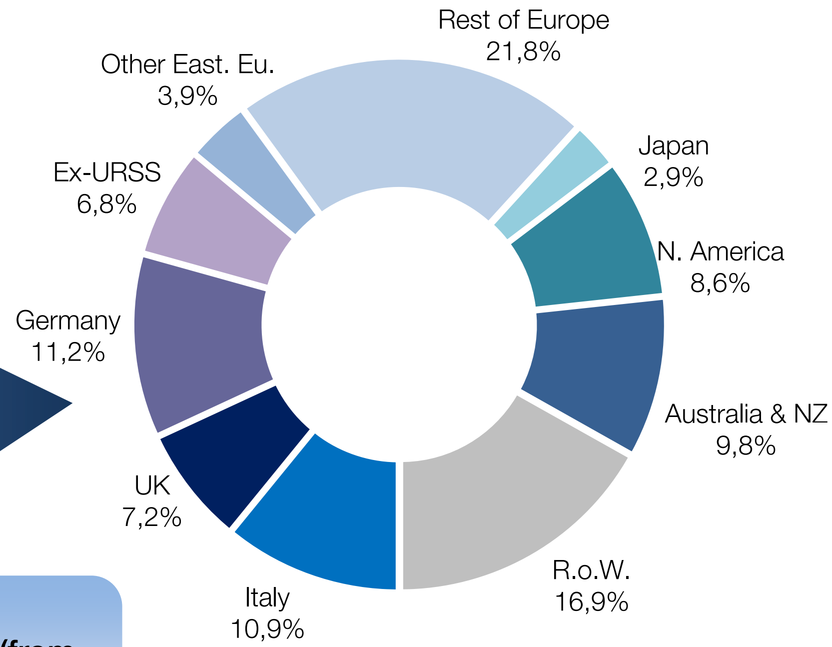
The Group H1 2012 results

The H1 2012 results: sales' breakdown by market[(1)]

H1 2011 sales breakdown by market



H1 2012 sales breakdown by market



- Increasing foreign countries, specifically **emerging markets** (from 32% to **35%**)
- **Australia & NZ became 3rd market**

(1) Figures based on management accounts

The Group H1 2012 results

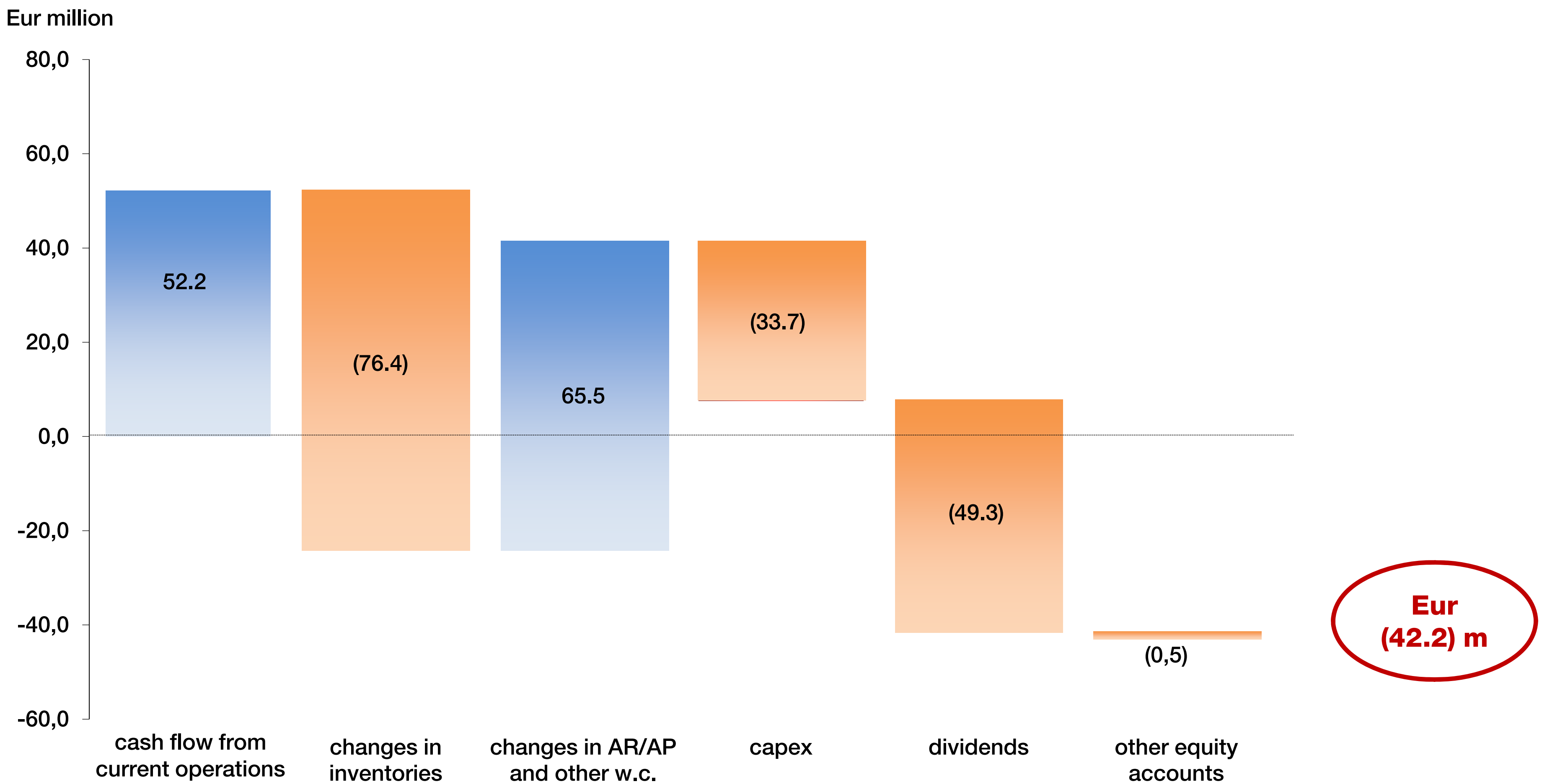
The H1 2012 results: the debt position

EUR million	H1 2012	H1 2011 pro-forma	*Change H1 2012 - H1 2011*
Net Working Capital	233,1	172,8	60,3
Net Equity	575,4	477,4	98,0
Net Financial Position (before capital contribution to Professional division)		207,8	
Net Financial Position	75,2	57,8	17,4
Net Debt / Equity (x) [*Gearing*]	-0,13	-0,12	
N.W.C. / LTM Revenues	15,7%	12,6%	*+310bp*

- Eur 17.4m positive cash flow in the 12 months (excluding the Eur 150m capital contribution to the Professional division)
- 310bps increase in working capital to sales ratio is due to the support to the growth and to a few sub-optimal situations (US, Australia and Brazil)
- A very strong balance sheet overall, with an improved net cash position despite significant investments (Romania and China) and dividend payments (Eur 49.3 million)

The Group H1 2012 results

The H1 2012 results: the 6m cash flow performance



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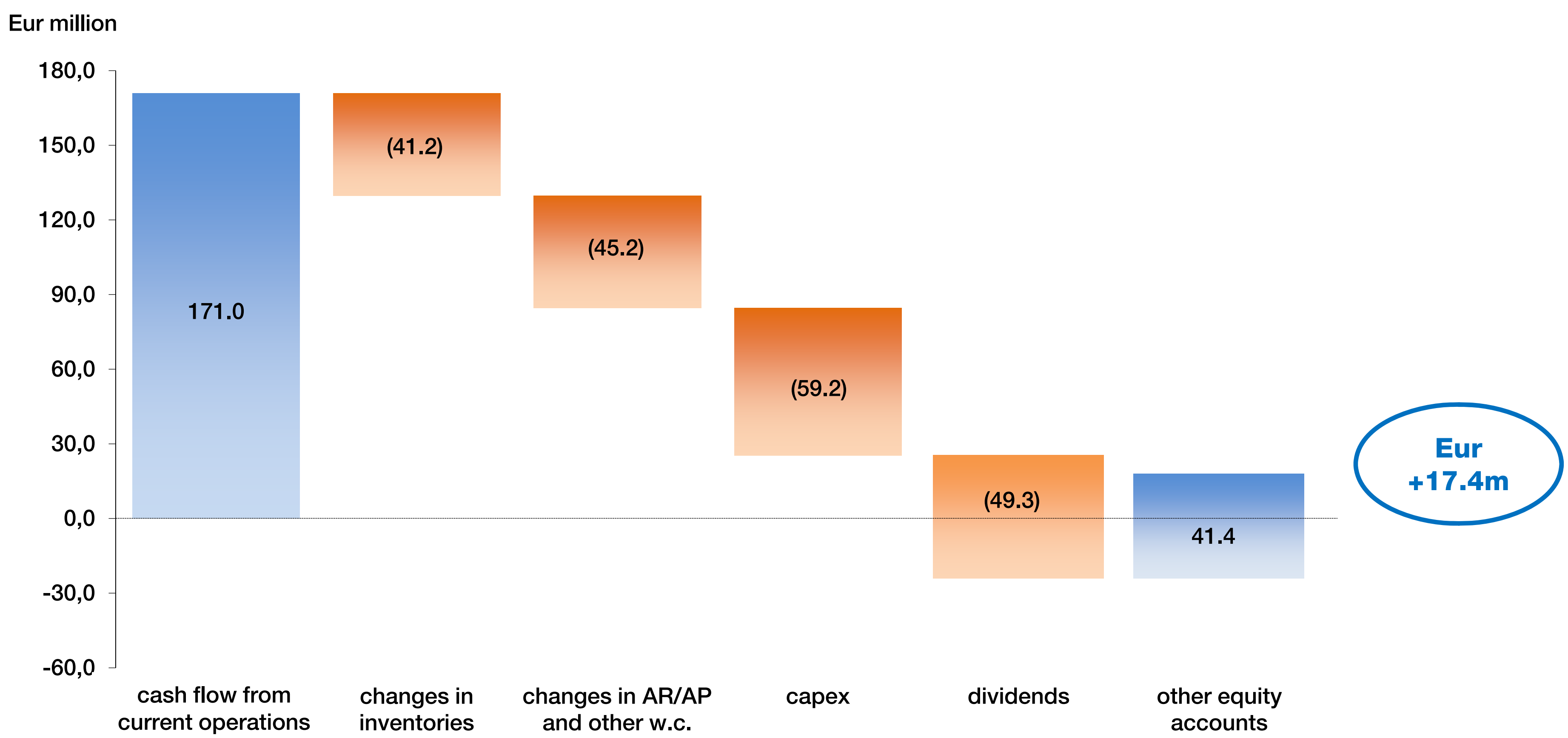
The H1 2012 results: the 12m CF performance



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- The H1 2012 results
- **Latest developments**

The Group H1 2012 results

Latest developments: closing of the Braun deal

- On August 31st 2012 (effective September 1st 2012), De'Longhi finalized a perpetual licensing agreement for the Braun brand with P&G for small kitchen appliances, ironing systems and selected household appliances
- The acquired business generated in the last fiscal period (2011/2012) EUR 191m sales and a net contribution (a proxy for Ebitda before labor and other administrative costs) of Euro 28 million
- The total consideration for the deal is divided into:
  - **Eur 50m paid at closing**
  - **Eur 90m deferred in equal installments over 15 years, interest bearing**
  - **A potential consideration (earnout) from 0 to Eur 122m** linked to the 5yr sales growth performance of the acquired business (with a first payment after 3 years and a balance at the fifth year)
- A transitional period will begin after closing
  - After the end of the transitional period De' Longhi will fully consolidate the new business and will also separately purchase the Braun inventory from P&G

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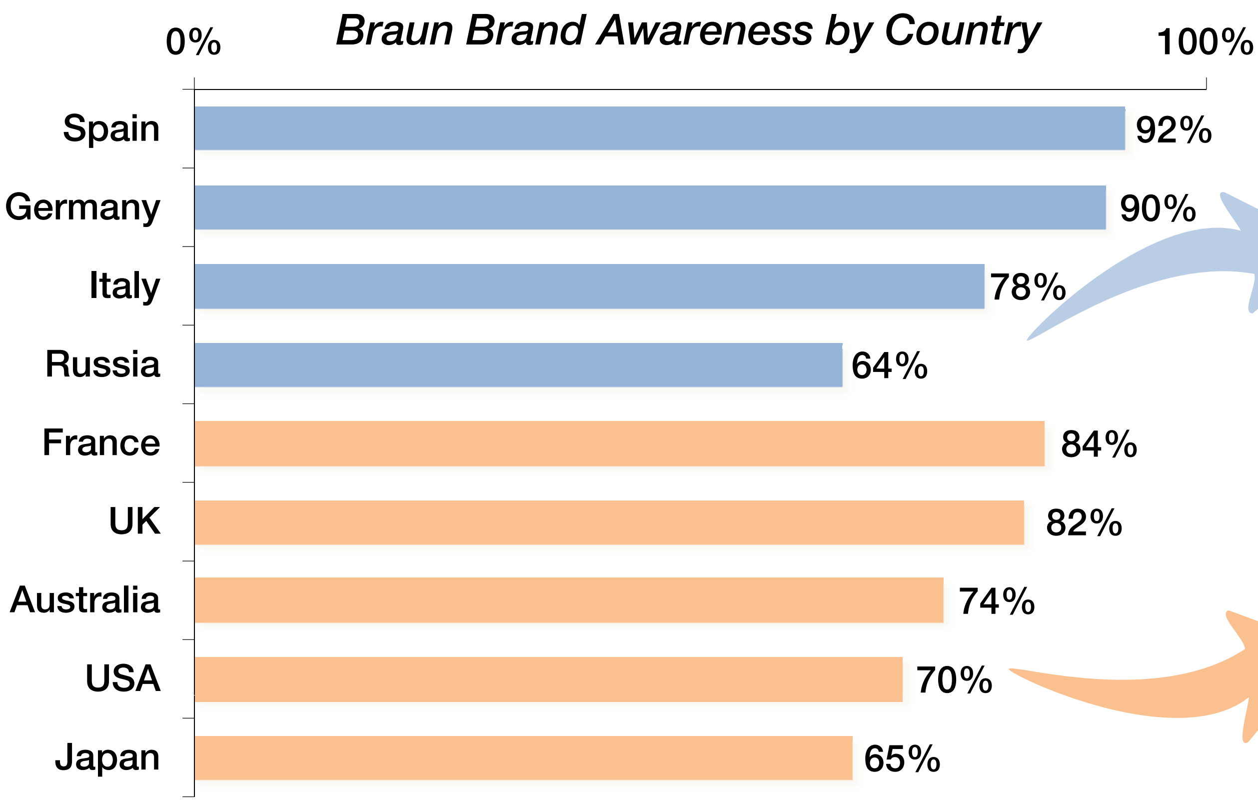
Latest developments: closing of the Braun deal

One of the most popular brands globally



Brand awareness at the highest levels not only in the reference markets (only Philips has similar results)…

…but also in countries where sales are zero or very low, providing **clear growth opportunities**

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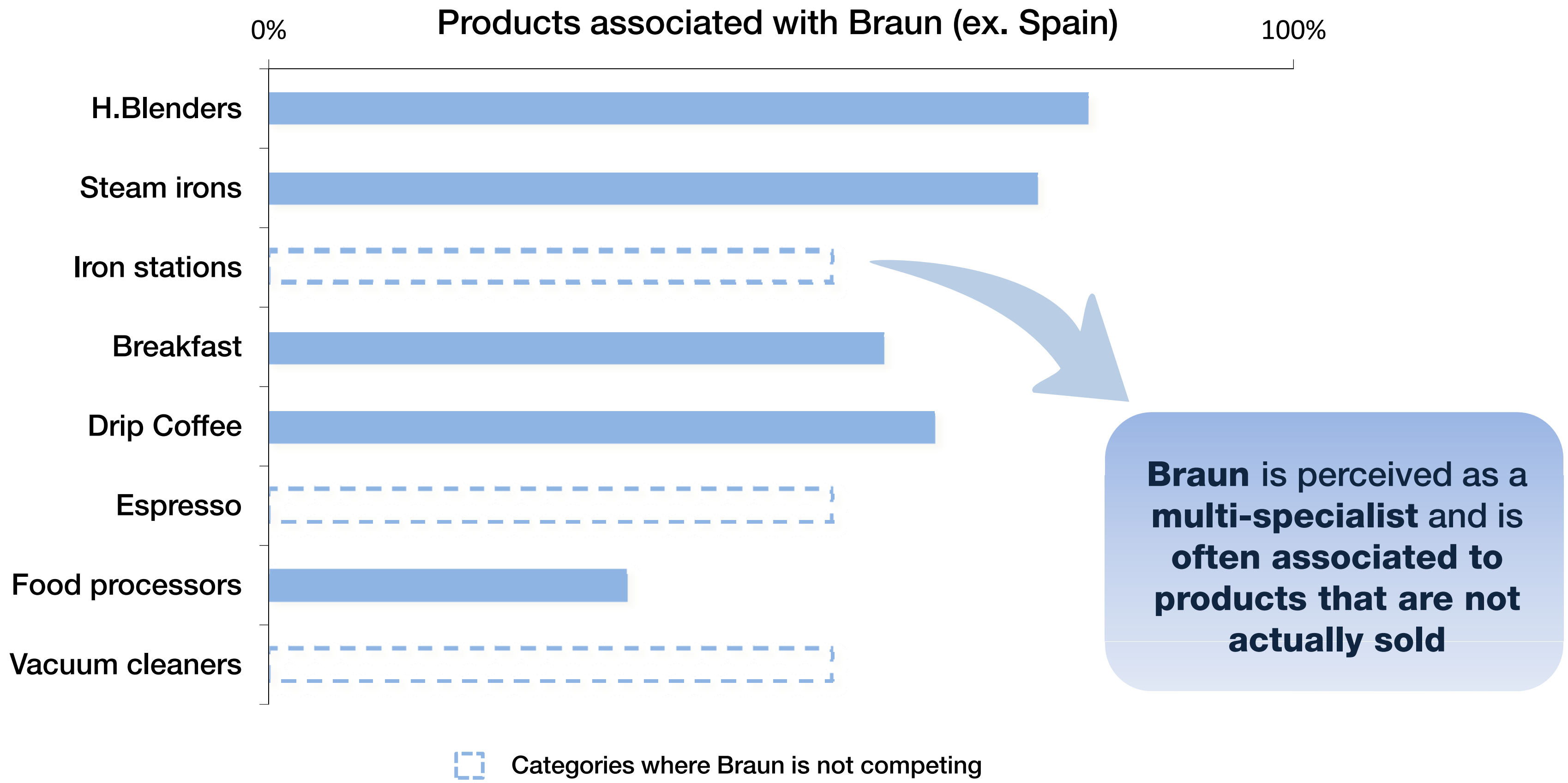
Latest developments: closing of the Braun deal

A clear opportunity to extend the offer beyond current products



DēLonghi

The Group H1 2012 results

Latest developments: the production facilities

The existing production platform…

Mignagola (Italy)

On Shiu
(Zhongshan – China)

TCL-DL JV
(Zhongshan – China)

Zass-Alabuga (Russia)

…is enhanced with new, state-of-the-art plants

New Tricom (Dongguan – China)

Cluji (Romania)

Dillberg (Germany)

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Latest developments: funding the new investments

- In order to finance the new investments and the Braun acquisition, the Group has put in place a financing package, including:
  - 2 unsecured bank loans, with a final maturity of 5 years, for a total amount of Eur 80 million
  - the issuance (to be finalized within September 2012) of long-term notes to be placed to a limited number of US investors (*US private placement*) for a maximum principal amount equivalent to Eur 70 million
  - the package is providing the Company with long-term funds at favorable conditions and is marking the entrance of the De'Longhi Group into the USPP market

thank you

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