DēLonghi Group

Half-year financial report at 30 June 2016

DēLonghi KENWOOD BRAUN Ariete

Contents

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

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

Second quarter income statement

(€/million)	**2nd quarter 2016**	**% revenues**	**2nd quarter 2015**	**% revenues**	**Change**	**Change %**
Revenues	411.6	100.0%	422.2	100.0%	(10.5)	(2.5%)
Constant currency revenues (*)	*424.6*	*100.0%*	*422.2*	*100.0%*	*2.5*	*0.6%*
Revenues at constant exchange rates and net of 2015 hedging (**)	*424.6*	*100.0%*	*421.2*	*100.0%*	*3.5*	*0.8%*
Net industrial margin	197.5	48.0%	194.3	46.0%	3.3	1.7%
EBITDA before non-recurring expenses	55.0	13.4%	48.0	11.4%	7.0	14.6%
EBITDA before non-recurring expenses at constant exchange rates (*)	*54.7*	*12.9%*	*48.0*	*11.4%*	*6.7*	*14.0%*
EBITDA at constant exchange rates and net of 2015 hedging (**)	*54.7*	*12.9%*	*40.5*	*9.6%*	*14.2*	*35.2%*
EBITDA	52.3	12.7%	48.0	11.4%	4.3	9.0%
EBIT	40.3	9.8%	35.3	8.4%	5.1	14.4%

First-Half income statement

(€/million)	**1st half 2016**	**% revenues**	**1st half 2015**	**% revenues**	**Change**	**Change %**
Revenues	771.9	100.0%	790.6	100.0%	(18.7)	(2.4%)
Constant currency revenues (*)	*791.0*	*100.0%*	*790.6*	*100.0%*	*0.4*	*0.1%*
Revenues at constant exchange rates and net of 2015 hedging (**)	*791.0*	*100.0%*	*788.8*	*100.0%*	*2.2*	*0.3%*
Net industrial margin	381.8	49.5%	369.4	46.7%	12.4	3.3%
EBITDA before non-recurring expenses	106.6	13.8%	95.3	12.1%	11.2	11.8%
EBITDA before non-recurring expenses at constant exchange rates (*)	*107.2*	*13.5%*	*95.3*	*12.1%*	*11.8*	*12.4%*
EBITDA at constant exchange rates and net of 2015 hedging (**)	*107.2*	*13.5%*	*82.7*	*10.5%*	*24.4*	*29.5%*
EBITDA	103.9	13.5%	95.3	12.1%	8.5	8.9%
EBIT	79.8	10.3%	70.4	8.9%	9.4	13.4%
Profit (loss) pertaining to the Group	49.4	6.4%	37.4	4.7%	12.0	32.1%

(*) Figures at constant exchange rates are calculated excluding the effect of exchange rates fluctuations and of the hedging put in place by the Group.
(**) Figures at constant exchange and net of 2015 hedging rates are calculated excluding the impact of exchange differences and hedging carried out by the Group in the current period and the comparison period.

Statement of financial position

(€/million)	**30.06.2016**	**30.06.2015**	**31.12.2015**
Net working capital	233.3	236.0	250.4
Net operating working capital	278.6	280.6	312.1
Net capital employed	694.5	714.1	717.0
Net financial assets/(Net debt)	173.5	104.0	188.9
of which:			
- *Net bank financial position*	*205.9*	*121.5*	*210.1*
- *Other financial receivables/(payables)*	*(32.4)*	*(17.5)*	*(21.2)*
Net equity	868.0	818.1	905.9
Net working capital/Net revenues	12.5%	13.0%	13.2%
Net operating working capital/Net revenues	14.9%	15.4%	16.5%

INTERIM REPORT ON OPERATIONS

REVIEW OF PERFORMANCE

Organic growth recovered in the second quarter of 2016, though hindered by a few non-recurring events, in an environment still characterized by the difficulties (linked to politics and currencies) encountered in a few markets. In this context, the Group posted excellent results in terms of margins and cash generation. Revenues amounted to €411.6 million in the second quarter of 2016 (-2.5% against second quarter 2015, due primarily to the negative exchange effect; at constant exchange rates, an increase of 0.6% was reported).
In the first half of 2016 revenues amounted to €771.9 million, a slight drop against the same period 2015 (€790.6 million, -2.4%) linked to an unfavorable exchange effect. At constant exchange rates revenues would have reached €791.0 million, a slight increase against first half 2015. Sales in the first half of 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 the United Kingdom.

In addition to the above mentioned exchange effect, sales in the first half were influenced by 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 half 2015), the negative performance of air conditioners in Brazil due to unfavorable weather conditions, as well as the commercial reorganization in Turkey.

Net of these effects, the Group recorded good organic growth driven by the solid results of coffee machines, portable air conditioners, across all commercial regions, with the exception of MEIA.

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. In first half 2016 EBITDA before non-recurring items amounted to €106.6 million and came to 13.8% of revenues, double digit growth (+11.8%) against the same period 2015 (€95.3 million and 12.1% of revenues). Exchange differences had a limited impact on EBITDA (negative for some €0.6 million).
The above mentioned increase in margins neutralized the penalizing comparison with first half 2015 which benefitted from the positive impact of currency hedges which amounted to €12.6 million.

In terms of markets, in Europe revenues (which came to €509.6 million) were basically in line with the first half of 2015, with organic growth posted in both the South West and the North East.
In the South West growth was achieved thanks mainly to the good performance recorded in Italy and Germany and notwithstanding the impact of the commercial reorganization underway in Turkey, as well as the challenging comparison with first half 2015 due to the above mentioned drop in the sale of Nespresso *Lattissima* coffee machines.
Organic growth in revenues was also posted in the North East (above all in Poland and the Czech Republic/Hungary), albeit offset by the adverse exchange effect which impacted, above all, sales in the United Kingdom and in Russia.

Revenues were down in the MEIA region due to the financial and political difficulties encountered in a few countries, the introduction of restrictions on imports in Egypt which basically blocked sales, the high level of inventory at a few important distributors following a weak fourth quarter 2015. This trend should change moving forward as a few of the issues have been resolved and the trade in the main markets should pick-up with orders in line with sales forecasts after the positive steps taken to reduce inventory.

Results were positive in the APA region (+€0.6 million or +0.3%) with organic growth reaching 3.4% thanks to the particularly brilliant results recorded in the United States, Canada, China and Hong Kong, 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, linked mainly to the positive performance of fully automatic machines, while food preparation and cooking machines were impacted by weak performances in a few key markets.
Revenues for comfort grew slightly thanks to the increase in the sale of portable air conditioners (in Italy, Germany and the United States, despite the sharp drop in sales in Brazil).
Revenues for home cleaning products fell slightly, while irons were largely stable, due to the difficult conditions encountered in a few key markets.

The net industrial margin rose in the half from €369.4 million (46.7% of revenues) to €381.8 million (49.5% 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 and the containment of non-production operating costs, which were in line with first half 2015 despite the increase in promotional costs incurred primarily to support the launch of the Braun brand in the United States, resulted in an increase in EBITDA before non-recurring items, both in absolute terms (€95.3 million in first half 2015 versus €106.6 million in first half 2016) and as a percentage of revenues (which rose from 12.1% to 13.8%).

EBIT amounted to €79.8 million in first half 2016 or 10.3% of revenues (€70.4 million or 8.9% of revenues in the first six months of 2015), after non-recurring costs of €2.7 million relating to the reorganization carried out in a few markets, as well as amortization and depreciation of €24.1 million which was basically unchanged against the same period of 2015 (€25.0 million) as the non-recurring investments made in production have reached capacity.

Financial expenses fell by €5.7 million from the €19.0 million recorded in first half 2015 to €13.2 million in first half 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 more efficient securitization of receivables (following the renewal of the program completed in 2015).

Profit pertaining to the Group amounted to €49.4 million in the first six months of 2016 (an increase of 32.1% against the €37.4 million recorded in first half 2015), after tax of €16.9 million.

The net financial position came to a positive €173.5 million at 30 June 2016 (versus €104.0 million at 30 June 2015), €205.9 million of which relating to the net position with banks (€121.5 million at 30 June 2015).

The change in the net financial position with banks over the last twelve months came to €84.4 million after the payment of €65.8 million in dividends; cash flow generated by operations amounted to €164.5 million in the twelve month period (versus €147.9 million in the prior twelve month period).

Global market conditions (Source: Bank of Italy/ECB)

The outcome of the Brexit referendum held on 23 June in the United Kingdom, which resulted in the exit of the country from the European Union, created an unprecedented dynamic in the integration of member countries. Currency and financial markets reacted immediately: the Pound Sterling depreciated and the Euro, while strengthening against the Pound, fell against the other main currencies and remained unchanged in real terms.

The general increase in risk aversion impacted, above all, the sectors perceived as having the greatest exposure to a slowdown in the economy like Eurozone banks. In order to fulfill its mandate to ensure price and financial stability in the Eurozone, the ECB is ready to intervene as needed and is maintaining strong ties with the other central banks.

In the second quarter the cyclical expansion of the area continued, albeit at a slower pace than in the first quarter, and in June inflation returned to slightly positive levels.

In Italy the recovery continues at a modest pace: the gradual recovery, driven by internal demand even though exports continue to be affected by the weakness of the extra-EU markets. Household spending has benefitted from an increase in disposable income and improved job markets. As was the case throughout the Eurozone, the increase in GDP in the second quarter was, however, lower than in the prior period.

Significant events

The first half of 2016 was characterized by a gradual increase of the operations at the Romanian plant linked to the internalization of production and higher volumes; a preliminary study was also begun in order to assess the feasibility of further expanding production capacity and logistics.

Further work was also done on supply chain optimization with a view to more efficient forecasting and planning, as well as logistics, in Europe.

Investments in communication and marketing initiatives supporting the three main brands continued in the half.

With regard to the De'Longhi brand, the Group invested above all in activities designed to increase the digital resources available to end consumers. Given the success of the launch of *Primadonna Elite's* new top-of-the-line fully automatic machine, the dedicated application was made available in ten more languages; several of the most popular how-to videos were also made available on YouTube with subtitles in German, French, Dutch, and Czech.
Support of the *Multifry* category was enhanced by greater availability of online recipes which reflect the expansion of the product in Scandinavia, South Africa and Brazil.
The virtual reality application which allows consumers to see breakfast products inside their kitchens, already finalized and launched in 2015, was expanded to offer a greater number of choices and options.

As for the Kenwood brand, activity focused on the launch of the new "My Chef " initiative which should help the consumer customize his/her own kitchen machine with the most important accessories. The Group's investments were concentrated mainly in the activities needed to support the launch of the new line of kitchen machines which should take place in the second part of the year.

With regard to Braun, in June 2016 the brand was reintroduced on the US market after a long absence by way of a specific line of handblenders, blenders and drip coffee machines; a dedicated marketing campaign was developed to support the launch and significant investments were made with both trade and in digital.
Market statistics (GFK) confirm the increase in market share of the two main product categories. The handblenders rose thanks to the high end *Multiquick 7* line and the new *Multiquick 5* line launched last year.
Irons benefitted from the launch of the new *Carestyle 5* ironing systems for which the initial sell in beat expectations; the launch was focused on four models in Europe.
The launch of the handblender "Multimix 3" line also took place in the first half. This line uses *Smart mix* technology and thanks to the numerous attachments provides greater versatility.
Both new product lines won the best product prize for their category in the 2015/2016 Plus X competition.

In general, great attention was paid to the presence and visibility of all the brands in stores, albeit through different initiative based on specific characteristics, in order to guide and assist consumers with their purchases.

Implementation of the digital strategy was accelerated considerably with respect to Content, Community and Commerce. Firstly, new digital systems were put in place in order to reach consumers with timely and personalized messages.
Online shops are already available in the United States, the United Kingdom, Australia/New Zealand, Austria and the Netherlands and will be operative soon in Brazil. YouTube channels dedicated to the Group's brands were restructured.

Group results

The reclassified consolidated income statement is summarized as follows:

(€/million)	1st half 2016	% revenues	1st half 2015	% revenues
Revenues	**771.9**	**100.0%**	**790.6**	**100.0%**
Change 2016/2015	*(18.7)*	*(2.4%)*		
Materials consumed & other production costs (production services and payroll costs)	(390.1)	(50.5%)	(421.1)	(53.3%)
Net industrial margin	**381.8**	**49.5%**	**369.4**	**46.7%**
Services and other operating expenses	(190.9)	(24.7%)	(193.2)	(24.4%)
Payroll (non-production)	(84.3)	(10.9%)	(80.9)	(10.2%)
EBITDA before non-recurring income/expenses	**106.6**	**13.8%**	**95.3**	**12.1%**
Change 2016/2015	*11.2*	*11.8%*		
Other non-recurring income (expenses)	(2.7)	(0.4%)	-	-
EBITDA	**103.9**	**13.5%**	**95.3**	**12.1%**
Amortization	(24.1)	(3.1%)	(25.0)	(3.2%)
EBIT	**79.8**	**10.3%**	**70.4**	**8.9%**
Change 2016/2015	*9.4*	*13.4%*		
Financial income (expenses)	(13.2)	(1.7%)	(19.0)	(2.4%)
Profit (loss) before taxes	**66.6**	**8.6%**	**51.4**	**6.5%**
Income taxes	(16.9)	(2.2%)	(14.0)	(1.8%)
Profit (loss) after taxes	**49.6**	**6.4%**	**37.4**	**4.7%**
Profit (loss) pertaining to minority interests	0.2	0.0%	(0.0)	(0.0%)
Profit (loss) pertaining to the Group	**49.4**	**6.4%**	**37.4**	**4.7%**

The net industrial margin reported in the reclassified income statement differs by Euro 67.1 million in the first half 2016 (Euro 75.9 million in the first half 2015) from the consolidated income statement; this is because, in order to represent period performance better, production-related payroll and service costs have been reclassified from payroll and services respectively.

Net revenues amounted to €771.9 million in the half (€790.6 million in first half 2015). The performance recorded in the first half reflects the combined effect of, on the one hand, organic growth and the positive mix/price effect and, on the other, the adverse exchange effect (related, above all, to the strengthening of the Euro against currencies in Russia, Australia and the United Kingdom) and decrease in volumes linked to a few specific commercial situations (such as the commercial reorganizations underway, the difficult conditions in a few markets and the challenging comparison with first half 2015 due to the launch of the new *Lattissima* machine).

Growth was posted, above all, in the sale of coffee machines and comfort products.

Sales for coffee machines were up thanks to the good growth of the fully automatic machines (driven by all the different platforms which were recently strengthened by the launch of the new models, *Primadonna Elite* introduced year-end 2015 and the new *Dinamica* launched in June 2016), traditional espresso machines (driven by the *Dedica* model) and despite the strong drop in the sale of Nespresso machines manufactured internally (due to the challenging comparison with the first half 2015 when the *Lattissima Touch* model was launched). As for the *Dolce Gusto* machines, sales of the *Jovia* machines manufactured internally rose significantly, though not enough to offset the drop posted by the other models.

The growth posted by Comfort reflects the solid performance of portable air conditioners, above all in the United States and Italy (despite the negative performance in Brazil), thanks also the introduction of the new EX A++.

Kitchen products were impacted by the difficulties encountered in a few key markets (MEIA, Russia/Ukraine and the United Kingdom). Sales of Kenwood brand products began to recover in the second quarter, above all in Europe, which should gain further momentum in the second part of the year thanks to the introduction of a new line of kitchen machines.

Revenues for home cleaning products fell slightly, while irons were largely stable, due to the difficult conditions in a few key markets.

The net industrial margin rose €12.4 million from €369.4 million (46.7% of revenues) to €381.8 million (49.5% of revenues) as a result of, on the one hand, the positive price/mix effect, as well as cost savings and, on the other, the negative exchange effect.

The price effect is linked to the steps taken in a few markets to offset the higher production costs linked to exchange differences. Thanks to the measures carried out and, above all, the organic growth of coffee machines, which is one of the product families with the highest value added, the Group succeeded in offsetting the negative exchange effect linked to the weakening of the Euro against the currencies in which the Group's main operating costs are denominated (CNY/HKD and USD).

The combined effect of the good performance of the industrial margin and the containment of non-production operating costs, which were in line with first half 2015 despite the increase in promotional costs incurred also to support the launch of the Braun brand in the United States, made it possible to close the first half of 2016 with EBITDA before non-recurring items of €106.6 million (an increase of €11.2 million against first half 2015 and rising as a percentage of revenues from 12.1% to 13.8%).
Exchange differences had a limited impact on EBITDA (negative for some €0.6 million). The above mentioned increase in margins neutralized the penalizing comparison with first half 2015, which had benefitted for €12.6 million from the positive impact of currency hedges.

EBIT amounted to €79.8 million in first half 2016 or 10.3% of revenues (€70.4 million or 8.9% of revenues in the first six months of 2015), after non-recurring costs of €2.7 million relating to the reorganization carried out in a few markets, as well as amortization and depreciation of €24.1 million which was basically unchanged against the same period of 2015 (€25.0 million) as the non-recurring investments made in production have reached capacity.

Financial expenses fell by €5.7 million from the €19.0 million recorded in first half 2015 to €13.2 million in first half 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 more efficient securitization of receivables (following the renewal of the program completed in 2015).

Profit pertaining to the Group amounted to €49.4 million in the first six months of 2016 (versus €37.4 million in first half 2015), after tax of €16.9 million.

Operating segment disclosures

The De'Longhi Group has identified three operating segments which coincide with the Group's three main business regions: Europe (North East and South West), MEIA (Middle East, India and Africa) and APA (Asia, Pacific, America). Each segment is responsible for all aspects of the Group's brands and services different markets.
This breakdown is in line with the tools used by Group management to run operations, as well as evaluate the company's performance and make strategic decisions.

The results by operating segment can be found in the Explanatory Notes.

Markets

The following table summarizes sales performance in the Group's various business regions:

(€/million)	1st half 2016	% revenues	1st half 2015	% revenues	Change	Change %
North East Europe	173.9	22.5%	179.0	22.6%	(5.1)	(2.8%)
South West Europe	335.7	43.5%	331.4	41.9%	4.3	1.3%
EUROPE	**509.6**	**66.0%**	**510.4**	**64.6%**	**(0.8)**	**(0.1%)**
MEIA (Middle East/India/Africa)	**62.6**	**8.1%**	**81.1**	**10.3%**	**(18.5)**	**(22.8%)**
United States and Canada	72.1	9.3%	68.2	8.6%	3.8	5.6%
Australia and New Zealand	48.2	6.2%	51.5	6.5%	(3.3)	(6.5%)
Japan	20.3	2.6%	16.9	2.1%	3.4	19.9%
Other countries area APA	59.1	7.7%	62.4	7.9%	(3.3)	(5.3%)
APA (Asia/Pacific/Americas)	**199.6**	**25.9%**	**199.1**	**25.2%**	**0.6**	**0.3%**
Total revenues	**771.9**	**100.0%**	**790.6**	**100.0%**	**(18.7)**	**(2.4%)**

In Europe revenues (which came to €509.6 million) were basically in line with the first half of 2015 with organic growth posted in both the South West and the North East. The North East was penalized by a negative exchange effect, above with respect to sales in the United Kingdom and in Russia.

In the South West growth was achieved thanks mainly to the good performance recorded in the main markets (Italy and Germany), notwithstanding the impact of the commercial reorganization underway in Turkey, as well as the above mentioned drop in the sale of Nespresso *Lattissima* coffee machines.

The organic growth in revenues posted in the North East was the result, primarily, of higher sales in Poland and the Czech Republic/Hungary); sales in Russia, the Ukraine and the United Kingdom were down due also to the adverse exchange effect.

Revenues were down in the MEIA region due to the financial and political difficulties encountered in a few countries, the high level of inventory at a few important distributors following a weak fourth quarter 2015, as well as the introduction of restrictions on imports in Egypt which basically blocked sales.

Results were positive in the APA region (+€0.6 million or +0.3%) with organic growth reaching 3.4% thanks to particularly brilliant results recorded in the United States, Canada, China and Hong Kong, 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.

Review of the statement of financial position

The reclassified consolidated statement of financial position is presented below:

(€/million)	30.06.2016	30.06.2015	31.12.2015	Change 30.06.16 – 30.06.15	Change 30.06.16 – 31.12.15
- Intangible assets	321.6	324.8	322.5	(3.3)	(0.9)
- Property, plant and equipment	193.2	198.9	199.1	(5.8)	(5.9)
- Financial assets	8.5	9.1	8.4	(0.6)	0.2
- Deferred tax assets	44.5	47.6	39.8	(3.1)	4.7
Non-current assets	**567.7**	**580.5**	**569.7**	**(12.7)**	**(2.0)**
- Inventories	381.9	390.4	323.4	(8.6)	58.4
- Trade receivables	214.9	234.8	372.1	(19.9)	(157.2)
- Trade payables	(318.2)	(344.6)	(383.3)	26.5	65.2
- Other payables (net of receivables)	(45.3)	(44.6)	(61.7)	(0.7)	16.4
Net working capital	**233.3**	**236.0**	**250.4**	**(2.7)**	**(17.2)**
Total non-current liabilities and provisions	**(106.5)**	**(102.4)**	**(103.2)**	**(4.1)**	**(3.4)**
Net capital employed	**694.5**	**714.1**	**717.0**	**(19.6)**	**(22.5)**
Net debt/(Net financial assets)	**(173.5)**	**(104.0)**	**(188.9)**	**(69.5)**	**15.4**
Total net equity	**868.0**	**818.1**	**905.9**	**49.9**	**(37.9)**
Total net debt and equity	**694.5**	**714.1**	**717.0**	**(19.6)**	**(22.5)**

Capital expenditures amounted to €21.5 million in the first half of 2016, a decrease against 30 June 2015 (€25.6 million) explained by the completion in 2015 of the work on the production facilities in China and Romania.

Net working capital amounted to €233.3 million at 30 June 2016, down against 30 June 2015 in both absolute terms (-€2.7 million), despite the increased activities recorded in the last 12 months, and as a percentage of rolling revenues (which fell from 13.0% at 30 June 2015 to 12.5% at 30 June 2016) thanks above all careful management of credit collection and inventories.
The change in trade receivables reflects improved payment terms in a few important markets (despite the extended payment terms granted to a few distributors in the MEIA region) and increased volume of receivables pooled as part the renewed securitization program.
Inventory was down compared to 2015 (in terms of the turnover ratio) thanks to the steps taken to optimize purchasing and production schedules.

The net financial position came to a positive €173.5 million at 30 June 2016 (versus €188.9 million at 31 December 2015), €205.9 million of which relating to the net position with banks (€210.1 million at 31 December 2015).
The twelve month comparison with the net position with banks shows an improvement of €84.4 million after the payment of €65.8 million in dividends and despite the net negative exchange effect linked to the devaluation of cash and cash equivalents held by a few foreign subsidiaries.

Details of the net financial position are as follows:

(€/million)	**30.06.2016**	**30.06.2015**	**31.12.2015**	**Change 30.06.16 – 30.06.15**	**Change 30.06.16 – 31.12.15**
Cash and cash equivalents	335.4	276.9	357.9	58.5	(22.5)
Other financial receivables	10.7	22.0	15.9	(11.4)	(5.2)
Current financial debt	(60.7)	(84.1)	(71.5)	23.4	10.8
Net current financial position	**285.4**	**214.8**	**302.3**	**70.6**	**(16.9)**
Non-current financial debt	**(112.0)**	**(110.8)**	**(113.5)**	**(1.1)**	**1.5**
Total net financial position/(net debt)	**173.5**	**104.0**	**188.9**	**69.5**	**(15.4)**
Of which:					
- Position with banks and other financial payables	*205.9*	*121.5*	*210.1*	*84.4*	*(4.2)*
- Financial assets/(liabilities) other than bank debt (fair value of derivaties and options, residual payable related to the Braun acquisition, financial payable commented to the pension fund transaction)	*(32.4)*	*(17.5)*	*(21.2)*	*(14.9)*	*(11.2)*

The net financial position reached a positive €173.5 million at 30 June 2016 (versus €188.9 million at 31 December 2015 and €104.0 million at 30 June 2015).

In the first half of 2016 negative cash flow of €15.4 million was recorded explained, for €11.2 million, by the negative impact of a few financial items including mainly the fair value measurement of derivatives.
Net of these items, the net position with banks rose by €4.2 million despite the positive cash flow from recurring operations due primarily to the negative exchange effect which came to around €8.9 million in the half (versus a positive €29.4 million in first half 2015) linked to the devaluation of cash and cash equivalents held by a few foreign subsidiaries.

The twelve month comparison with the net financial position at 30 June 2015 shows an improvement of €69.5 million; the net position with banks was particularly significant, coming in at €205.9 million (€121.5 million at 30 June 2015), an improvement of €84.4 million over the 12-month period.
This figure is largely attributable to the positive impact of cash flow from operations, notwithstanding the adverse exchange effect of around €8.1 million (versus a positive €55.5 million in the prior twelve month period).

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

(€/million)	**30.06.2016 (6 months)**	**30.06.2015 (6 months)**	**31.12.2015 (12 months)**
Cash flow by current operations	94.2	71.0	243.3
Cash flow by changes in working capital	(2.1)	(0.7)	(51.5)
Cash flow by investment activities	(21.5)	(25.6)	(53.3)
Cash flow by operating activities	**70.6**	**44.7**	**138.6**
Dividends paid	(65.8)	(61.3)	(61.3)
Cash flow by changes in cash flow hedge reserves	(11.2)	2.4	(7.7)
Cash flow by other changes in net equity	(9.0)	29.2	30.3
Cash flow absorbed by changes in net equity	**(86.0)**	**(29.7)**	**(38.7)**
Cash flow for the period	**(15.4)**	**15.0**	**99.9**
Opening net financial position	188.9	89.0	89.0
Closing net financial position	**173.5**	**104.0**	**188.9**

Net cash flow from operations reached a positive €70.6 million in the first half of 2016 (versus a positive €44.7 million in first half 2015) and benefitted from higher operating margins, as well as lower investments following completion of the work on the production facilities in China and Romania.

First-half cash flows were, however, affected by changes in net equity: the payment of €65.8 million in dividends (versus €61.3 million in 2015), the negative impact of the fair value measurement of hedging instruments which came to €11.2 million (versus a positive €29.4 million in first half 2015), and the negative exchange differences of €8.9 million (versus a positive €29.4 million in first half 2015) resulted in a negative net change of €86.0 million (versus €29.7 in the first half of 2015).
Cash flow from operations amounted to €164.5 million in the twelve month period (an improvement with respect to the €147.9 million recorded in the prior year), while changes in net equity (exchange differences, in particular) negatively impacted total cash flow.

Human resources

The De'Longhi Group had 6,605 employees at 30 June 2016, detailed as follows:

	30.06.2016	**31.12.2015**	**30.06.2015**
Blue collar	3,683	3,502	4,261
White collar	2,829	2,842	2,809
Senior managers	93	92	98
Total	**6,605**	**6,436**	**7,168**
Average employees 1st half 2016	**6,598**	**6,698**	**6,778**

Alternative performance indicators

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:
- Gross profit and EBITDA: 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.
- Net working capital: this measure is the sum of inventories, trade receivables, current tax assets and other receivables, minus trade payables, current tax liabilities and other payables.
- Net operating working capital: this measure is the sum of inventories and trade receivables, minus trade payables.
- Net capital employed: 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.
- Net debt/(net financial position): 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.

The figures contained in this 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.

Principal risks and uncertainties facing the Group

Reference should be made to the Group Annual Report at 31 December 2015.

Corporate governance and ownership structure

Reference should be made to the Group Annual Report at 31 December 2015.

Reconciliation of net equity and profit (loss) for the period

Below is a brief reconciliation between the net equity and profit reported by the parent company, De'Longhi S.p.A., and the figures shown in the consolidated financial statements:

(€/thousands)	**Net equity 30.06.2016**	**Profit (loss) after taxes 1st half 2016**
De'Longhi S.p.A. financial statements	**304,017**	**34,544**
Share of subsidiaries' equity and results for period attributable to the Group, after deducting carrying value of the investments	582,756	18,720
Allocation of goodwill arising on consolidation and related amortization and reversal of goodwill recognized for statutory purposes	23,670	(1,210)
Elimination of intercompany profits	(39,998)	(2,692)
Other adjustments	(2,492)	280
Consolidated financial statements	**867,953**	**49,642**
Minority interests	2,883	203
Group portion	**865,070**	**49,439**

Related party transactions

Related party transactions fall within the normal course of business by Group companies.
Information on related party transactions is summarized in Appendix 3 to the Explanatory notes.

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

There have been no significant events since the end of the reporting period.
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Outlook

The performance of the first six months has confirmed the 2016 expectations of the management of the Group, as detailed in the guidance disclosed with the first quarter results.

More in detail, for the current year, the expectation to grow revenues in organic terms at "*mid-to-low single digit*" rates is confirmed, sustained by the fourth quarter, which will benefit from additional marketing investments already activated in the previous quarters, part of the company's response to market opportunities, with the objective to provide the basis for stronger revenue growth also in the coming years.

As regards profitability, the target to grow Ebitda in absolute value in 2016 is confirmed, also due to a lower expected negative foreign exchange and derivatives impact against our assumptions at the beginning of the year.

Treviso, 28 July 2016

For the Board of Directors
Vice Chairman and Chief Executive Officer
Fabio de' Longhi

CONSOLIDATED INCOME STATEMENT

(€/000)	Notes	1st half 2016	of which non-recurring	1st half 2015	of which non-recurring
Revenues from sales and services	1	761,988		779,358	
Other revenues	1	9,908		11,204	
Total consolidated revenues		***771,896***		***790,562***	
Raw and ancillary materials, consumables and goods	2	(380,235)		(405,506)	
Change in inventories of finished products and work in progress	3	50,703		51,499	
Change in inventories of raw and ancillary materials, consumables and goods	3	6,522		8,766	
Materials consumed		***(323,010)***		***(345,241)***	
Payroll costs	4-8	(117,488)	(2,419)	(112,490)	
Services and other operating expenses	5-8	(217,973)	(88)	(226,837)	
Provisions	6-8	(9,573)	(214)	(10,661)	
Amortization	7	(24,070)		(24,975)	
EBIT		**79,782**		**70,358**	
Financial income (expenses)	9	(13,232)		(18,978)	
PROFIT (LOSS) BEFORE TAXES		**66,550**		**51,380**	
Income taxes	10	(16,908)		(13,976)	
CONSOLIDATED PROFIT (LOSS) AFTER TAXES		**49,642**		**37,404**	
Profit (loss) pertaining to minority interests	27	203		(12)	
PROFIT (LOSS) PERTAINING TO THE GROUP		**49,439**		**37,416**	

EARNINGS PER SHARE (in Euro)		
- basic	**€ 0.33**	**€ 0.25**
- diluted (*)	**€ 0.33**	**€ 0.25**

(*) Diluted earnings per share are calculated by dividing the profit or loss pertaining to the Group by the weighted average number of ordinary shares outstanding during the period and the number of shares that could be issued. At 30 June 2016 the shares that could be issued under the stock option plan approved by shareholders on 14 April 2016 have yet to be assigned and, therefore, are not included in the calculation.

Appendix 3 reports the effect of related party transactions on the income statement, as required by CONSOB Resolution 15519 of 27 July 2006.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(€/000)	1st half 2016	1st half 2015
Consolidated profit (loss) after taxes	**49,642**	**37,404**
- Change in fair value of cash flow hedges and financial assets available for sale	(11,581)	2,419
- Tax effect on change in fair value of cash flow hedges and financial assets available for sale	2,562	(563)
- Differences from translating foreign companies' financial statements into Euro	(12,453)	54,184
Total other comprehensive income will subsequently reclassified to profit (loss) for the year	*(21,472)*	*56,040*
Total other comprehensive income will not subsequently reclassified to profit (loss) for the year	-	-
Other components of comprehensive income	**(21,472)**	**56,040**
Total comprehensive income	**28,170**	**93,444**
Total comprehensive income attributables to:		
Owners of the parent	27,967	93,456
Minority interests	203	(12)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

ASSETS (€/000)	Notes	30.06.2016	31.12.2015
NON-CURRENT ASSETS			
INTANGIBLE ASSETS		321,555	322,498
- Goodwill	11	92,400	92,400
- Other intangible assets	12	229,155	230,098
PROPERTY, PLANT AND EQUIPMENT		191,908	197,983
- Land, property, plant and machinery	13	109,481	113,513
- Other tangible assets	14	82,427	84,470
EQUITY INVESTMENTS AND OTHER FINANCIAL ASSETS		13,440	13,135
- Equity investments	15	5,503	5,454
- Receivables	16	3,004	2,901
- Other non-current financial assets	17	4,933	4,780
DEFERRED TAX ASSETS	18	44,510	39,772
TOTAL NON-CURRENT ASSETS		571,413	573,388
CURRENT ASSETS			
INVENTORIES	19	381,860	323,420
TRADE RECEIVABLES	20	214,877	372,072
CURRENT TAX ASSETS	21	10,450	10,024
OTHER RECEIVABLES	22	33,179	32,544
CURRENT FINANCIAL RECEIVABLES AND ASSETS	23	10,682	15,912
CASH AND CASH EQUIVALENTS	24	335,409	357,910
TOTAL CURRENT ASSETS		986,457	1,111,882
NON-CURRENT ASSETS HELD FOR SALE	25	1,249	1,107
TOTAL ASSETS		**1,559,119**	**1,686,377**

NET EQUITY AND LIABILITIES (€/000)		30.06.2016	31.12.2015
NET EQUITY			
GROUP PORTION OF NET EQUITY		865,070	902,883
- Share capital	26	224,250	224,250
- Reserves	27	591,381	529,100
- Profit (loss) pertaining to the Group		49,439	149,533
MINORITY INTERESTS	27	2,883	2,973
TOTAL NET EQUITY		867,953	905,856
NON-CURRENT LIABILITIES			
FINANCIAL PAYABLES		116,889	118,248
- Bank loans and borrowings (long-term portion)	28	-	-
- Other financial payables (long-term portion)	29	116,889	118,248
DEFERRED TAX LIABILITIES	18	22,309	22,443
NON-CURRENT PROVISIONS FOR CONTINGENCIES AND OTHER CHARGES		84,211	80,709
- Employee benefits	30	33,360	30,443
- Other provisions	31	50,851	50,266
TOTAL NON-CURRENT LIABILITIES		223,409	221,400
CURRENT LIABILITIES			
TRADE PAYABLES		318,166	383,346
FINANCIAL PAYABLES		60,676	71,498
- Bank loans and borrowings (short-term portion)	28	26,943	27,273
- Other financial payables (short-term portion)	29	33,733	44,225
CURRENT TAX LIABILITIES	32	18,278	10,955
OTHER PAYABLES	33	70,637	93,322
TOTAL CURRENT LIABILITIES		467,757	559,121
TOTAL NET EQUITY AND LIABILITIES		**1,559,119**	**1,686,377**

Appendix 3 reports the effect of related party transactions on the statement of financial position, as required by CONSOB Resolution 15519 of 27 July 2006.

CONSOLIDATED STATEMENT OF CASH FLOW

	Notes	1st half 2016	1st half 2015
Profit (loss) pertaining to the Group		49,439	37,416
Income taxes for the period		16,908	13,976
Amortization		24,070	24,975
Net change in provisions and other non-cash items		3,761	(5,412)
Cash flow generated by current operations (A)		**94,178**	**70,955**
Change in assets and liabilities for the period:			
Trade receivables		155,172	125,271
Inventories		(57,227)	(61,447)
Trade payables		(58,636)	(33,734)
Other changes in net working capital		(28,793)	(5,468)
Payment of income taxes		(12,645)	(25,277)
Cash flow absorbed by movements in working capital (B)		**(2,129)**	**(655)**
Cash flow generated by current operations and movements in working capital (A+B)		**92,049**	**70,300**
Investment activities:			
Investments in intangible assets		(4,978)	(5,256)
Other cash flows for intangible assets		(50)	22
Investments in property, plant and equipment		(17,678)	(21,046)
Other cash flows for property, plant and equipment		878	722
Net investments in equity investments and other financial assets		341	(65)
Cash flow absorbed by ordinary investment activities (C)		**(21,487)**	**(25,623)**
Dividends paid		(65,780)	(61,295)
Change in currency translation reserve		(7,537)	31,343
Increase (decrease) in minority interests		(91)	(222)
New loans		-	1,472
Payment of interests on loans		(1,620)	(1,727)
Repayment of loans and other net changes in sources of finance		(18,035)	(125,911)
Cash flow generated (absorbed) by changes in net equity and by financing activities (D)		**(93,063)**	**(156,340)**
Cash flow for the period (A+B+C+D)		**(22,501)**	**(111,663)**
Opening cash and cash equivalents	*24*	**357,910**	**388,530**
Increase (decrease) in cash and cash equivalents (A+B+C+D)		(22,501)	(111,663)
Closing cash and cash equivalents	*24*	**335,409**	**276,867**

Appendix 2 presents the statement of cash flows in terms of net financial position.

CONSOLIDATE STATEMENT OF CHANGES IN NET EQUITY

(€/000)	SHARE CAPITAL	SHARE PREMIUM RESERVE	LEGAL RESERVE	EXTRAORDINARY RESERVES	FAIR VALUE AND CASH FLOW HEDGE RESERVES	CURRENCY TRANSLATION RESERVE	PROFIT (LOSS) CARRIED FORWARD	PROFIT (LOSS) PERTAINING TO GROUP	GROUP PORTION OF NET EQUITY	MINORITY INTERESTS	TOTAL NET EQUITY
Balance at 31 December 2014	**224,250**	**162**	**12,225**	**19,421**	**11,862**	**7,312**	**381,473**	**126,532**	**783,237**	**2,910**	**786,147**
Allocation of 2014 result as per AGM resolution of 14 April 2015											
- distribution of dividends							(61,295)		(61,295)		(61,295)
- allocation to reserves			3,348	2,312			120,872	(126,532)	-		-
Other changes in minority interests									-	(211)	(211)
Movements from transactions with shareholders	**-**	**-**	**3,348**	**2,312**	**-**	**-**	**59,577**	**(126,532)**	**(61,295)**	**(211)**	**(61,506)**
Profit (loss) after taxes								37,416	37,416		37,416
Other components of comprehensive income					1,856	54,184	-	-	56,040	(12)	56,028
Comprehensive income (loss)	**-**	**-**	**-**	**-**	**1,856**	**54,184**	**-**	**37,416**	**93,456**	**(12)**	**93,444**
Balance at 30 June 2015	**224,250**	**162**	**15,573**	**21,733**	**13,718**	**61,496**	**441,050**	**37,416**	**815,398**	**2,687**	**818,085**
Balance at 31 December 2015	**224,250**	**162**	**15,573**	**21,733**	**4,793**	**45,652**	**441,187**	**149,533**	**902,883**	**2,973**	**905,856**
Allocation of 2015 result as per AGM resolution of 14 April 2016											
- distribution of dividends				(1,791)			(63,989)		(65,780)		(65,780)
- allocation to reserves			3,368				146,165	(149,533)	-		-
Other changes in minority interests									-	(293)	(293)
Movements from transactions with shareholders	**-**	**-**	**3,368**	**(1,791)**	**-**	**-**	**82,176**	**(149,533)**	**(65,780)**	**(293)**	**(66,073)**
Profit (loss) after taxes									-		-
Other components of comprehensive income					(9,019)	(12,453)		49,439	27,967	203	28,170
Comprehensive income (loss)	**-**	**-**	**-**	**-**	**(9,019)**	**(12,453)**	**-**	**49,439**	**27,967**	**203**	**28,170**
Balance at 30 June 2016	**224,250**	**162**	**18,941**	**19,942**	**(4,226)**	**33,199**	**523,363**	**49,439**	**865,070**	**2,883**	**867,953**

EXPLANATORY NOTES

GROUP BUSINESS

The De'Longhi Group is headed up by De'Longhi S.p.A., a company with its registered office in Treviso whose shares are listed on the Italian stock exchange run by Borsa Italiana.
The Group is active in the production and distribution of small appliances for food preparation and cooking, domestic cleaning and ironing, air conditioning and portable heaters; the companies included in the scope of consolidation are listed in Appendix 1 to the Explanatory notes.

ACCOUNTING STANDARDS

The half-year financial report includes the condensed consolidated financial statements, which have been prepared in accordance with IFRS (International Financial Reporting Standards) and particularly with the recommendations of IAS 34 – Interim Financial Reporting, which requires interim financial statements to be prepared in a condensed format with fewer disclosures than in annual financial statements.

The half-year condensed consolidated financial statements at 30 June 2016 comprise the income statement, the statement of comprehensive income, the statement of financial position, the statement of cash flows and the statement of changes in net equity, all of which have been prepared in a full format that is comparable with the annual consolidated financial statements.
The explanatory notes are presented in a condensed format and, therefore, are limited to the information needed by users to understand the financial statements for the first half of 2016.

These financial statements are presented in thousands of Euro, unless otherwise indicated.

The half-year condensed consolidated financial statements have used the same consolidation procedures and accounting policies as those described in the annual report, to which the reader should refer with the exception of a few standards and amendments effective as of 1 January 2016 described in the section "International financial reporting standards and/or interpretations adopted".

The same accounting policies as those described in the annual report, to which the reader should refer, were used.

The publication of the half-year condensed consolidated financial statements for the period ended 30 June 2016 was authorized by the Board of Directors on 28 July 2016.

International financial reporting standards and/or interpretations adopted

The half-year condensed consolidated financial statements, drafted in accordance with IAS 34 – Interim Financial Reporting, were prepared using the same accounting principles used to prepare the consolidated financial statements at 31 December 2015, with the exception of what is described below.

<u>New amendments and accounting standards endorsed by the European Union, applicable subsequent to 1 January 2016</u>

The changes adopted by the European Commission in 2015 by way of publication in the Official Gazette are applicable as of the first year beginning on or subsequent to 1 January 2016. Application of these new standards did not have a material impact on the information found in the half-year financial report.

On 23 November 2015 the EC Regulation 2015/2113 was published in the Official Gazette which adopts the amendments to IAS 16 *Property, plant and equipment* and IAS 41 *Agriculture* relative to including bearer plants within the scope of IAS 16.

On 24 November 2015 EC Regulation 2015/2173 was published which introduces a few changes to IFRS 11 *Joint arrangements* relating to the acquisition of interests in joint arrangements; more in detail, the Regulation establishes that when an entity acquires an interest in a joint operation considered a business pursuant to and in accordance with IFRS, the interest held should be accounted for using the standards outlined in IFRS 3 *Business combinations.*

On 2 December 2015 the EC Regulation 2015/2231 was published in the Official Gazette which adopts some of the amendments made to IAS 16 *Property, plant and equipment* and IAS 38 *Intangible assets* relating, in particular, to amortization and depreciation. The Regulation clarifies that it is not appropriate to calculate amortization and depreciation for both property, plant and equipment and intangible assets based on the revenue generated by the asset.

In Regulation 2015/2343 of 15 December 2015 the European Commission adopted the changes introduced by IASB in the *Annual Improvements to International Financial Reporting Standards 2012-2014 Cycle*, ("the annual improvements"), as part of its regular improvement process which aims at streamlining and clarifying the international standards. Clarification was provided relative to terms found in IFRS 5 *Non-current assets held for sale,* IFRS 7 *Financial instruments*, IAS 19 *Employee benefits* and IAS 34 *Interim financial reporting.*

On 18 December 2015 Regulation 2015/2406 and Regulation 2015/2441 were published in the Official Gazette. The first introduces a few changes to IAS 1 *Presentation of financial statements* which seek to improve the efficacy of the information provided; the second adopts a few amendments made to IAS 27 *Separate financial statements* which will allow an entity to use the equity method, described in IAS 28 *Investments in associates and joint ventures*, to account for investments in subsidiaries, joint ventures and associates in their respective financial statements.

The Group did not apply any new standards, interpretations or amendments endorsed, but not yet applicable, in advance.

Estimates

These half-year financial statements, prepared in accordance with IFRS, contain estimates and assumptions made by the Group relating to assets and liabilities, costs, revenues and contingent liabilities at the reporting date. These estimates are based on past experience and assumptions considered to be reasonable and realistic, based on the information available at the time of making the estimate.
The assumptions relating to these estimates are periodically reviewed and the related effects reflected in the income statement in the same period: actual results could therefore differ from these estimates.
For more information about the principal assumptions used by the Group see the section "Estimates and Assumptions" found in the notes to the consolidated financial statements at 31 December 2015.
The more complex valuations, including relative to the loss in value of non-current assets, are typically completed when the annual report is being prepared as all the necessary information is available, with the exception of any instances when impairment indicators evidence loss in value.
Similarly, the actuarial valuations needed to determine the provisions relative to employee benefits are normally carried out at year-end, when the annual report is prepared, with the exception of when a plan is amended or liquidated.

Translation of balances in foreign currencies

The following exchange rates have been used:

		30.06.2016		30.06.2015		Change %		31.12.2015
Currency		**Period-end Exchange rate**	**Average Exchange rate**	**Period-end Exchange rate**	**Average Exchange rate**	**Period-end Exchange rate**	**Average Exchange rate**	**Period-end Exchange rate**
US dollar	USD	1.11020	1.11553	1.11890	1.11585	(0.78%)	(0.03%)	1.08870
British pound	GBP	0.82650	0.77849	0.71140	0.73238	16.2%	6.3%	0.73395
Hong Kong dollar	HKD	8.61350	8.66540	8.67400	8.65208	(0.7%)	0.2%	8.43760
Chinese renminbi (yuan)	CNY	7.37550	7.29366	6.93660	6.94110	6.3%	5.1%	7.06080
Australian dollar	AUD	1.49290	1.52206	1.45500	1.42595	2.6%	6.7%	1.48970
Canadian dollar	CAD	1.43840	1.48539	1.38390	1.37720	3.9%	7.9%	1.51160
Japanese yen	JPY	114.05000	124.50150	137.01000	134.16483	(16.8%)	(7.2%)	131.07000
Malaysian ringgit	MYR	4.43010	4.57476	4.21850	4.06028	5.0%	12.7%	4.69590
New Zeland dollar	NZD	1.56160	1.64848	1.65480	1.50551	(5.6%)	9.5%	1.59230
Polish zloty	PLN	4.43620	4.36861	4.19110	4.13967	5.8%	5.5%	4.26390
South Africa rand	ZAR	16.44610	17.20373	13.64160	13.29908	20.6%	29.4%	16.95300
Singapore dollar	SGD	1.49570	1.54018	1.50680	1.50587	(0.7%)	2.3%	1.54170
Russian rouble	RUB	71.52000	78.41223	62.35500	64.60237	14.7%	21.4%	80.67360
Turkish lira	TRY	3.20600	3.25875	2.99530	2.86201	7.0%	13.9%	3.17650
Czech koruna	CZK	27.13100	27.03945	27.25300	27.50415	(0.4%)	(1.7%)	27.02300
Swiss franc	CHF	1.08670	1.09601	1.04130	1.05654	4.4%	3.7%	1.08350
Brazilian real	BRL	3.58980	4.13492	3.46990	3.30765	3.5%	25.0%	4.31170
Croatian kuna	HRK	7.52810	7.56099	7.59480	7.62784	(0.9%)	(0.9%)	7.63800
Ukrainian hryvnia	UAH	27.56380	28.40308	23.54060	23.90085	17.1%	18.8%	26.15870
Indian Rupee	INR	74.96030	74.97762	71.18730	70.12237	5.3%	6.9%	72.02150
Romanian Leu	RON	4.52340	4.49559	4.47250	4.44752	1.1%	1.1%	4.52400
South Korean won	KRW	1278.48000	1318.80833	1251.27000	1226.98667	2.2%	7.5%	1280.78000
Chilean Peso	CLP	735.50000	769.26150	714.92100	693.05667	2.9%	11.0%	772.71300
Mexican Peso	MXN	20.63470	20.15993	17.53320	16.88610	17.7%	19.4%	18.91450
Swedish krona	SEK	9.42420	9.30152	9.21500	9.34216	2.3%	(0.4%)	9.18950

Source: Bank of Italy

CHANGE IN THE SCOPE OF CONSOLIDATION AND OTHER SIGNIFCANT EVENTS

There were no significant changes in the scope of consolidation in the first half of 2016.

During the Annual General Meeting held on 14 April 2016 shareholders renewed the authorization to purchase and dispose of the Company's shares for up to a maximum of 14.5 million ordinary shares and, in any case , not more than one fifth of the share capital, including any shares owned by controlled companies.

Shareholders also 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 for 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 Company's Board of Directors, on the basis of a proposal made by the C.E.O. (the "Plan"). The Plan provides for the free assignment to Beneficiaries of up to a maximum of 2,000,000 options granting the right to subscribe an equal number of new De'Longhi S.p.A. shares which will be issued by way of a divisible cash capital increase, excluding preemption rights. Each option will grant the right to subscribe one new share of De'Longhi S.p.A. , in accordance with the Plan regulations which were approved by shareholders during the meeting held on 14 April 2016. In extraordinary session, shareholders approved the proposal to increase share capital, for cash, in a divisible manner, pursuant to Art. 2439, second paragraph, of the Italian Civil Code, without preemption rights pursuant to Article 2441, paragraph 4.2 of the Italian Civil Code, by up to a maximum amount of €3,000,000, through the issue within December 31, 2022, including on one or more occasions, of a maximum of 2,000,000 ordinary shares with a par value of Euro 1.5 each, pari passu with all shares outstanding at the issue date, with voting rights, to service the Plan. The shares issued following exercise of the rights granted to the beneficiaries are to be issued at a price, including any share premium, that is equal to the average closing price of De'Longhi's shares traded on the stock

market organized and managed by Borsa Italiana S.p.A. recorded in the sixty days prior to the date on which the shareholders approved, in ordinary session, the Plan and the regulations.
No options have been assigned at the date of this report.

SEASONALITY OF BUSINESS

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

COMMENTS ON THE INCOME STATEMENT

1. REVENUES

Revenues, comprising revenues from sales and services and other revenues, are broken down by region as follows:

(€/million)	1st half 2016	% of revenues	1st half 2015	% of revenues	Change	Change %
North East Europe	173,939	22.5%	179,012	22.6%	(5,073)	(2.8%)
South West Europe	335,667	43.5%	331,350	41.9%	4,317	1.3%
EUROPE	**509,606**	**66.0%**	**510,362**	**64.6%**	**(756)**	**(0.1%)**
MEIA (Middle East/India/Africa)	**62,645**	**8.1%**	**81,126**	**10.3%**	**(18,481)**	**(22.8%)**
United States and Canada	72,058	9.3%	68,231	8.6%	3,827	5.6%
Australia and New Zealand	48,153	6.2%	51,500	6.5%	(3,347)	(6.5%)
Japan	20,315	2.6%	16,939	2.1%	3,376	19.9%
Other countries area APA	59,119	7.7%	62,404	7.9%	(3,285)	(5.3%)
APA (Asia/Pacific/Americas)	**199,645**	**25.9%**	**199,074**	**25.2%**	**571**	**0.3%**
Total revenues	**771,896**	**100.0%**	**790,562**	**100.0%**	**(18,666)**	**(2.4%)**

More details about revenues by operating segment can be found in note 38. Operating segments.

"Other revenues" are broken down as follows:

	1st half 2016	1st half 2015	Change
Freight reimbursement	2,368	2,616	(248)
Commercial rights	1,112	1,688	(576)
Out-of-period gains	18	390	(372)
Damages reimbursed	422	302	120
Other income	5,988	6,208	(220)
Total	**9,908**	**11,204**	**(1,296)**

2. RAW AND ANCILLARY MATERIALS, CONSUMABLES AND GOODS

The breakdown is as follows:

	1st half 2016	1st half 2015	Change
Finished products	186,596	204,177	(17,581)
Parts	161,473	165,827	(4,354)
Raw materials	25,574	28,629	(3,055)
Other purchases	6,592	6,873	(281)
Total	**380,235**	**405,506**	**(25,271)**

3. CHANGE IN INVENTORIES

The breakdown is as follows:

	1st half 2016	1st half 2015	Change
Change in inventories of finished products and work in progress	50,703	51,499	(796)
Change in inventories of raw and ancillary materials, consumables and goods	6,522	8,766	(2,244)

The difference between the overall change in inventories reported in the income statement and the change in balances reported in the statement of financial position is mainly due to differences arising on the translation of foreign company financial statements.

4. PAYROLL COSTS

These costs include €30,773 thousand in production-related payroll (€31,632 thousand at 30 June 2015).
The figures relating to the cost of employee benefits provided by certain Group companies in Italy and abroad are reported in the note on provisions.

The average employees reached 6,598 in the first half of 2016, a decrease of 180 employees with respect to the first half of 2015. The Group’s workforce at 30 June 2016 can be broken down numerically by category as follows:

	30.06.2016	30.06.2015	31.12.2015
Blue collar	3,683	4,261	3,502
White collar	2,829	2,809	2,842
Senior managers	93	98	92
Total	**6,605**	**7,168**	**6,436**

This item includes other non-recurring expenses of €2,419 thousand relating to the restructuring and reorganization of a few foreign subsidiaries.

5. SERVICES AND OTHER OPERATING EXPENSES

These are detailed as follows:

	1st half 2016	1st half 2015	Change
Advertising and promotional expenses	71,536	65,567	5,969
Transport (for purchases and sales)	31,237	37,100	(5,863)
Subcontracted work	19,637	24,436	(4,799)
Rentals and leasing	16,772	16,962	(190)
Travel	9,465	8,610	855
Consulting services	8,643	6,464	2,179
After-sale expenses	7,272	7,565	(293)
Storage and warehousing	7,207	8,045	(838)
Insurance	4,468	5,015	(547)
Commissions	3,917	4,615	(698)
Power	3,653	3,917	(264)
Maintenance	2,299	2,027	272
Postage, telegraph and telephones	1,892	1,949	(57)
Statutory auditors' emoluments and Directors' emoluments	1,684	1,642	42
Other utilities, cleaning, security, waste disposal	1,268	1,324	(56)
Other sundry services	12,049	12,632	(583)
Total services	**202,999**	**207,870**	**(4,871)**
Sundry taxes	12,705	16,368	(3,663)
Other	2,269	2,599	(330)
Total other operating expenses	**14,974**	**18,967**	**(3,993)**
Total services and other operating expenses	**217,973**	**226,837**	**(8,864)**

This item includes other non-recurring expenses of €88 thousand relating to the commercial reorganization underway at a few foreign subsidiaries.

6. CONTINGENCY AND OTHER PROVISIONS

At 30 June 2016 this figure includes provisions for contingencies and other charges of €7,968 thousand (including €214 thousand in one-offs relating to the commercial reorganization underway at a few foreign subsidiaries) and provisions for doubtful accounts of €1,605 thousand.

Please refer to note 31 - Non-current provisions for contingencies and other charges.

7. AMORTIZATION

These are detailed as follows:

	1st half 2016	1st half 2015	Change
Amortization of intangible assets	5,220	6,010	(790)
Depreciation of property, plant and equipment	18,850	18,965	(115)
Total	**24,070**	**24,975**	**(905)**

More details about amortization and depreciation can be found in the tables reporting movements in intangible assets and property, plant and equipment.

8. NON-RECURRING INCOME/(EXPENSES)

This item includes expenses incurred in the first half of 2016 relating to the restructuring and reorganization of a few foreign subsidiaries which amounted to €2,721 thousand and recognized directly in the relative lines of the income statement (€2,419 thousand payroll costs, €88 thousand cost of services, €214 thousand provisions).
No non-recurring income/(expenses) were recorded in the first half of 2015.

9. FINANCIAL INCOME (EXPENSES)

Net financial income and expenses are broken down as follows:

	1st half 2016	1st half 2015	Change
Exchange differences and gains (losses) on currency hedges	**(2,460)**	**(7,334)**	**4,874**
Gains on equity investments	**983**	**749**	**234**
Net interest expense	(2,955)	(3,897)	942
Financial discounts	(7,107)	(7,073)	(34)
Other financial income (expenses)	(1,693)	(1,423)	(270)
Other net financial income (expenses)	**(11,755)**	**(12,393)**	**638**
Financial income (expenses)	**(13,232)**	**(18,978)**	**5,746**

"Other financial income (expenses)" include the rate differentials on derivatives that hedge currency risk.

“Gains on equity investments” include the income generated by the interest held in the TCL/DL joint venture, dedicated to the manufacture of air conditioners, consolidated using the equity method. The item also includes the income generated by the sale, as a result of the mandatory tender offer launched on 23 December 2015, of the remaining interest (0.053% of the share capital) held in DeLclima S.p.A. after completion of the partial demerger that took effect on 1 January 2012.

“Net interest expense and other bank charges" includes both interest payable on the Group's financial debt (recalculated using the amortized cost method), as well as the financial cost of factoring receivables without recourse.

10. INCOME TAXES FOR THE PERIOD

These are analyzed as follows:

	1st half 2016	1st half 2015	Change
Current income taxes:			
- Income taxes	18,145	16,180	1,965
- IRAP (Italian regional business tax)	704	1,411	(707)
Deferred (advance) income taxes	(1,941)	(3,615)	1,674
Total	**16,908**	**13,976**	**2,932**

"Deferred (advance) income taxes" include the taxes calculated on the temporary differences arising between the accounting values of assets and liabilities and the corresponding tax base (particularly for taxed provisions recognized by the parent company and its subsidiaries). They also include the benefit arising from the carryforward of unused tax losses which are likely to be used in the future.

COMMENTS ON THE STATEMENT OF FINANCIAL POSITION: ASSETS

NON-CURRENT ASSETS

11. GOODWILL

	30.06.2016		31.12.2015		
	Gross	**Net**	**Gross**	**Net**	**Change**
Goodwill	99,147	92,400	99,147	92,400	-

Goodwill is not amortized because 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 value of goodwill did not change during the first half.

The following table shows how goodwill is allocated by CGU (cash generating unit):

Cash-generating unit	**30.06.2016**
De'Longhi	26,444
Kenwood	17,120
Braun	48,836
Total	**92,400**

The objective of the impairment test is to determine the value in use of the CGU to which the goodwill refers, meaning the present value of the future cash flows expected to be derived from ongoing use of the assets; any cash flows arising from extraordinary events are therefore ignored.
In particular, value in use is determined using the discounted cash flow method for forecast cash flows contained in three-year plans approved by management.

The impairment test carried out at the end of 2015 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 evidence that these assets might have suffered an impairment loss.

Estimating the recoverable amount of the CGUs requires management to make judgements and estimates. In fact, several factors also associated with developments in the difficult market context could make it necessary to reassess the value of goodwill. The Group will be constantly monitoring those circumstances and events that might make it necessary to perform new impairment tests.

No events of significance have occurred in the first half of 2016 such as might suggest that the carrying amount could have suffered any loss of value.
Further information can be found in the explanatory notes to the financial statements at 31 December 2015.

12. OTHER INTANGIBLE ASSETS

These are analyzed as follows:

	30.06.2016		31.12.2015		
	Gross	**Net**	**Gross**	**Net**	**Change**
New product development costs	72,607	11,708	71,837	12,886	(1,178)
Patents	36,188	5,447	35,860	5,842	(395)
Trademarks and similar rights	280,751	189,938	280,717	191,788	(1,850)
Work in progress and advances	13,796	13,679	10,770	10,653	3,026
Other	22,094	8,383	21,975	8,929	(546)
Total	**425,436**	**229,155**	**421,159**	**230,098**	**(943)**

The following table reports movements in the main asset categories during the first half 2016:

	New product development costs	Patents	Trademarks and similar rights	Work in progress and advances	Other	Total
Net opening balance	**12,886**	**5,842**	**191,788**	**10,653**	**8,929**	**230,098**
Additions	1,241	176	34	3,381	146	4,978
Amortization	(1,948)	(723)	(1,884)	-	(665)	(5,220)
Translation differences and other movements (*)	(471)	152	-	(355)	(27)	(701)
Net closing balance	**11,708**	**5,447**	**189,938**	**13,679**	**8,383**	**229,155**

(*) The amounts relating to "Other movements" mostly refer to reclassifications of certain intangible assets.

The principal additions refer to the capitalization of new product development projects, based on detailed reporting and analysis of the costs incurred and the estimated future utility of such projects.
The Group has capitalized a total of €4,622 thousand in development costs as intangible assets during the first half of 2016; the increase of €1,241 thousand in "New product development costs" for projects already completed at 30 June 2016, and €3,381 thousand in "Work in progress and advances" for projects still in progress.
The Group has incurred some €24.1 million in research and development costs during the first half of 2016 (€22.9 million in the first half of 2015).

"Patents" mostly refer to internal development costs and the subsequent cost of filing for patents and to costs for developing and integrating data processing systems.

"Trademarks and similar rights" include €79.8 million for the "De'Longhi" trademark, as well as €95.0 million for the perpetual license over the Braun Household brand, treated as having an indefinite useful life under the criteria specified in IAS 38, taking into account, above all, brand awareness, economic performance, characteristics of the target market, the specific brand strategies and the amount of the investments made to support the brands.
The impairment test carried out at the end of 2015 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 evidence that these assets might have suffered an impairment loss. No events of significance have occurred in the first half of 2016 such as might suggest that the carrying amount of trademarks could have suffered any impairment loss.

13. LAND, PROPERTY, PLANT AND MACHINERY

These are analyzed as follows:

	30.06.2016		31.12.2015		
	Gross	**Net**	**Gross**	**Net**	**Change**
Land and buildings	76,990	55,928	76,862	57,344	(1,416)
Plant and machinery	122,204	53,553	122,824	56,169	(2,616)
Total	**199,194**	**109,481**	**199,686**	**113,513**	**(4,032)**

The following table reports movements during the first half 2016:

	Land and buildings	Plant and machinery	Total
Net opening balance	**57,344**	**56,169**	**113,513**
Additions	843	1,638	2,481
Disposals	-	(198)	(198)
Depreciation	(2,024)	(3,658)	(5,682)
Translation differences and other movements (*)	(235)	(398)	(633)
Net closing balance	**55,928**	**53,553**	**109,481**

(*) The amounts relating to "Other movements" mostly refer to the reclassifications of “Work in progress and advances”.

The increases in "Plant and machinery" refer mainly to the purchase of plants in China, as well as the investments made in Italy in the coffee machine production lines.

The balance of property, plant and equipment includes the following assets purchased under finance lease (reported at their net book value):

	30.06.2016	31.12.2015	Change
Plant and equipment	4,331	4,537	(206)
Other	3	15	(12)
Total	**4,334**	**4,552**	**(218)**

Information on the financial liability arising under the related lease agreements can be found in note 29. Other financial payables.

14. OTHER TANGIBLE ASSETS

Details of other tangible assets are as follows:

	30.06.2016		31.12.2015		
	Gross	**Net**	**Gross**	**Net**	**Change**
Industrial and commercial equipment	253,121	40,774	244,869	43,776	(3,002)
Other	76,022	23,615	82,039	24,837	(1,222)
Work in progress and advances	18,037	18,038	15,857	15,857	2,181
Total	**347,180**	**82,427**	**342,765**	**84,470**	**(2,043)**

The following table reports movements during the first half 2016:

	Industrial and commercial equipment	Other	Work in progress and advances	Total
Net opening balance	**43,776**	**24,837**	**15,857**	**84,470**
Additions	5,997	2,602	6,598	15,197
Disposals	(13)	(40)	-	(53)
Depreciation	(9,678)	(3,490)	-	(13,168)
Translation differences and other movements(*)	692	(294)	(4,417)	(4,019)
Net closing balance	**40,774**	**23,615**	**18,038**	**82,427**

(*) The amounts relating to "Other movements" mostly refer to the reclassifications of “Work in progress and advances”.

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

The increase in “Work in progress” is explained by the investments connected to the development of the Chinese subsidiary and the new plant in Romania.

15. EQUITY INVESTMENTS

Details of equity investments are as follows:

	30.06.2016	31.12.2015	Change
Equity investments consolidated using the equity method	5,442	4,908	534
Other equity investments available-for-sale	61	546	(485)
Total	**5,503**	**5,454**	**49**

The change in the value of jointly controlled equity investments in the first half of 2016 can be broken down as follows:

	30.06.2016
Opening net balance	**4,908**
Interest in net profit	751
Exchange differences	(217)
Closing net balance	**5,442**

16. NON-CURRENT RECEIVABLES

The balance at 30 June 2016 includes €3,004 thousand in security deposits (€2,901 thousand at 31 December 2015).

17. OTHER NON-CURRENT FINANCIAL ASSETS

At 30 June 2016, these refer for €4,824 thousand, to the fair value measurement of derivatives and, for €109 thousand, to bond held by subsidiaries (at 31 December 2015, €4,686 thousand and €94 thousand respectively).

18. DEFERRED TAX ASSETS AND DEFERRED TAX LIABILITIES

Deferred tax assets and deferred tax liabilities are detailed as follows:

	30.06.2016	31.12.2015	Change
Deferred tax assets	44,510	39,772	4,738
Deferred tax liabilities	(22,309)	(22,443)	134
Net asset balance	**22,201**	**17,329**	**4,872**

"Deferred tax assets" and "Deferred tax liabilities" include the taxes calculated on temporary differences between the carrying amount of assets and liabilities and their corresponding tax base (particularly taxed provisions recognized by the parent company and its subsidiaries) and the tax effects associated with the allocation of higher values to fixed assets as a result of allocating goodwill arising on consolidation. They also include the benefit arising from the carryforward of unused tax losses which are likely to be used in the future.

Details of the net balance are as follows:

	30.06.2016	31.12.2015	Change
Temporary differences	13,672	11,327	2,345
Tax losses	8,529	6,002	2,527
Net asset balance	**22,201**	**17,329**	**4,872**

The change in the net asset balance also reflects the increase recognized in net equity of €2,562 thousand relating to "Fair value and cash flow hedge reserve".

CURRENT ASSETS

19. INVENTORIES

"Inventories", shown net of an allowance for obsolete and slow-moving goods, can be broken down as follows:

	30.06.2016	31.12.2015	Change
Finished products and goods	328,718	278,750	49,968
Raw, ancillary and consumable materials	55,966	49,917	6,049
Work in progress and semi-finished products	27,636	26,783	853
Inventory writedown allowance	(30,460)	(32,030)	1,570
Total	**381,860**	**323,420**	**58,440**

The value of inventories, influenced by seasonality, is stated after deducting an allowance for obsolete or slow-moving goods totalling €30,460 thousand (€32,030 thousand at 31 December 2015) in relation to products and raw materials that are no longer of strategic interest to the Group.

20. TRADE RECEIVABLES

These are detailed as follows:

	30.06.2016	31.12.2015	Change
Trade receivables			
- due within 12 months	230,692	386,837	(156,145)
- due beyond 12 months	44	20	24
Allowance for doubtful accounts	(15,859)	(14,785)	(1,074)
Total trade receivables	**214,877**	**372,072**	**(157,195)**

Trade receivables, which are influenced by seasonality, are stated net of an allowance for doubtful accounts of €15,859 thousand, representing a reasonable estimate of the expected risk at the reporting date. The allowance refers to a number of disputed receivables or those whose collection is otherwise in doubt and takes account of the fact that a significant proportion of the receivables are covered by insurance policies with major insurers.

Movements in the allowance for doubtful accounts are shown in the following table:

	31.12.2015	Net increases	Utilization	Translation differences and other movements	30.06.2016
Allowance for doubtful accounts	14,785	1,605	(411)	(120)	15,859

21. CURRENT TAX ASSETS

These are detailed as follows:

	30.06.2016	31.12.2015	Change
Tax payments on account	4,503	4,391	112
Other direct tax receivables	5,060	4,482	578
Tax refunds requested	887	1,151	(264)
Total	**10,450**	**10,024**	**426**

There are no current tax assets due beyond 12 months.

22. OTHER RECEIVABLES

"Other receivables" are analyzed as follows:

	30.06.2016	31.12.2015	Change
VAT	12,477	13,790	(1,313)
Advances to suppliers	5,852	4,949	903
Other tax receivables	4,217	4,283	(66)
Prepaid insurance costs	1,457	1,169	288
Employees	339	275	64
Other	8,837	8,078	759
Total	**33,179**	**32,544**	**635**

This item includes €7 thousand in amounts due beyond 12 months (€8 thousand at 31 December 2015).

23. CURRENT FINANCIAL RECEIVABLES AND ASSETS

"Current financial receivables and assets" are analyzed as follows:

	30.06.2016	31.12.2015	Change
Fair value of derivatives	10,654	**15,509**	(4,855)
Other financial receivables	28	**403**	(375)
Total current financial receivables and assets	**10,682**	**15,912**	**(5,230)**

More details on the fair value of derivatives can be found in note 29. Other financial payables.

23. CASH AND CASH EQUIVALENTS

This balance consists of surplus liquidity in current bank accounts, mostly relating to customer payments received at the end of the period and temporary cash surpluses.
A few of the Group's foreign companies have a total of €432.2 million in cash in current accounts held at the same bank. These cash balances form part of the international cash pooling system and are partially offset by €425.8 million in overdrafts at the same bank pertaining to other foreign companies. 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 statement of financial position, 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.

The cash balances at 30 June 2016 include €441 thousand in current accounts of a few subsidiaries which are restricted having been given as collateral.

25. NON-CURRENT ASSETS HELD FOR SALE

The item refers to the value of a freehold property of a branch that was classified under non-current assets held for sale, as required under IFRS 5 – Non-current assets held for sale and discontinued operations, insofar as the Group initiated a program to locate a buyer and complete the disposal.
The amount corresponds to the net carrying amount, insofar as it is not less than the fair value of the assets held for sale, net of the selling costs.

	31.12.2015	Translation difference	30.06.2016
Non-current asset held for sale	1,107	142	1,249

COMMENTS ON THE STATEMENT OF FINANCIAL POSITION: NET EQUITY

NET EQUITY

Net equity is made up as follows:

	30.06.2016	31.12.2015	Change
Group portion	865,070	902,883	(37,813)
Minority interests	2,883	2,973	(90)
Total	**867,953**	**905,856**	**(37,903)**

The primary objective of the Group's capital management is to maintain a solid credit rating and adequate capital ratios in order to support its business and maximize value for shareholders.

Movements in the equity accounts are reported in one of the earlier schedules forming part of the financial statements; comments on the main components and their changes are provided below.

The annual general meeting (AGM) of De'Longhi S.p.A. held on 14 April 2016 approved a dividend totalling €65,780 thousand, which was paid in full during the semester.

26. SHARE CAPITAL

Share capital is made up of 149,500,000 ordinary shares of par value €1.5 each, for a total of €224,250 thousand.

Shareholders approved the proposal of the Board of Directors to adopt the "Stock Option Plan 2016-2022" reserved for the Chief Executive Officer of the Company and a restricted number of managers and key resources of the De'Longhi Group which calls for the free assignment to Beneficiaries of up to a maximum of 2,000,000 options granting the right to subscribe an equal number of new De'Longhi shares which will be issued by way of a divisible cash capital increase, excluding preemption rights. See the section "Change in the scope of consolidation and other significant events" for more information.

27. RESERVES

These are analyzed as follows:

	30.06.2016	31.12.2015	Change
Share premium reserve	162	162	-
Legal reserve	18,941	15,573	3,368
Other reserves			
- Extraordinary reserve	19,942	21,733	(1,791)
- Fair value and cash flow hedge reserve	(4,226)	4,793	(9,019)
- Currency translation reserve	33,199	45,652	(12,453)
- Profit (loss) carried forward	523,363	441,187	82,176
Total reserves	**591,381**	**529,100**	**62,281**

The "Share premium reserve" was set up following the public offering at the time of the parent company's listing on the Milan stock exchange on 23 July 2001 which was subsequently reduced to €162 thousand.

The "Legal reserve" had a balance of €15,573 thousand at 31 December 2015. The increase of €3,368 thousand is explained by the allocation of profit for the year approved by shareholders during De’Longhi S.p.A.’s AGM held on 14 April 2016.

The "Extraordinary reserve" decreased by €1,791 thousand due to the distribution of the dividends, as approved by shareholders during the above AGM.

The "Fair value and cash flow hedge reserve" reports a negative balance of €4,226 thousand, net of €609 thousand in tax.
The negative change in the “Fair value and cash flow hedge” reserve in the first half 2016, recognized in the statement of comprehensive income for the period, is attributable to the fair value of the cash flow hedge and available-for-sale securities of €9,019 thousand net of €2,562 thousand in tax.

The “Currency translation” reserve refers to exchange differences arising from the translation into Euros of the financial statements of consolidated companies reported in currencies other than the Euro. It also includes the pertinent portion of the gains or losses on financial instruments hedging net investments in foreign subsidiaries.

The item “Profit (loss) carried forward” includes the retained earnings of the consolidated companies and the effects of consolidation adjustments and changes made to comply with Group accounting policies. The increase posted in the first half reflects the retained earnings from the previous year of €146,165 thousand, net of €63,989 thousand in dividend payments.

Minority interests in net equity, which amount to €2,883 thousand (including the profit for the period of €203 thousand), refer to the minority interest (49%) held in E-Services S.r.l.

The net decrease of €90 thousand in minority interests in net equity with respect to 31 December 2015 is due to the distribution of dividends to minority shareholders of €293 thousand and to the profit for the period of €203 thousand.

Below is a reconciliation between the net equity and profit reported by the parent company, De'Longhi S.p.A., and the figures shown in the consolidated financial statements:

	Net equity 30.06.2016	Profit (loss) after taxes 1st half 2016
De'Longhi S.p.A. financial statements	**304,017**	**34,544**
Share of subsidiaries' equity and results for period attributable to the Group, after deducting carrying value of the investments	582,756	18,720
Allocation of goodwill arising on consolidation and related amortization and reversal of goodwill recognized for statutory purposes	23,670	(1,210)
Elimination of intercompany profits	(39,998)	(2,692)
Other adjustments	(2,492)	280
Consolidated financial statements	**867,953**	**49,642**
Minority interests	2,883	203
Group portion	**865,070**	**49,439**

COMMENTS ON THE STATEMENT OF FINANCIAL POSITION: LIABILITIES

NON-CURRENT LIABILITIES

28. BANK LOANS AND BORROWINGS

"Bank loans and borrowings" (including the current portion) are analyzed as follows:

	30.06.2016	31.12.2015	Change
Overdrafts	142	675	(533)
Short-term loans in Euro or foreign currency	26,801	26,598	203
Total bank loans and borrowings	**26,943**	**27,273**	**(330)**

The figure at 30 June 2016 doesn't include long-term loans.
No new loans were granted during the first half of 2016.

29. OTHER FINANCIAL PAYABLES

This balance, inclusive of the current portion, is made up as follows:

	30.06.2016	31.12.2015	Change
Negative fair value of derivatives	9,578	3,749	5,829
Payables to lease companies (short-term portion)	774	880	(106)
Other short term financial payables	23,381	39,596	(16,215)
Total short-term payables	**33,733**	**44,225**	**(10,492)**
Private placement (one to five years)	27,883	28,435	(552)
Payables to lease companies (one to five years)	631	993	(362)
Negative fair value of derivatives (one to five years)	175	-	175
Other financial payables (one to five years)	38,710	38,188	522
Total long-term payables (one to five years)	**67,399**	**67,616**	**(217)**
Private placement (beyond five years)	49,183	50,135	(952)
Other financial payables (beyond five years)	307	497	(190)
Total long-term payables (beyond five years)	**49,490**	**50,632**	**(1,142)**
Total other financial payables	**150,622**	**162,473**	**(11,851)**

The fair value of outstanding financial instruments at 30 June 2016 is detailed as follows:

	Fair Value at 30.06.2016
FX forward agreements	(891)
CCIRS on the bond loan issued by the parent company (in USD)	10,050
Derivatives hedging foreign currency receivables/payables	**9,159**
FX forward agreements	2,003
CCIRS on the bond loan issued by the parent company (in USD)	(5,437)
Derivatives covering expected cash flows	**(3,434)**
Total fair value of the derivatives	**5,725**

The "Negative fair value of derivatives" refers to hedges on currencies, foreign currency receivables and payables, as well as on future revenue streams.

"Other short-term financial payables" refer primarily to balances arising as part of without-recourse factoring of receivables. The item also includes other financial payables, relating to the remaining short-term portion of the pension fund liabilities pertaining to a subsidiary which were transferred to third parties and the portion of a loan granted to an Italian subsidiary (MIUR).

The item “Private placement” refers to the unsecured notes placed with US institutional investors (the US Private Placement), completed in 2012, for a total of USD 85,000 thousand (amounting to €77,066 thousand at 30 June 2016 based on the amortized cost method; at 31 December 2015 €78,570 thousand).
The securities were issued by De’Longhi S.p.A. in a single tranche and have a duration of 14 years. The bonds will accrue interest from the subscription date at a rate of 4.25%. The bond loan will be repaid yearly in equal capital instalments beginning September 2017 and ending September 2027, without prejudice to the ability to repay the entire amount in advance, for an average life of 10 years.
The securities are unrated and are not intended to be listed on any regulated markets.
The bond loan is subject to financial covenants in line with those contemplated in other existing loan transactions. The covenants had not been breached at 30 June 2016. The issue is not secured by collateral of any kind.

"Other financial payables (one to five years)" refers primarily to the earn-out payable under the Braun sales agreement linked to the sales performance of the Braun brand over the first five years following the acquisition (measured at fair value at the end of the reporting period).
The item also includes the residual financial payable linked to the transfer of the pension fund liabilities pertaining to a foreign company to third parties.

All the principal other financial payables (with exception of private placement loan) carry floating-rate interest, meaning that interest is based on a benchmark rate (usually 1 or 3-month Libor/Euribor) plus a spread, which depends on the nature of the payable and its due date. As a result, the fair value of loans, obtained by discounting expected future interest payments at current market rates, is not materially different from the value reported in the financial statements. This is based on the fact that forecasts of future interest payments use an interest rate which reflects current market conditions (in terms of benchmark interest rates).
The bond loan was issued at a fixed rate, however the change in fair value is hedged by a Cross Currency Interest Rate Swap.

Net financial position

Details of the net financial position are as follows:

	30.06.2016	31.12.2015	Change
A. Cash	132	134	(2)
B. Cash equivalents	335,277	357,776	(22,499)
C. Securities	-	-	-
D. Total liquidity (A+B+C)	**335,409**	**357,910**	**(22,501)**
E. Current financial receivables and other securities	**10,682**	**15,912**	**(5,230)**
of which:			
Fair value of derivatives	*10,654*	*15,509*	*(4,855)*
F. Current bank loans and borrowings	(26,943)	(27,273)	330
G. Current portion of non-current debt	-	-	-
H. Other current financial payables	(33,734)	(44,225)	10,491
of which:			
Fair value of derivatives and other financial payables	*(9,734)*	*(3,749)*	*(5,985)*
I. Current financial debt (F+G+H)	**(60,677)**	**(71,498)**	**10,821**
J. Net current financial receivables (payables) (D+E+I)	**285,414**	**302,324**	**(16,910)**
Non-current financial receivables	4,933	4,780	153
of which:			
Fair value of derivatives	*4,824*	*4,686*	*138*
K. Non-current bank loans and borrowings	-	-	-
L. Bonds	(77,066)	(78,570)	1,504
M. Other non-current payables	(39,823)	(39,678)	(145)
of which:			
Fair value of derivatives and other financial payables	*(38,155)*	*(37,666)*	*(489)*
N. Non-current financial debt (K+L+M)	**(111,956)**	**(113,468)**	**1,512**
Total	**173,458**	**188,856**	**(15,398)**

For a better understanding of changes in the Group's net financial position, reference should be made to the full consolidated statement of cash flows, appended to the present explanatory notes, and the condensed statement presented in the interim report on operations.
Details of financial receivables and payables with related parties are reported in Appendix 3.

30. EMPLOYEE BENEFITS

These are made up as follows:

	30.06.2016	31.12.2015	Change
Provision for severance indemnities	11,104	11,195	(91)
Defined benefit plans	15,756	14,915	841
Long-term benefits	6,500	4,333	2,167
Total employee benefits	**33,360**	**30,443**	**2,917**

The provision for severance indemnities includes amounts payable to employees of the Group's Italian companies and not transferred to supplementary pension schemes or the pension fund set up by INPS (Italy's national social security agency). This provision has been classified as a defined benefit plan, governed as such by IAS 19 - Employee benefits.

Some of the Group's foreign companies provide defined benefit plans for their employees.
Some of these plans have assets servicing them, but severance indemnities, as an unfunded obligation, do not.
These plans are valued on an actuarial basis to express the present value of the benefit payable at the end of service that employees have accrued at the reporting date.

The amounts of the obligations and assets to which they refer are set out below:

Provision for severance indemnities:

Movements in the period are summarized below:

Net cost charged to income	1st half 2016
Current service cost	94
Interest cost on obligations	109
Total	**203**

Change in present value of obligations	
Present value at 1 January 2016	**11,195**
Current service cost	94
Utilization of provision	(294)
Interest cost on obligations	109
Present value at 30 June 2016	**11,104**

Defined benefit plans:

Movements in the period are as follows:

Net cost charged to income	1st half 2016
Current service cost	706
Interest cost on obligations	155
Total	**861**

Change in present value of obligations	
Present value at 1 January 2016	**14,915**
Net cost charged to income	861
Benefits paid	(195)
Translation differences and other movements	175
Present value at 30 June 2016	**15,756**

The outstanding liability at 30 June 2016 of €15,756 thousand (€14,915 thousand at 31 December 2015) refers to a few subsidiaries (mainly in Germany and Japan).

The other employee benefits refer to an incentive plan 2015 – 2017 for which relative provisions were made. The plan, benefitting the Chief Executive Officer, as well as a few other executives of De'Longhi S.p.A. and other Group companies was approved by the Company's Board of Directors on 11 November 2015.
For more information please refer to the Annual Report on Remuneration.

31. OTHER PROVISIONS FOR NON-CURRENT CONTINGENCIES AND CHARGES

These are analyzed as follows:

	30.06.2016	31.12.2015	Change
Agents' leaving indemnity provision and other retirement provisions	1,833	1,884	(51)
Product warranty provision	30,143	31,555	(1,412)
Provisions for contingencies and other charges	18,875	16,827	2,048
Total non-current provisions for contingencies and other charges	**50,851**	**50,266**	**585**

Movements are as follows:

	31.12.2015	Utilization	Accrual (*)	Currency translation differences and other movements	30.06.2016
Agents' leaving indemnity provision and other retirement provisions	1,884	(100)	49	0	1,833
Product warranty provision	31,555	(8,700)	7,194	94	30,143
Provisions for contingencies and other charges	16,827	(1,274)	3,311	11	18,875
Total	**50,266**	**(10,074)**	**10,554**	**105**	**50,851**

(*) This item includes €2,586 thousand recognized in the income statement as payroll costs.

The agents' leaving indemnity provision covers the payments that might be due to departing agents in accordance with art. 1751 of the Italian Civil Code, as applied by collective compensation agreements in force.

The product warranty provision has been established, for certain consolidated companies, on the basis of estimated under-warranty repair and replacement costs for sales taking place by 30 June 2016. It takes account of the provisions of Decree 24/2002 and of European Community law.

The "Provision for contingencies and other charges" includes the provision of €11,766 thousand (€11,760 thousand at 31 December 2015) for liabilities arising from product complaints (limited to the Group's insurance deductible), the provision of €5,151 thousand (€3,165 thousand at 31 December 2015) for restructuring and reorganization and provisions made by the parent company, as well as a few subsidiaries, relating to commercial risks and other charges.

CURRENT LIABILITIES

32. CURRENT TAX LIABILITIES

The item "Tax liabilities" refers to the Group's direct tax and don't include tax due beyond 12 months.
As a result of the participation of De'Longhi S.p.A. and a few Italian subsidiaries in the national tax consolidation regime as part of the tax group formed by the parent company De'Longhi Industrial S.A., resident in Italy for tax purposes this item also includes €2,421 thousand owed related parties. See Appendix 3 "Transactions and balances with related parties" for more information.

33. OTHER PAYABLES

These are detailed as follows:

	30.06.2016	31.12.2015	Change
Employees	29,872	31,538	(1,666)
Indirect taxes	8,839	17,747	(8,908)
Social security institutions	4,159	6,960	(2,801)
Withholdings payables	2,865	6,041	(3,176)
Advances	649	554	95
Other taxes	934	7,372	(6,438)
Other	23,319	23,110	209
Total	**70,637**	**93,322**	**(22,685)**

34. COMMITMENTS

These are detailed as follows:

	30.06.2016	31.12.2015	Change
Guarantees given to third parties	2,424	1,512	912
Other commitments	5,104	5,230	(126)
Total	**7,528**	**6,742**	**786**

"Other commitments" mainly consist of contractual obligations pertaining to the subsidiaries.

In addition, as part of its factoring of trade receivables without recourse, the total exposure for which amounted to €112,384 at 30 June 2016, the Group issued a surety and a credit mandate.

35. HIERARCHICAL LEVELS OF FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE

The following table presents the hierarchical levels in which the fair value measurements of financial instruments have been classified at 30 June 2016. As required by IFRS 7, the hierarchy comprises the following levels:

- level 1: quoted prices in active markets for identical assets or liabilities;
- level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly;
- level 3: inputs for the asset or liability that are not based on observable market data.

Financial instruments measured at fair value	Level 1	Level 2	Level 3
Derivatives:			
- derivatives with positive fair value	-	15,478	-
- derivatives with negative fair value	-	9,753	-
Available-for-sale financial assets:			
- equity investments	61	-	-
- other non-current financial assets	109	-	-

There were no transfers between the levels during the period.

36. TAX POSITION

No significant changes took place in the tax position in the period ending on 30 June 2016.

37. TRANSACTIONS AND BALANCES WITH RELATED PARTIES

Appendix 3 contains the information concerning transactions and balances with related parties required by CONSOB Circulars 97001574 dated 20 February 1997, 98015375 dated 27 February 1998 and DEM/2064231 dated 30 September 2002; all transactions have fallen within the Group's normal operations and have been 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.

38. OPERATING SEGMENTS

As required under IFRS 8, the Group's activities were broken down into three operating segments (Europe, APA, MEIA) based on business region.
Each segment is responsible for all aspects of the Group's brands and services different markets; the revenues and the margins, therefore, generated by each operating segment (based on business region) may not coincide with the revenues and margins of the relative markets (based on geographic area) given the sales made by a few Group companies outside of their respective geographical areas and the intragroup transactions not allocated based on destination.

Information relating to operating segments is presented below:

Income statement data

	1st half 2016				
	Europe	*APA*	*MEIA*	Eliminations (**)	Consolidated total
Revenues (*)	**578,932**	**410,034**	**54,323**	**(271,393)**	**771,896**
EBITDA	**69,687**	**29,115**	**4,845**	**205**	**103,852**
Amortization	(17,790)	(6,253)	(27)	-	(24,070)
EBIT	**51,897**	**22,862**	**4,818**	**205**	**79,782**
Financial income (expenses)					(13,232)
Profit (loss) before taxes					**66,550**
Income taxes					(16,908)
Profit (loss) after taxes					**49,642**
Profit (loss) pertaining to minority interests					203
Profit (loss) for the period					**49,439**

(*) The revenues for each segment include revenues generated by both third parties and other Group operating segments.
(**) Eliminations refer to intersegment revenues generated and eliminated on a consolidated basis.

Statement of financial position

	30 June 2016				
	Europe	*APA*	*MEIA*	Eliminations	Consolidated total
Total assets	894,136	745,476	41,479	(121,972)	1,559,119
Total liabilities	(554,207)	(247,756)	(11,106)	121,903	(691,166)

Income statement data

	1st half 2015				
	Europe	*APA*	*MEIA*	Eliminations (**)	Consolidated total
Revenues (*)	**586,174**	**446,576**	**73,700**	**(315,888)**	**790,562**
EBITDA	**67,170**	**22,568**	**5,907**	**(312)**	**95,333**
Amortization	(19,049)	(5,889)	(37)	-	(24,975)
EBIT	**48,121**	**16,679**	**5,870**	**(312)**	**70,358**
Financial income (expenses)					(18,978)
Profit (loss) before taxes					**51,380**
Income taxes					(13,976)
Profit (loss) after taxes					**37,404**
Profit (loss) pertaining to minority interests					(12)
Profit (loss) for the period					**37,416**

(*) The revenues for each segment include revenues generated by both third parties and other Group operating segments.
(**) Intersegment revenues refer to transactions between operating segments, eliminated on a consolidated basis.

Dati patrimoniali

	31 December 2015				
	Europe	*APA*	*MEIA*	Eliminations	Consolidated total
Total assets	1,019,367	756,890	61,145	(151,025)	1,686,377
Total liabilities	(647,463)	(267,725)	(16,358)	151,025	(780,521)

39. RISK MANAGEMENT

The Group is exposed to the following financial risks as part of its normal business activity: credit, liquidity and market risks (relating primarily to currency and interest rate).
This condensed half-year financial report does not contain all the information and explanatory notes relative to financial risk management that must be included in the annual report. For additional information in this regard refer to the notes to the consolidated financial statements at 31 December 2015.

40. SUBSEQUENT EVENTS

There have been no significant events since the end of the reporting period.

Treviso, 28 July 2016

De'Longhi S.p.A.
Vice Chairman and Chief Executive Officer
Fabio de' Longhi

APPENDICES

These appendices contain additional information to that reported in the explanatory notes, of which they form an integral part.

This information is contained in the following appendices:

1. List of consolidated companies
2. Statement of consolidated cash flows in terms of net financial position
3. Transactions and balances with related parties:
    a) *Consolidated income statement and Consolidated statement of financial position*
    b) *Summary by company*

List of consolidated companies

(Appendix 1 to the Explanatory Notes)

LIST OF COMPANIES CONSOLIDATED ON A LINE-BY-LINE BASIS

Company name	Registered office	Currency	Share capital (1)	Interest held at 30/06/2016	
				Directly	Indirectly
METODO INTEGRALE:					
DE'LONGHI APPLIANCES S.R.L.	Treviso	EUR	200,000,000	100%	
DE'LONGHI AMERICA INC.	Upper Saddle River	USD	9,100,000		100%
DE'LONGHI FRANCE S.A.R.L.	Clichy	EUR	2,737,500		100%
DE'LONGHI CANADA INC.	Mississauga	CAD	1		100%
DE'LONGHI DEUTSCHLAND GMBH	Neu-Isenburg	EUR	2,100,000	100%	
DE'LONGHI BRAUN HOUSEHOLD GMBH	Neu-Isenburg	EUR	100,000		100%
DE'LONGHI ELECTRODOMESTICOS ESPANA S.L.	Barcellona	EUR	3,066		100%
DE'LONGHI CAPITAL SERVICES S.R.L. (2)	Treviso	EUR	53,000,000	11.32%	88.68%
E- SERVICES S.R.L.	Treviso	EUR	50,000	51%	
DE'LONGHI KENWOOD A.P.A. LTD	Hong Kong	HKD	73,010,000		100%
TRICOM INDUSTRIAL COMPANY LIMITED	Hong Kong	HKD	171,500,000		100%
PROMISED SUCCESS LIMITED	Hong Kong	HKD	28,000,000		100%
ON SHIU (ZHONGSHAN) ELECTRICAL APPLIANCE CO.LTD.	Zhongshan City	CNY	USD 6,900,000		100%
DE'LONGHI-KENWOOD APPLIANCES (DONG GUAN) CO.LTD.	Qing Xi Town	CNY	HKD 285,000,000		100%
DE LONGHI BENELUX S.A.	Luxembourg	EUR	181,730,990	100%	
DE'LONGHI JAPAN CORPORATION	Tokyo	JPY	450,000,000		100%
DE'LONGHI AUSTRALIA PTY LTD.	Prestons	AUD	28,800,001		100%
DE'LONGHI NEW ZEALAND LTD.	Auckland	NZD	16,007,143		100%
ZASS ALABUGA LLC	Elabuga	RUB	95,242,767		100%
DE'LONGHI LLC	Mosca	RUB	3,944,820,000		100%
KENWOOD APPLIANCES LTD.	Havant	GBP	30,586,001		100%
KENWOOD LIMITED	Havant	GBP	26,550,000		100%
KENWOOD INTERNATIONAL LTD.	Havant	GBP	20,000,000		100%
KENWOOD APPL. (SINGAPORE) PTE LTD.	Singapore	SGD	500,000		100%
KENWOOD APPL. (MALAYSIA) SDN.BHD.	Subang Jaya	MYR	1,000,000		100%
DE'LONGHI-KENWOOD GMBH	Wr Neudorf	EUR	36,336	100%	
DE'LONGHI SOUTH AFRICA PTY. LTD.	Maraisburg	ZAR	100,332,501		100%
DE'LONGHI KENWOOD HELLAS S.A.	Atene	EUR	452,520		100%
DE'LONGHI PORTUGAL UNIPESSOAL LDA	Maia	EUR	5,000		100%
ARIETE DEUTSCHLAND GMBH	Dusseldorf	EUR	25,000		100%
CLIM.RE. S.A.	Luxembourg	EUR	1,239,468	4%	96%
ELLE SRL	Treviso	EUR	10,000		100%
DE'LONGHI BOSPHORUS EV ALETLERI TICARET ANONIM SIRKETI	Istanbul	TRY	6,200,000		100%
DE'LONGHI PRAGA S.R.O.	Praga	CZK	200,000		100%
KENWOOD SWISS AG	Baar	CHF	1,000,000		100%
DL HRVATSKA D.O.O.	Zagabria	HRD	20,000		100%
DE'LONGHI BRASIL - COMÉRCIO E IMPORTAÇÃO Ltda	São Paulo	BRL	43,857,581		100%
DE'LONGHI POLSKA SP. Z.O.O.	Varsavia	PLN	50,000	0.1%	99.9%
DE'LONGHI APPLIANCES TECHNOLOGY SERVICES (Shenzen) Co. Ltd	Shenzen	CNY	USD 175,000		100%
DE'LONGHI UKRAINE LLC	Kiev	UAH	549,843		100%
DE'LONGHI TRADING (SHANGHAI) CO. LTD	Shanghai	CNY	USD 945,000		100%
DE'LONGHI KENWOOD MEIA F.ZE	Dubai	USD	AED 2,000,000		100%
DE'LONGHI ROMANIA S.R.L.	Cluj-Napoca	RON	47,482,500	10%	90%
DE'LONGHI KENWOOD KOREA LTD	Seoul	KRW	900,000,000		100%
DL CHILE S.A.	Santiago del Cile	CLP	3,079,066,844		100%
DE'LONGHI SCANDINAVIA AB	Stockholm	SEK	5,000,000		100%
DELONGHI MEXICO SA DE CV	Bosques de las Lomas	MXN	2,576,000		100%

INVESTMENTS VALUED IN ACCORDANCE WITH THE EQUITY METHOD

DL-TCL HOLDINGS (HK) LTD.	Hong Kong	HKD	USD 5,000,000	50%
TCL-DE'LONGHI HOME APPLIANCES (ZHONGSHAN) CO.LTD.	Zhongshan City	CNY	USD 5,000,000	50%

OTHER SUBSIDIARIES (IN LIQUIDATION OR DORMANT)

Company name	Registered office	Currency	Share capital
Subsidiary companies: (3)			
DE'LONGHI LTD.	Wellingborough	GBP	4,000,000

(1) Figures at 31 December 2015, unless otherwise specified.
(2) The articles of association, approved by the extraordinary shareholders' meeting held on 29 December 2004, give special rights to De'Longhi S.p.A. (holding 89% of the voting rights) for ordinary resolutions (approval of financial statements; declaration of dividends, nomination of directors and statutory auditors, purchase and sale of companies, grant of loans to third parties); voting rights are proportional as far as other resolutions are concerned, except for the preferential right to receive dividends held by the shareholder Kenwood Appliances Ltd.
(3) Dormant company, whose financial statement is unavailable.

Consolidated statement of cash flows in terms of net financial position

(Appendix 2 to the Explanatory Notes)

	1st half 2016	1st half 2015
Profit (loss) pertaining to the Group	49,439	37,416
Income taxes for the period	16,908	13,976
Amortization	24,070	24,975
Net change in provisions and other non-cash items	3,761	(5,412)
Cash flow generated by current operations (A)	**94,178**	**70,955**
Change in assets and liabilities:		
Trade receivables	155,172	125,271
Inventories	(57,227)	(61,447)
Trade payables	(58,636)	(33,734)
Other changes in net working capital	(28,793)	(5,468)
Payment of income taxes	(12,645)	(25,277)
Cash flow absorbed by movements in working capital (B)	**(2,129)**	**(655)**
Cash flow generated by current operations and movements in working capital (A+B)	**92,049**	**70,300**
Investment activities:		
Investments in intangible assets	(4,978)	(5,256)
Other cash flows for intangible assets	(50)	22
Investments in property, plant and equipment	(17,678)	(21,046)
Other cash flows for property, plant and equipment	878	722
Net investments in equity investments and other financial assets	341	(65)
Cash flow absorbed by ordinary investment activities (C)	**(21,487)**	**(25,623)**
Dividends paid	(65,780)	(61,295)
Fair value and cash flow hedge reserve	(11,227)	2,407
Change in currency translation reserve	(8,860)	29,444
Increase (decrease) in minority interests	(91)	(222)
Cash flow absorbed by changes in net equity (D)	**(85,958)**	**(29,666)**
Cash flow for the period (A+B+C+D)	**(15,396)**	**15,011**
Opening net financial position	**188,855**	**88,988**
Cash flow for the period (A+B+C+D)	(15,396)	15,011
Closing net financial position	**173,459**	**103,999**

Transactions and balances with related parties

(Appendix 3 to the Explanatory Notes)

Consolidated income statement

(€/000)	1st half 2016	of which with related parties	1st half 2015	of which with related parties
Revenues from sales and services	761,988	378	779,358	606
Other revenues	9,908	349	11,204	879
Total consolidated revenues	***771,896***		***790,562***	
Raw and ancillary materials, consumables and goods	(380,235)	(17,045)	(405,506)	(18,380)
Change in inventories of finished products and work in progress	50,703		51,499	
Change in inventories of raw and ancillary materials, consumables and goods	6,522		8,766	
Materials consumed	***(323,010)***		***(345,241)***	
Payroll costs	(117,488)		(112,490)	
Services and other operating expenses	(217,973)	(2,767)	(226,837)	(2,667)
Provisions	(9,573)		(10,661)	
Amortization	(24,070)		(24,975)	
EBIT	**79,782**		**70,358**	
Financial income (expenses)	(13,232)		(18,978)	5
PROFIT (LOSS) BEFORE TAXES	**66,550**		**51,380**	
Income taxes	(16,908)		(13,976)	
CONSOLIDATED PROFIT (LOSS) AFTER TAXES	**49,642**		**37,404**	
Profit (loss) pertaining to minority interests	203		(12)	
PROFIT (LOSS) PERTAINING TO THE GROUP	**49,439**		**37,416**	

Consolidated statement of financial position

ASSETS (€/000)	**30.06.2016**	**of which with related parties**	**31.12.2015**	**of which with related parties**
NON-CURRENT ASSETS				
INTANGIBLE ASSETS	321,555		322,498	
- Goodwill	92,400		92,400	
- Other intangible assets	229,155		230,098	
PROPERTY, PLANT AND EQUIPMENT	191,908		197,983	
- Land, property, plant and machinery	109,481		113,513	
- Other tangible assets	82,427		84,470	
EQUITY INVESTMENTS AND OTHER FINANCIAL ASSETS	13,440		13,135	
- Equity investments	5,503		5,454	
- Receivables	3,004		2,901	
- Other non-current financial assets	4,933		4,780	
DEFERRED TAX ASSETS	44,510		39,772	
TOTAL NON-CURRENT ASSETS	571,413		573,388	
CURRENT ASSETS				
INVENTORIES	381,860		323,420	
TRADE RECEIVABLES	214,877	381	372,072	1,277
CURRENT TAX ASSETS	10,450		10,024	
OTHER RECEIVABLES	33,179	428	32,544	309
CURRENT FINANCIAL RECEIVABLES AND ASSETS	10,682		15,912	
CASH AND CASH EQUIVALENTS	335,409		357,910	
TOTAL CURRENT ASSETS	986,457		1,111,882	
NON-CURRENT ASSETS HELD FOR SALE	1,249		1,107	
TOTAL ASSETS	**1,559,119**		**1,686,377**	

NET EQUITY AND LIABILITIES (€/000)	**30.06.2016**	**of which with related parties**	**31.12.2015**	**of which with related parties**
NET EQUITY				
GROUP PORTION OF NET EQUITY	865,070		902,883	
- Share capital	224,250		224,250	
- Reserves	591,381		529,100	
- Profit (loss) pertaining to the Group	49,439		149,533	
MINORITY INTERESTS	2,883		2,973	
TOTAL NET EQUITY	867,953		905,856	
NON-CURRENT LIABILITIES				
FINANCIAL PAYABLES	116,889		118,248	
- Bank loans and borrowings (long-term portion)	-		-	
- Other financial payables (long-term portion)	116,889		118,248	
DEFERRED TAX LIABILITIES	22,309		22,443	
NON-CURRENT PROVISIONS FOR CONTINGENCIES AND OTHER CHARGES	84,211		80,709	
- Employee benefits	33,360		30,443	
- Other provisions	50,851		50,266	
TOTAL NON-CURRENT LIABILITIES	223,409		221,400	
CURRENT LIABILITIES				
TRADE PAYABLES	318,166	4,253	383,346	757
FINANCIAL PAYABLES	60,676		71,498	
- Bank loans and borrowings (short-term portion)	26,943		27,273	
- Other financial payables (short-term portion)	33,733		44,225	
CURRENT TAX LIABILITIES	18,278	2,421	10,955	
OTHER PAYABLES	70,637	500	93,322	500
TOTAL CURRENT LIABILITIES	467,757		559,121	
TOTAL NET EQUITY AND LIABILITIES	**1,559,119**		**1,686,377**	

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 the De'Longhi S.p.A. rules on corporate governance, we shall now present the following information concerning income and expenses for the first half 2016 and credit/debit balances at 30 June 2016 from related party transactions:

(€/million)	**Revenues**	**Raw material and other costs**	**Trade and other receivables**	**Trade and other payables**
Related parties: (1)				
DL Radiators S.p.A.	0.6	-	0.7	0.5
TCL-De'Longhi Home Appliances (Zhongshan) Co.Ltd.	-	17.1	-	4.2
Gamma S.r.l.	0.1	2.8	0.1	-
De'Longhi Industrial S.A.	-	-	-	2.4
TOTAL RELATED PARTIES	**0.7**	**19.9**	**0.8**	**7.2**

(1) Commercial relationships.

De'Longhi S.p.A. and a few Italian subsidiaries adhered to the national tax consolidation regime (Presidential Decree. n. 917/1986 - articles 117 through 129, and Decree of 9.6.2004), as part of a tax group formed by the parent company De'Longhi Industrial S.A.; the agreement entered into covers the three-year period 2016-2018 and may be renewed. The €2.4 million included in tax payables is comprised of the taxes payable by the members of the tax group through De'Longhi Industrial S.A..

The amount owed DL Radiators S.p.A. refers to taxes payable in prior years when the companies were part of De'Longhi S.p.A.'s tax Group.

Certification of the half-year condensed consolidated financial statements pursuant to art. 81-ter of CONSOB Regulation 11971 dated 14 May 1999 and subsequent amendments and additions

The undersigned Fabio de'Longhi, Vice Chairman and Chief Executive Officer, and Stefano Biella, as Financial Reporting Officer of De'Longhi S.p.A., attest, also taking account of the provisions of paragraphs 3 and 4, art. 154-bis, of Decree 58 dated 24 February 1998:

- have been adequate in relation to the company's characteristics and
- have been effectively applied.

that the accounting and administrative processes for preparing the half-year condensed consolidated financial statements during the first half of 2016.

They also certify that the half-year condensed consolidated financial statements at 30 June 2016:

- have been prepared in accordance with the applicable International Financial Reporting Standards adopted by the European Union under Regulation (EC) 1606/2002 of the European Parliament and Council dated 19 July 2002;
- correspond to the underlying accounting records and books of account;
- are able to provide a true and fair view of the issuer's statement of financial position and results of operations and of the Group of companies included in the consolidation.

Lastly, they certify that the interim report on operations contains references to important events that took place in the first six months of the year and their impact on the half-year condensed consolidated financial statements, together with a description of the principal risks and uncertainties in the remaining six months of the year, as well as information on significant related party transactions.

Treviso, 28 July 2016

Fabio de' Longhi
Vice Chairman and Chief Executive Officer

Stefano Biella
Financial Reporting Officer

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Review report on the interim condensed consolidated financial statements
(Translation from the original Italian text)

To the Shareholders of De'Longhi S.p.A.

Introduction

We have reviewed the interim half-year condensed consolidated financial statements, comprising the consolidated statement of financial position, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in net equity, the consolidated statement of cash flow and the related explanatory notes of De'Longhi S.p.A. and its subsidiaries (the "De'Longhi Group") as of 30 June, 2016. The Directors of De'Longhi S.p.A. are responsible for the preparation of the interim half-year condensed consolidated financial statements in conformity with the International Financial Reporting Standard applicable to interim financial reporting (IAS 34) as adopted by the European Union. Our responsibility is to express a conclusion on these interim half-year condensed consolidated financial statements based on our review.

Scope of Review

We conducted our review in accordance with review standards recommended by Consob (the Italian Stock Exchange Regulatory Agency) in its Resolution no. 10867 of 31 July 1997. A review of interim half-year condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (ISA Italia) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the interim half-year condensed consolidated financial statements.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim half-year condensed consolidated financial statements of De'Longhi Group as of June 30, 2016 are not prepared, in all material respects, in conformity with the International Financial Reporting Standard applicable to interim financial reporting (IAS 34) as adopted by the European Union.

Treviso, July 29, 2016

EY S.p.A.
Signed by: Stefano Marchesin, Partner

This report has been translated into the English language solely for the convenience of international readers

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www.delonghigroup.com

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