DēLonghi Group

# Interim financial report at 31 March 2016

DēLonghi KENWOOD BRAUN Ariete

# 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 |
| CRISTINA PAGNI ** | Director |
| STEFANIA PETRUCCIOLI** | Director |
| GIORGIO SANDRI | Director |
| SILVIO SARTORI | Director |
| LUISA MARIA VIRGINIA COLLINA** | Director |

## *Board of Statutory Auditors*

| | |
|---|---|
| CESARE CONTI | Chairman |
| GIANLUCA PONZELLINI | Standing member |
| PAOLA MIGNANI | Standing member |
| PIERA TULA | Alternate auditor |
| ALBERTA GERVASIO | Alternate auditor |

## *External Auditors*

RECONTA ERNST & YOUNG S.P.A. ***

## *Internal Auditing and Corporate Governance Committee*

RENATO CORRADA **
SILVIO SARTORI
STEFANIA PETRUCCIOLI**

## *Compensation Committee*

ALBERTO CLÒ **
CARLO GARAVAGLIA
CRISTINA PAGNI **

* The company officers were elected at the shareholders' meeting of 14 April 2016 for the period 2016-2018.
** Independent directors.
*** The engagement to audit the financial statements for 2010-2018 was approved at the shareholders' meeting of 21 April 2010.

# Key performance indicators

### *Consolidated results*

| (€/million) | 1st quarter 2016 | % revenues | 1st quarter 2015 | % revenues | Change | % Change |
|---|---|---|---|---|---|---|
| Revenues | 360.3 | 100.0% | 368.4 | 100.0% | (8.1) | (2.2%) |
| Constant currency revenues | 366.4 | 100.0% | 368.4 | 100.0% | (2.0) | (0.6%) |
| Net industrial margin | 184.3 | 51.1% | 175.2 | 47.5% | 9.1 | 5.2% |
| EBITDA | 51.5 | 14.3% | 47.3 | 12.8% | 4.2 | 8.9% |
| Constant currency EBITDA | 52.4 | 14.3% | 47.3 | 12.8% | 5.1 | 10.8% |
| EBIT | 39.4 | 10.9% | 35.1 | 9.5% | 4.3 | 12.4% |
| Profit/ (loss) pertaining to the Group | 24.8 | 6.9% | 17.4 | 4.7% | 7.4 | 42.8% |

### *Statement of financial position*

| (€/million) | 31.03.2016 | 31.03.2015 | 31.12.2015 |
|---|---|---|---|
| Net working capital | 246.4 | 273.6 | 250.4 |
| Net capital employed | 711.2 | 740.0 | 717.0 |
| Net financial assets | 190.4 | 150.1 | 188.9 |
| *of which:* | | | |
| - *Net bank financial assets* | *230.6* | *143.2* | *210.1* |
| - *Other financial receivables (payables)* | *(40.2)* | *6.9* | *(21.2)* |
| Net equity | 901.6 | 890.1 | 905.9 |

# Introduction

This report contains the unaudited consolidated results at 31 March 2016.

As it is no longer mandatory under art. 154-*ter* of Decree 58/98 (known as "Testo Unico della Finanza" or "TUF") to publish quarterly reports, the information found below is being disclosed voluntarily in order to provide consistency with respect to the past. The fairly recent regulatory changes are, moreover, potentially not yet definitive.
The decision to publish the interim management statement at 31 March 2016 is not to be construed as binding with respect to the future and will be reconsidered including in light of any changes made to the regulatory provisions.

## Performance review and significant events

The first quarter of 2016 closed with good results in terms of margins and cash flow generation, while revenue was impacted by a few non-recurring events.

Net revenues amounted to €360.3 million in first quarter 2016, down slightly against the same period 2015 (€368.4 million, -2.2%) due to the adverse exchange effect and the difficult comparison with the first three months of 2015.

At constant exchange rates, revenues would have amounted to €366.4 million (- €2.0 million or -0.6% against first quarter 2015). Sales in first quarter 2016 were once again affected, albeit to a lesser degree than in the prior year, by currency volatility related, above all, to the strengthening of the Euro against currencies in Russia, Australia and South Africa, only partially offset by the weakening of the Euro against the US dollar and the Japanese yen.

Net of the exchange effect and a few "extraordinary" commercial events, including the drop in the sale of Nespresso *Lattissima* products (following the launch of the new *Touch* model in first quarter 2015), the negative performance of air conditioners in Brazil due to unfavorable weather conditions, as well as the commercial reorganization in Turkey, the trend in revenues was positive with good growth posted in the main markets. Though influenced by the slow start of the UK market in 2016 including as a result of the large amount of trade inventories, as well as the financial and political difficulties experienced in a few MEIA area countries, this growth, driven by coffee machines, is not far from the target for medium-term growth.

Despite the slight drop in revenues, the Group posted solid growth in margins thanks to pricing policies and the mix effect, as well as the steps taken to contain production costs. EBITDA in first quarter 2016 amounted to €51.5 million and came to 14.3% of revenues, a strong increase against the same period 2015 (€47.3 million and 12.8% of revenues).

In terms of markets, revenues fell in Europe (- €7.8 million or -3.2%), due mainly to lower sales in the North East (where results were positive in Poland and the Czech Republic and down in Russia, Ukraine and the United Kingdom) and, to a lesser degree, the drop in sales reported in the South East which, however, was impacted by the commercial reorganization underway in Turkey and the above mentioned drop in the sale of Nespresso *Lattissima* coffee machine sales against first quarter 2015.
Sales in the MEIA region fell (- €2.6 million or -7.4%) due, above all, to the negative performance of a few reference markets.
Results were positive in the APA region (+€2.3 million or +2.7%) thanks, in particular, to the growth in sales reported in the United States, Japan, Hong Kong and South Korea which offset the drop in revenues posted in Brazil due to the difficulties encountered in this market and the unfavorable weather conditions that impacted the air conditioning segment.

The breakdown of revenues by product line shows solid growth for coffee machines (+7.7%), linked mainly to the positive performance of fully automatic machines.
Revenues for *comfort* grew slightly thanks to the increase in the sale of heaters recorded, above all, in the APA region.
Revenues for cleaning products and irons were also up slightly thanks, above all, to the good performance of irons.

The net industrial margin rose from €175.2 million (47.5% of revenues) to €184.3 million (51.1% of revenues) thanks to price increases made to offset the rise in purchasing costs caused by the weakening of the Euro, a better mix, as well as cost savings linked also to the optimization of a few production flows.

The good performance of the industrial margin resulted in a higher EBITDA, both outright and as a percentage of revenue (€51.5 million in first quarter 2016 versus €47.3 million in the same period 2015), despite the increase in commercial, advertising and promotional costs incurred to support the Group's brands (+9.0%).
The exchange effect did not have a significant impact on EBITDA in the quarter (+€0.9 million). At constant exchange rates, therefore, the result would have been basically unchanged.

EBIT amounted to €39.4 million in first quarter 2016 or 10.9% of revenues (€35.1 million or 9.5% of revenues in the first three months of 2015), after amortization and depreciation of €12.1 million, basically unchanged against the same period of the prior year (€12.2 million) as the non-recurring investments made in production reached capacity.

Financial expenses fell in the first quarter of 2016 by €4.4 million against the first quarter of 2015 from €10.9 million to €6.6 million thanks, above all, to lower currency management costs linked to the decreased currency exposure of a few foreign subsidiaries, the improved net financial position with banks and greater efficiency in factoring transactions (as a result of the renewal completed in 2015).

Profit pertaining to the Group amounted to €24.8 million in the first three months of 2016 (€17.4 million in the same period 2015), after tax of €7.9 million (€6.9 million in the first quarter of 2015).

The net financial position came to a positive €190.4 million at 31 March 2016 (versus €188.9 million at 31 March 2015), €230.6 million of which relating to the net position with banks .
The change in the net financial position with banks over the last twelve months came to €87.4 million.
Net cash flow from operating activities reached €26.6 million in the first quarter of 2016 (versus €1.1 million in the first three months of 2015). Working capital improved further, with the net working capital turnover going from the 15.6% recorded at the end of March 2015 to 13.1% at the end of March 2016.

## Group results

The reclassified consolidated income statement is summarized as follows:

| (€/million) | 1st quarter 2016 | % revenues | 1st quarter 2015 | % revenues |
|---|---|---|---|---|
| **Revenues** | **360.3** | **100.0%** | **368.4** | **100.0%** |
| *Change* | *(8.1)* | *(2.2%)* | | |
| Materials consumed & other production costs (production services and payroll costs) | (176.0) | (48.9%) | (193.2) | (52.5%) |
| **Net industrial margin** | **184.3** | **51.1%** | **175.2** | **47.5%** |
| Costs for services and other expenses | (90.7) | (25.2%) | (87.9) | (23.9%) |
| Payroll (non-production) | (42.0) | (11.7%) | (40.0) | (10.8%) |
| **EBITDA** | **51.5** | **14.3%** | **47.3** | **12.8%** |
| *Change* | *4.2* | *8.9%* | | |
| Amortization | (12.1) | (3.4%) | (12.2) | (3.3%) |
| **EBIT** | **39.4** | **10.9%** | **35.1** | **9.5%** |
| *Change* | *4.3* | *12.4%* | | |
| Financial income (expenses) | (6.6) | (1.8%) | (10.9) | (3.0%) |
| **Profit (loss) before taxes** | **32.9** | **9.1%** | **24.2** | **6.6%** |
| Income taxes | (7.9) | (2.2%) | (6.9) | (1.9%) |
| **Profit (loss) after taxes** | **25.0** | **6.9%** | **17.2** | **4.7%** |
| Profit (loss) pertaining to minority interests | 0.1 | 0.0% | (0.1) | (0.0%) |
| **Profit (loss) pertaining to the Group** | **24.8** | **6.9%** | **17.4** | **4.7%** |

Net revenues amounted to €360.3 million in first quarter 2016, a decrease of €8.1 million against first quarter 2015, linked mainly to the adverse exchange effect and the negative performance of a few markets; toward this end, of note was the negative performance posted in Brazil attributable mainly to weak sales of air conditioners due to unfavorable weather conditions, the commercial reorganization underway in Turkey, the slowdown of a few Middle Eastern markets and the difficult comparison with first quarter 2015 due to the launch of the new *Touch* model which had a negative impact on the sale of Nespresso *Lattissima* machines. Net of these “extraordinary” commercial events, revenues would have shown good growth.

At constant exchange rates, revenues would have reached €366.4 million, largely in line with 2015 (- €2.0 million or -0.6%).

Revenues in the quarter were driven by coffee machines (+7.7%). More in detail, the fully automatic machines posted a very positive performance, sales were also good for traditional espresso machines and the Dolcegusto machines manufactured internally; sales of Nespresso capsule machines were impacted by the above mentioned comparison with first quarter 2015.
As for food preparation, handblenders performed well, but failed to offset the drop posted by other product lines in a few markets and the large inventories of a few clients.
Revenues for comfort rose slightly thanks to the increased sale of heaters in the APA region (primarily in Australia, Hong Kong and Japan).
Revenues also increased for cleaning products and irons, thanks mainly to the good performance of irons.

Despite the weak revenues, the Group posted solid growth in margins thanks to the strategies and steps taken to improve profitability, particularly with respect to prices (raised to offset the higher purchasing and production costs linked to the weakening of the Euro), the mix, and cost containment.

Driven by the increase in the net industrial margin, EBITDA reached €51.5 million in first quarter 2016 (€47.3 million in the same period 2015) and rose as a percentage of revenue from the 12.8% posted in 2015 to 14.3% in 2016 despite the increased commercial costs (for advertising and promotions) incurred to support the Group's brands (+9.0%).
The exchange effect did not have a significant impact on EBITDA in the quarter (+€0.9 million). At constant exchange rates, therefore, the result would have been basically unchanged.

EBIT amounted to €39.4 million in the first three months of 2016 (€35.1 million in the same period 2015), rising as a percentage of revenues from 9.5% to 10.9% of revenues after amortization and depreciation of €12.1 million, basically in line with first quarter 2015 as the non-recurring investments made in production reached capacity.

Financial expenses fell from €10.9 million in the first quarter of 2015 to €6.6 million in the first quarter of 2016 thanks, above all, to lower currency management costs linked to the decreased currency exposure of a few foreign subsidiaries, the improved net financial position with banks and greater efficiency in factoring transactions (as a result of the renewal completed in 2015).

Profit pertaining to the Group amounted to €24.8 million in the first three months of 2016 (€ 17.4 million in the same period 2015), after tax of €7.9 million.

## Performance by market and product line

The following table summarizes sales performance in the Group's various business regions (Europe, APA, MEIA):

| (€/million) | 1st quarter 2016 | % | 1st quarter 2015 | % | Change | % Change |
|---|---|---|---|---|---|---|
| North East Europe | 83.0 | 23.1% | 88.5 | 24.0% | (5.5) | (6.2%) |
| South West Europe | 157.5 | 43.7% | 159.8 | 43.4% | (2.3) | (1.5%) |
| **EUROPE** | **240.5** | **66.8%** | **248.4** | **67.4%** | **(7.8)** | **(3.2%)** |
| **MEIA** (Middle East / India / Africa) | **32.1** | **8.9%** | **34.7** | **9.4%** | **(2.6)** | **(7.4%)** |
| **APA** (Asia / Pacific / Americas) | **87.6** | **24.3%** | **85.4** | **23.2%** | **2.3** | **2.7%** |
| **Total revenues** | **360.3** | **100.0%** | **368.4** | **100.0%** | **(8.1)** | **(2.2%)** |

In first quarter 2016 sales in Europe decreased (by a total of - €7.8 million or - 3.2%). In the North East the good performance recorded in Poland and the Czech Republic was not enough to offset the decline recorded in Russia/Ukraine (due to the exchange effect and negative market trends) and the United Kingdom caused by the adverse exchange effect, as well as the high stock level at resellers.
In the South West sales were down by 1.5%, despite the good performance of the main markets due, above all, to the above mentioned reorganization underway in Turkey and the decline posted in Switzerland which was impacted by the difficult comparison with first quarter 2015 linked to the launch of the new Nespresso *Lattissima* model.
Sales in the MEIA region dropped 7.4% (€2.6 million) due primarily to the problems encountered in a few reference markets.
Overall results were positive in the APA region (+ €2.3 million or +2.7%) thanks, above all, to the growth in sales reported in the United States, Japan, Hong Kong and South Korea which offset the decrease posted in Brazil.

## Review of the statement of financial position

The reclassified consolidated statement of financial position is presented below:

| (€/million) | **31.03.2016** | **31.03.2015** | **31.12.2015** | **Change 31.03.16 – 31.03.15** | **Change 31.03.16 – 31.12.15** |
|---|---|---|---|---|---|
| - Intangible assets | 321.8 | 324.9 | 322.5 | (3.1) | (0.7) |
| - Tangibile assets | 194.3 | 201.0 | 199.1 | (6.7) | (4.8) |
| - Financial assets | 8.1 | 9.3 | 8.4 | (1.2) | (0.3) |
| - Deferred tax assets | 41.1 | 43.9 | 39.8 | (2.8) | 1.4 |
| **Non-current assets** | **565.3** | **579.1** | **569.7** | **(13.7)** | **(4.4)** |
| - Inventories | 374.8 | 378.2 | 323.4 | (3.4) | 51.4 |
| - Trade receivables | 211.5 | 272.0 | 372.1 | (60.5) | (160.6) |
| - Trade payables | (297.6) | (328.4) | (383.3) | 30.8 | 85.8 |
| - Other payables (net of receivables) | (42.4) | (48.3) | (61.7) | 5.9 | 19.3 |
| **Net working capital** | **246.4** | **273.6** | **250.4** | **(27.2)** | **(4.0)** |
| **Total non-current liabilities and provisions** | **(100.5)** | **(112.6)** | **(103.2)** | **12.1** | **2.6** |
| **Net capital employed** | **711.2** | **740.0** | **717.0** | **(28.8)** | **(5.8)** |
| **Net debt/(Net financial assets)** | **(190.4)** | **(150.1)** | **(188.9)** | **(40.3)** | **(1.6)** |
| **Total net equity** | **901.6** | **890.1** | **905.9** | **11.5** | **(4.3)** |
| **Total net debt and equity** | **711.2** | **740.0** | **717.0** | **(28.8)** | **(5.8)** |

The net working capital amounted to €246.4 million at 31 March 2016, down against 31 March 2015 in both absolute terms (-€27.2 million) and in terms of the turnover ratio (falling from the 15.6% recorded at the end of March 2015 to 13.1% in March 2016) thanks, above all, to careful credit collection (including as a result of the increased volume of factoring without recourse transactions and the positive exchange effect).

The net financial position came to a positive €190.4 million at 31 March 2016 (versus €188.9 million at 31 December 2015), €230.6 million of which relating to the net position with banks (€210.1 million at 31 December 2015). A change of €20.5 million in the position with banks was, therefore, recorded in the first three months of 2016 (€30.1 million in first quarter 2015).
The twelve month comparison with the net position with banks at 31 March 2015 shows a positive balance of €87.4 million after the payment of €61.3 million in dividends.

Details of the net financial position follow:

| (€/million) | 31.03.2016 | 31.03.2015 | 31.12.2015 | Change 31.03.16 – 31.03.15 | Change 31.03.16 – 31.12.15 |
|---|---|---|---|---|---|
| Cash and cash equivalents | 355.7 | 260.4 | 357.9 | 95.4 | (2.2) |
| Other financial receivables | 4.7 | 51.7 | 15.9 | (47.0) | (11.2) |
| Current financial debt | (57.8) | (56.0) | (71.5) | (1.8) | 13.7 |
| **Net current financial position** | **302.7** | **256.1** | **302.3** | **46.6** | **0.4** |
| **Non-current financial debt** | **(112.3)** | **(106.0)** | **(113.5)** | **(6.3)** | **1.2** |
| **Total net financial position** | **190.4** | **150.1** | **188.9** | **40.3** | **1.6** |
| *of which:* | | | | | |
| *- positions with banks and other financial payables* | *230.6* | *143.2* | *210.1* | *87.4* | *20.5* |
| *- 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)* | *(40.2)* | *6.9* | *(21.2)* | *(47.1)* | *(19.0)* |

The statement of cash flows is presented on a condensed basis as follows:

| (€/million) | 31.03.2016 (3 months) | 31.03.2015 (3 months) | 31.12.2015 (12 months) |
|---|---|---|---|
| Cash flow by current operations | 44.6 | 35.3 | 243.3 |
| Cash flow by changes in working capital | (8.1) | (21.8) | (51.5) |
| Cash flow by investment activities | (10.0) | (12.4) | (53.3) |
| **Cash flow by operating activities** | **26.6** | **1.1** | **138.6** |
| Dividends paid | - | - | (61.3) |
| Cash flow by changes in fair value and cash flow hedge reserves | (16.0) | 26.0 | (7.7) |
| Cash flow by other changes in net equity | (9.1) | 34.1 | 30.3 |
| **Cash flow generated (absorbed) by changes in net equity** | **(25.0)** | **60.0** | **(38.7)** |
| **Cash flow for the period** | **1.6** | **61.1** | **99.9** |
| Opening net financial position | 188.9 | 89.0 | 89.0 |
| **Closing net financial position** | **190.4** | **150.1** | **188.9** |

Net cash flow from operating activities in the first three months of the year reached a positive €26.6 million (versus a positive €1.1 million in 2015), while changes in net equity negatively impacted period cash flows: the fair value measurement of currency hedging instruments and the effect of translation differences on the net financial position had a total negative impact of €25.0 million in first quarter 2016 (versus a positive €60.0 million in the first three months of 2015).

Here follow the statement of comprehensive income and the main changes in net equity in the first quarter:

| (€/million) | 1st quarter 2016 | 1st quarter 2015 |
|---|---|---|
| **Profit (loss) for the period** | **25.0** | **17.2** |
| **Other components of comprehensive income:** | | |
| - Change in fair value of cash flow hedges and available-for-sale financial assets | (16.2) | 26.0 |
| - Tax effect of change in fair value of cash flow hedges and available-for-sale financial assets | 4.0 | (6.4) |
| - Differences from translating foreign companies' financial statement into Euro | (17.0) | 67.1 |
| Total other components of comprehensive income that will subsequently be reclassified to the profit (loss) for the year | (29.2) | 86.8 |
| Total other components of comprehensive income that will not subsequently be reclassified to profit (loss) for the year | - | - |
| **Total comprehensive income (loss) for the period** | **(4.3)** | **104.0** |
| **Total comprehensive income (loss) attributable to:** | | |
| Parent company shareholders | (4.4) | 104.1 |
| Minority interests | 0.1 | (0.1) |

| (€/million) | Group portion of net equity | Minority interests in net equity | Total net equity |
|---|---|---|---|
| **Net equity at 1 January 2015** | **783.2** | **2.9** | **786.1** |
| Total comprehensive income (loss) for the 1st quarter 2015 | 104.1 | (0.1) | 104.0 |
| **Net equity at 31 March 2015** | **887.4** | **2.8** | **890.1** |
| **Net equity at 1 January 2016** | **902.9** | **3.0** | **905.9** |
| Total comprehensive income (loss) for the 1st quarter 2016 | (4.4) | 0.1 | (4.3) |
| **Net equity at 31 March 2016** | **898.5** | **3.1** | **901.6** |

## Content of the interim financial report and alternative performance indicators

The income statement figures refer to the period ending on 31 March 2016, with comparatives at 31 March 2015.
The statement of financial position figures refer to 31 March 2016, 31 March 2015 and 31 December 2015.
This report includes details of any significant transactions, including those with related parties.
The key performance indicators presented herein are comparable with the reclassified statements presented in the report on operations contained in the half-year and annual financial reports.

The consolidated figures have been prepared using the same consolidation procedures and accounting policies as those described in the annual financial report, to which the reader should refer.
The consolidated financial figures were prepared using the same accounting policies as those used to prepare the consolidated financial statements at 31 December 2015.

The figures contained in the present document, including some of the percentages, have been rounded relative to their full euro amount. As a result, some of the totals in the tables may differ from the sum of the individual amounts presented.

In addition to the information required by IFRS, this document presents other financial measures which provide further analysis of the Group's performance. These indicators must not be treated as alternatives to those required by IFRS.

More in detail, the non-GAAP measures used include:
- <u>Net Industrial Margin and EBITDA</u>: the Group uses these measures as financial targets in internal presentations (business plans) and in external presentations (to analysts and investors), since they are a useful way of measuring operating performance by the Group and its individual divisions besides EBIT.
Net industrial margin is calculated as total revenues minus the cost of materials consumed and of production-related services and payroll.
EBITDA is an intermediate measure that derives from EBIT after adding back depreciation, amortization and impairment of property, plant and equipment and intangible assets. EBITDA is also presented net of non-recurring items, which are reported separately on the face of the income statement.
- <u>Net working capital</u>: this measure is the sum of inventories, trade receivables, current tax assets and other receivables, minus trade payables, current tax liabilities and other payables.
- <u>Net capital employed</u>: this measure is the sum of net working capital, intangible assets, property, plant and equipment, equity investments, other non-current receivables, and deferred tax assets, minus deferred tax liabilities, employee benefits and provisions for contingencies and other charges.
- <u>Net debt/(net financial position)</u>: this measure represents gross financial liabilities less cash and cash equivalents and other financial receivables. The individual line items in the statement of financial position used to determine this measure are analysed later in this report.

## Other information

Pursuant to Art. 3 of Consob Resolution n. 18079 of 20 January 2012, the Board of Directors resolved to exercise the *opt-out* clause provided under Art. 70, paragraph 8 and Art. 71, paragraph 1-*bis* of Consob Regulation n. 11971/99 which grants the option to waive the mandatory publication of informational documents relating to significant mergers, spin-offs, capital increases through in-kind transfers, acquisitions and disposals.

## Subsequent events

The Shareholders' meeting of 14 April 2016 also renewed the authorization to purchase and dispose of the Company's shares up to a maximum of 14.5 million ordinary shares and in any case not exceeding one fifth of the share capital, including also shares owned by controlled companies.

Shareholders approved the proposal of the Board of Directors, as per the resolution dated February 19, 2016, to adopt a "Stock Option Plan 2016-2022" reserved to the Chief Executive Officer of the Company and a restricted number of managers and key resources of the De'Longhi Group, who will be identified by the Board of Directors of the Company, on the basis of a proposal made by the C.E.O. (the "Plan"). The Plan provides for the assignment, free of charge, to Beneficiaries of up to a maximum of total 2,000,000 options granting the right to underwrite an equal number of shares of De'Longhi S.p.A., such shares to be deriving from a divisible cash increase of share capital, waiving option rights. Each option will grant the right to underwrite one new share of De'Longhi S.p.A. , according to the terms and conditions established by the Plan regulation, which was approved by the Shareholders' meeting of 14 April 2016.
The Shareholders, in extraordinary session, approved the divisible cash increase of the share capital, according to art. 2439, par. 2, of the Italian Civil Code ("Codice Civile"), waiving option rights pursuant to art. 2441, par. 4, second sentence, of the Italian Civil Code, for a maximum nominal amount of total 3,000,000.00 Euro, to be realized within December 31, 2022 by way of issuing, in one or more tranches, up to a maximum total 2,000,000 ordinary shares of nominal value of 1.50 Euro each, having the same characteristics of the ordinary shares trading at the time of issuing, with regular dividend rights, and aimed at serving the Plan.
The share capital increase shall be such that the issuing price of the shares, including any share premium, as exercised by way of the option rights assigned to the Plan beneficiaries, will be equal to the arithmetic average of the official prices of the De'Longhi shares recorded on the Mercato Telematico Azionario, organized and managed by Borsa Italiana S.p.A. in the 60 calendar days prior to the date of the Shareholders' meeting approving the Plan and its regulation.

## Outlook

The first quarter of 2016 was characterized by a negative exchange effect and a few "extraordinary" commercial events that influenced the performance of revenues in the period. Management believes that the Group will be able to continue along its path of organic growth in revenues and in the absolute value of EBITDA.

*Treviso, 12 May 2016*

*For the Board of Directors*
*Vice Chairman and Chief Executive Officer*

*Fabio de' Longhi*

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## Declaration by the Financial Reporting Officer

Pursuant to art. 154-bis par. 2 of TUF, Stefano Biella, the Financial Reporting Officer, declares that the accounting information contained in the present interim financial report corresponds to the underlying documentary and accounting records.

*Treviso, 12 May 2016*

*Financial Reporting Officer*

*Stefano Biella*

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This interim report is available on the corporate website:
www.delonghigroup.com

**De'Longhi S.p.A.**
Registered office: Via L. Seitz, 47 – 31100 Treviso
Share capital: Eur 224,250,000 *(subscribed and fully paid)*
Tax ID and Company Register no.: 11570840154
Treviso Chamber of Commerce no.: 224758
VAT no.: 03162730265