

PRESS RELEASE

De'Longhi S.p.A.

Results for the first half of 2019: revenues and ebitda recovering in the second quarter.

Today, the Board of Directors of De' Longhi SpA has approved the consolidated results of the first half-year 2019¹.

In the second quarter, the Group achieved:

- Revenues up 3.8% to € 469.1 million (+ 2.1% at organic ² level);
- adjusted ³ EBITDA at € 61.3 million (€ 56.4 million on a normalized ¹ basis, slightly up on 2018);
- an operating result (Ebit) of € 41.4 million (€ 41.1 million in normalized¹ values, equal to 8.8% of revenues, up 6.5%);
- a net profit of € 31.4 million (€ 31.6 million in normalized¹ values, +7.1% on 2018).

In the first half-year, the Group achieved:

- revenues of € 845.5 million (-1.1% on 2018);
- adjusted³ Ebitda of € 97.8 million (€ 88.2 in normalized¹ terms);
- an operating result (Ebit) of € 58 million (€ 57.5 million in normalized¹ terms);
- a net profit of € 42.8 million (€ 43.3 million in normalized¹ terms).

The net financial position at June 30, 2019 amounted to € 105.5 million, (including a negative effect of applying IFRS16¹ equal to € 77.7 million). On a normalized¹ basis, the NFP was € 183.1 million, improving by € 27.2 million in the 12 months.

The guidance for the full year is confirmed: revenues' organic growth between 2% and 4% and an adjusted Ebitda (normalized) slightly down compared from the previous year in absolute value and in normalized terms.

¹ The figures of the first quarter 2019 include the effects of the adoption of IFRS 16 accounting standard. For comparative purposes, in some cases the figures are "*normalized*", i.e. presented on a comparable basis with those of the previous year, hence excluding the aforementioned effects deriving from the IFRS 16 adoption.

² "*Organic*" stands for at constant exchange rates and excluding the impact of derivatives.

³ "*Adjusted*" stands for before non recurring items and imputed costs of the stock options plan.

Results summary and business review

	1st Half 2019	1st Half (Jan. 1st - June 30)		1st quarter (April 1st - June 30)	
		2019 "normalized"	2018	2019 "normalized"	2018
<i>(Eur million unless specified)</i>					
Revenues	845.5	845.5	854.7	469.1	452.1
change %	-1.1%	-1.1%		3.8%	
organic ch. %	-2.5%	-2.5%		2.1%	
net ind. margin	399.5	399.5	407.1	217.7	209.0
% of revenues	47.2%	47.3%	47.6%	46.4%	46.2%
adjusted Ebitda	97.8	88.2	109.1	56.4	55.7
% of revenues	11.6%	10.4%	12.8%	12.0%	12.3%
Ebitda	95.5	85.8	105.0	55.4	52.6
% of revenues	11.3%	10.1%	12.3%	11.8%	11.6%
Ebit	58.0	57.5	77.9	41.1	38.6
% of revenues	6.9%	6.8%	9.1%	8.8%	8.5%
Net Income	42.8	43.3	55.9	31.6	29.5
% of revenues	5.1%	5.1%	6.5%	6.7%	6.5%

general outlook

The first half of the year was characterized by a modest reduction in revenues, mainly due to some transitory effects that specifically affected the capsule systems and air conditioning segments, especially in the first quarter. These discontinuities, together with the weakness of the cooking and food preparation segment, conditioned the results of the half-year, which was supported however by a favorable second quarter, marking a reversal of the trend with a recovery of both growth and margin generation.

Looking at the general picture of the consumer goods markets, a climate of greater competitiveness persists, characterized by more aggressive commercial practices, especially for non-premium price ranges and for the kitchen segment.

On the contrary, in terms of coffee machines, the trend for espresso full-auto machines and manual machines proved to be still very strong in the second quarter, with double-digit growth.

In general, price pressure has eased over the quarter, but this will not interfere with the Group's strategy to maintain a sustained level of advertisement and communication investments.

revenues

In the first half of the year, Group revenues fell by 1.1% (-2.5% organic), reaching € 845.5 million, but supported by a second quarter up 3.8% to € 469.1 million.

markets

In general, the performance of the markets during the first half-year was understandably conditioned by the weakness of the first quarter, with growth only in the north-eastern Europe, while the other areas remained

in negative territory, being impacted, to varying degrees, by the discontinuities of the first months of the year.

On the contrary, the second quarter marked a clear recovery in Europe and North America, a slight improvement in the MEIA area and a decline in some Asian markets (including China) affected by discontinuities in the capsule segment.

<i>EUR million</i>	1st Half 2019	<i>chg. %</i>	<i>organic chg. %</i>	2nd Quarter 2019	<i>chg. %</i>	<i>organic chg. %</i>
North East Europe	226.0	10.7%	10.2%	118.6	16.8%	15.1%
South West Europe	334.2	-3.7%	-3.9%	179.4	-1.6%	-1.8%
EUROPE	560.2	1.6%	1.3%	298.0	5.0%	4.3%
APA (Asia/Pacific/Americas)	224.3	-5.9%	-9.3%	137.3	2.0%	-1.0%
MEIA (MiddleEast/India/Africa)	61.0	-6.0%	-10.3%	33.8	0.7%	-3.6%
TOTAL REVENUES	845.5	-1.1%	-2.5%	469.1	3.8%	2.1%

Going into greater detail in the second quarter:

- the **South-West Europe** region posted a slight decrease in revenues - despite the good performance of Germany, France and Italy - as a result of the effects of discontinuities in the capsule systems segment which weighed on Switzerland and Austria;
- the expansion of markets in the **North-East Europe** region continued in a sustained manner, with double-digit growth and accelerating vs. the first quarter. It's worthwhile mentioning the positive performance of Russia, Ukraine and CIS countries, Poland and the UK. In the quarter, both coffee and comfort products grew significantly, confirming a greater penetration of the De'Longhi brand in this rapidly expanding area;
- in the **APA (Asia-Pacific-Americas)** region, United States and Canada were the Group's first market, returning to double-digit growth after having exhausted the negative effects of the discontinuities of the first quarter. In contrast, greater China was down, suffering from the contraction in sales flows of Nestlé capsule machines;
- finally, the **MEIA (Middle East India Africa)** region was substantially in line with the previous year (but in a moderate decline in organic terms), with Turkey and UAE contracting, but with Saudi Arabia in positive territory.

products

In general, also with regard to the product categories, the six months showed a more difficult start of the year followed by a second quarter in

recovery in all categories, except for the capsule coffee machines and cooking and food preparation segment.

Trend was positive for the **espresso coffee makers** segment, which, excluding the discontinuities in the capsule systems category, showed a positive expansion, accelerating in the second quarter (in which they grew double digit).

The **cooking and food preparation** segment was still declining, both in the quarter and in the six months, in a fairly generalized way across almost all product categories.

The **home care** segment, both in the ironing and floor-care families, was up double digit both in the semester and in the second quarter.

Finally, in the **climatization** segment, the double-digit growth recorded in the second quarter (driven by the portable air conditioners) led the half-year performance to be in line with the previous year, after the marked decline in the first quarter.

operating margins

The **net industrial margin** stood at € 399.5 million in the half-year, a slight decrease compared to last year as a percentage of revenues (from 47.6% to 47.2%); however, in the second quarter, the margin, equal to € 217.7 million, improved slightly, going from 46.2% of revenues to 46.4%.

The normalized **adjusted EBITDA** for the half-year amounted to € 88.2 million (€ 97.8 million post-IFRS 16), down to 10.4% of revenues (from 12.8%). In the second quarter, however, there was a recovery of this margin, equal to € 56.4 million, which was down only 30 basis points vs. last year (from 12.3% to 12%), thus reducing the gap from the 490 basis points of the first quarter.

The factors weighing on the margin, in the quarter, were the increase in organizational, R&D and promotional costs, a negative exchange rates and hedging effect, as well as a limited impact of the increase in duties on comfort products produced in China and sold in North America, while the contribution of the product mix was positive.

The normalized **Ebitda** decreased to € 85.8 million (€ 95.5 million post-IFRS 16) equal to 10.1% of revenues. In the quarter, the normalized value of this margin was € 55.4 million (up from € 52.6 million) with a slight increase on revenues from 11.6% to 11.8%.

Normalized **Ebit** in the first half amounted to € 57.5 million (€ 58 million post-IFRS 16): normalized Ebit in the second quarter was € 41.1 million, improving on revenues from 8.5% to 8.8%.

financial charges

The normalized **net financial charges** for the six months amounted to € 7.2 million (€ 8.2 million after IFRS 16), down by € 1.8 million on 2018.

net profit The normalized **net profit** was € 43.3 million (€ 42.8 million post-IFRS 16), down by € 12.6 million on 2018, while in the quarter an increase of € 2.1 million to € 31.6 million was achieved.

net financial position

	at 30.06.2019	at 30.06.2019 "normalized"	at 31.12.2018	at 30.06.2018
	EUR million	EUR million	EUR million	EUR million
Net financial position	105.5	183.1	228.1	155.9
<i>change in the 6 months</i>	-122.7	-45.0		
<i>change in the 12 months</i>	-50.5	27.2		
Bank net financial position	188.3	188.3	229.0	157.0
<i>change in the 6 months</i>	-40.7	-40.7		
<i>change in the 12 months</i>	31.4	31.4		

In the balance sheet, the *normalized net financial position* stood at € 183.1 million, improving by € 27.2 million in the 12 months, but down by € 45 million in the first half year, after investments of € 29.2 million and dividends for € 55.3 million.

The application, starting from January 1st, of IFRS 16 had the effect of reducing the financial position by € 77.7 million in the half year, bringing it to the value of € 105.5 million at June 30.

the working capital

With regard to **net working capital**, the normalized value at June 30 was equal to € 344.2 million, up € 79.3 million compared to the same date in 2018. The change is attributable to modest increases in trade receivables and in the warehouse and to a more marked reduction in trade payables.

As a ratio to 12 months rolling revenues, working capital amounted to 16.6%.

Finally, the impact of the application of IFRS 16 on working capital was negligible.

Other resolutions of the Board of Directors

In continuity with the publication of the Non-Financial Statement, the Board of Directors, in today's meeting, also approved the second Group Sustainability Report, relating to the 2018 financial year. The publication of this document will take place concurrently with the release of the Half Year Financial Report at June 30, 2019.

Foreseeable business development and *guidance*

On the basis of the trend recorded in the second quarter, the company reiterates the guidance for the year previously released of an organic revenues' growth between 2% and 4% and an slightly below last year, in absolute terms and on a normalized basis.

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.

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ANNEXES

Consolidated results of De' Longhi S.p.A.
as of June 30, 2019

1. Consolidated Income Statement

Euro million	First Half 2019	% of revenues	First Half 2019 normalized	% of revenues	First Half 2018	% of revenues
Net Revenues	845.5	100.0%	845.5	100.0%	854.7	100.0%
<i>Change</i>	<i>(9.2)</i>	<i>(1.1%)</i>	<i>(9.2)</i>	<i>(1.1%)</i>		
Materials consumed and other production costs (services and production payroll costs)	(446.0)	(52.8%)	(446.0)	(52.8%)	(447.6)	(52.4%)
Net industrial margin	399.5	47.2%	399.5	47.2%	407.1	47.6%
Costs for services and other operating costs	(210.1)	(24.8%)	(219.7)	(26.0%)	(209.9)	(24.6%)
Labour cost (non industrial)	(91.6)	(10.8%)	(91.6)	(10.8%)	(88.1)	(10.3%)
Ebitda before non recurring items and stock option plan (adjusted Ebitda)	97.8	11.6%	88.2	10.4%	109.1	12.8%
<i>Change</i>	<i>(11.3)</i>	<i>(10.4%)</i>	<i>(20.9)</i>	<i>(19.2%)</i>		
Other non recurring items / stock option plan	(2.3)	(0.3%)	(2.3)	(0.3%)	(4.1)	(0.5%)
EBITDA	95.5	11.3%	85.8	10.1%	105.0	12.3%
Amortization	(37.5)	(4.4%)	(28.3)	(3.3%)	(27.1)	(3.2%)
EBIT	58.0	6.9%	57.5	6.8%	77.9	9.1%
<i>Change</i>	<i>(19.9)</i>	<i>(25.6%)</i>	<i>(20.4)</i>	<i>(26.2%)</i>		
Net financial charges	(8.2)	(1.0%)	(7.2)	(0.9%)	(9.1)	(1.1%)
Profit before taxes	49.8	5.9%	50.3	5.9%	68.8	8.1%
Taxes	(7.0)	(0.8%)	(7.0)	(0.8%)	(12.9)	(1.5%)
Net profit pertaining to the Group of the continuing operations	42.8	5.1%	43.3	5.1%	55.9	6.5%

2. Revenues breakdown by geography

Euro million	Half year 2019	%	Half Year 2018	%	change	change %
EUROPE	560.2	66.3%	551.4	64.5%	8.8	1.6%
APA (Asia / Pacific / Americhe)	224.3	26.5%	238.5	27.9%	(14.1)	(5.9%)
MEIA (Middle East / India / Africa)	61.0	7.2%	64.9	7.6%	(3.9)	(6.0%)
Total Revenues	845.5	100.0%	854.7	100.0%	(9.2)	(1.1%)

Euro million	2nd quarter 2019	%	2nd quarter 2018	%	change	change %
EUROPE	298.0	63.5%	283.9	62.8%	14.1	5.0%
APA (Asia / Pacific / Americhe)	137.3	29.3%	134.6	29.8%	2.7	2.0%
MEIA (Middle East / India / Africa)	33.8	7.2%	33.6	7.4%	0.2	0.7%
Total Revenues	469.1	100.0%	452.1	100.0%	17.0	3.8%

3. Consolidated Balance Sheet

Euro million	30.06.2019	30.06.2019 normalized	30.06.2018	31.12.2018
- intangible assets	316.7	316.7	321.4	316.9
- tangible assets	316.0	238.9	234.5	237.2
- financial assets	30.6	30.6	26.9	29.6
- deferred tax assets	54.0	54.0	36.6	36.1
Fixed assets	717.2	640.2	619.4	619.8
- inventories	477.9	477.9	458.6	404.8
- trade receivables	251.2	251.2	247.5	429.3
- trade payables	(325.5)	(325.5)	(380.3)	(419.8)
- other net current assets / (liabilities)	(59.3)	(59.4)	(61.0)	(91.8)
Net working capital	344.3	344.2	264.9	322.5
Non current liabilities	(106.2)	(106.2)	(102.5)	(104.4)
Net capital employed	955.4	878.2	781.8	837.8
Net debt / (cash)	(105.5)	(183.1)	(155.9)	(228.1)
Total shareholders' Equity	1,060.8	1,061.3	937.7	1,065.9
Total net debt / (cash) and shareholders' equity	955.4	878.2	781.8	837.8

4. Detailed Net Financial Position

Euro million	30.06.2019	30.06.2019 normalized	30.06.2018	31.12.2018
Cash and cash equivalents	473.3	473.3	490.0	569.3
Other financial receivables	53.9	53.5	28.2	54.2
Current financial debt	(144.5)	(126.6)	(101.0)	(156.1)
Current net financial assets / (debt)	382.7	400.2	417.3	467.5
Non current net financial assets / (debt)	(277.2)	(217.1)	(261.3)	(239.4)
Total Net Financial Position	105.5	183.1	155.9	228.1
<i>of which:</i>				
- Net financial position versus banks and other lenders	188.3	188.3	157.0	229.0
- lease related debt	(77.7)	-	-	-
- Net assets /(liabilities) other than bank debt (fair value of derivatives, financial liabilities for business combinations and financial payables connected to pension funds)	(5.2)	(5.2)	(1.0)	(0.9)

5. Consolidated Cash Flow Statement

Euro million	30.06.2019 (6 months)	30.06.2018 (6 months)	31.12.2018 (12 months)
Cash flow from operations	79.5	98.9	289.5
Cash flow from working capital	(36.1)	(26.1)	(111.3)
Cash flow from investments	(29.2)	(28.6)	(66.4)
Cash flow before IFRS 16 Leasing	14.1	44.2	111.8
Cash flow from application of IFRS 16 to leasing contracts	(77.7)	-	-
Operating cash flow	(63.6)	44.2	111.8
Dividends distributed	(55.3)	(149.5)	(149.5)
Cash flow from changes in <i>Fair value</i> and <i>Cash flow hedge</i> reserves	(2.1)	6.1	5.0
Cash flow from other changes in the Net Equity	(1.7)	4.5	10.3
Cash flow from changes in the Net Equity	(59.1)	(138.8)	(134.3)
Net Cash Flow	(122.7)	(94.7)	(22.5)
Opening Net Financial Position	228.1	250.6	250.6
Closing Net Financial Position	105.5	155.9	228.1