DēLonghi Group

Interim financial report at 31 March 2017

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

EY S.P.A. ***

Internal Auditing and Corporate Governance Committee

RENATO CORRADA **
SILVIO SARTORI
STEFANIA PETRUCCIOLI**

Compensation Committee

ALBERTO CLÒ **
CARLO GARAVAGLIA
CRISTINA PAGNI **

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

Key performance indicators

Consolidated results

(€/million)	1st quarter 2017	% revenues	1st quarter 2016	% revenues	Change	% Change
Revenues	390.5	100.0%	360.3	100.0%	30.3	8.4%
Revenues like- for-like (*)	*382.4*	*100.0%*	*360.3*	*100.0%*	*22.1*	*6.1%*
Revenues at costant exchange rates	*383.2*	*100.0%*	*360.6*	*100.0%*	*22.5*	*6.3%*
Net industrial margin	190.2	48.7%	184.3	51.1%	5.9	3.2%
Net industrial margin like- for-like (*)	*189.7*	*49.6%*	*184.3*	*51.1%*	*5.4*	*2.9%*
EBITDA	51.4	13.2%	51.5	14.3%	(0.1)	(0.3%)
EBITDA like- for-like (*)	*51.6*	*13.5%*	*51.5*	*14.3%*	*0.1*	*0.2%*
EBIT	38.5	9.8%	39.4	10.9%	(1.0)	(2.5%)
Profit/ (loss) pertaining to the Group	25.1	6.4%	24.8	6.9%	0.2	1.0%

(*) Data at same consolidation scope.

Statement of financial position

(€/million)	31.03.2017	31.03.2016	31.12.2016
Net working capital	250.5	246.4	253.7
Net working capital like- for-like (*)	*236.4*	*246.4*	*249.1*
Net capital employed	711.8	711.2	706.4
Net financial assets	321.9	190.4	307.6
of which:			
- *Net bank financial assets*	*333.3*	*230.6*	*307.5*
- *Other financial receivables (payables)*	*(11.4)*	*(40.2)*	*0.1*
Net equity	1,033.7	901.6	1,014.0
Net working capital/Net revenues	13.4%	13.1%	13.8%
Net working capital like- for-like (*)/Net Revenues like- for-like (*)	*12.7%*	*13.1%*	*13.6%*

(*) Data at same consolidation scope.

Introduction

This report contains the unaudited consolidated results at 31 March 2017.

The financial results as of March 31, 2017 are published in accordance to the decision of the Board of Directors that determined to continue to approve and publish, on a voluntary basis and in addition to the annual and half-year financial reports as per article 154-ter, paragraph 1 and 2 of D. Lgs. n. 58/1998 ("TUF"), the interim reports within the terms and in the manner usually adopted by the Company.
The adopted communication policy, until a different determination by the Board of Directors, stipulates that the content of the interim reports shall be the same published in the past and it refers, in particular, to financial year 2016.

Performance review and significant events

The first quarter of 2017 was characterized, as expected, by good growth in sales volumes.

The commercial initiatives, investments and the attention paid to points of sale, as well as the intensification of R&D activities and investments, made it possible to achieve the results expected and recover organic growth.
Revenues, which increased 8.4% with respect to the first quarter of 2016, were driven by the good performance of coffee and comfort, and benefitted from the inclusion of NPE S.r.l. in the scope of consolidation, as well as the positive exchange effect linked to the revaluation of a few currencies (the ruble, in particular); this exchange effect was, then, offset by a negative price and mix effect.
Like-for-like, revenues would have risen 6.1% to €382.4 million.
At constant exchange rates revenues would have amounted to €383.2 million, an increase of 6.3% against the first quarter of 2016.

In terms of markets, revenues increased in Europe (+€17.7 million or 7.3%) thanks to the contribution of both areas. In the South West positive results were recorded, above all, in Germany, France and the Iberian Peninsula; in the North East, good results were reported in Poland, the Czech Republic, Scandinavia and, due to the positive exchange effect, Russia; the organic growth recorded in the United Kingdom was entirely offset by the exchange effect.
Sales were down in the MEIA region (-€2.5 million or -7.6%) due, above all, to the reorganization underway, including the decision to reduce the inventory held by a few distributors with a view to implementing a strategy which should deliver positive results in coming quarters.
Good results were also posted in the APA region (+ €15.0 million or +17.2%), thanks specifically to higher sales in the United States, Japan, China/Hong Kong and the positive exchange effect.
In the first quarter of 2017 the launch of the distribution in the United States of the complete range of Nespresso products was completed successfully.

The breakdown of revenues by product line shows solid growth for coffee machines and comfort. The increase in revenues for coffee (+15.0%) was boosted by the good performance of fully automatic and externally manufactured Nespresso brand machines, thanks also to the above mentioned launch in the United States. Comfort benefitted from the good sell in of air conditioning products and a favorable end of the season for heating. As for the food preparation segment, double digit growth was posted in the sale of handblenders.

The net industrial margin rose €5.9 million against the first quarter of 2016 to €190.2 million, but fell as a percentage of revenues from 51.1% to 48.7%. The result reflects, in addition to the consolidation of NPE S.r.l., the price pressure felt in a few markets (above all, Russia) due to the trend in currencies and the negative mix effect. The strong recovery of currencies (above all, the ruble) allowed for positive repositioning in these markets which, however, caused the industrial margin to shrink.
Like-for-like, the net industrial margin would have amounted to €189.7 million or 49.6% of revenues.

The increase in sales volumes recorded in the first quarter is in line with the Group's strategy to concentrate on taking the steps needed to return to organic growth after a 2016 during which the focus was on protecting margins. The foundation needed for the anticipated growth was laid in the first quarter of 2017 and the markets were resupplied with products, above all in March, based on the sales trends expected for the second quarter. As a result of this activity higher supply chain costs were incurred which impacted first quarter margins.

The increase, in absolute terms, of the industrial margin did not translate into higher EBITDA, in line with the Group's strategy, as it was offset by higher promotional and R&D costs, as well as the higher supply chain costs linked to the increased volumes transported and tariffs.
EBITDA amounted to €51.4 million, in line with the first quarter of 2016 (€51.5 million), and went from 14.3% of revenues to 13.2%.
Like-for-like, EBITDA would have amounted to €51.6 million (compared to €51.5 million in the first quarter of 2016) or 13.5% of revenues.

EBIT amounted to €38.5 million in the first quarter of 2017 or 9.8% of revenues (€39.4 million or 10.9% of revenues in the first three months of 2016), after amortization of €12.9 million.

Financial expenses fell from the €6.6 million recorded in the first quarter of 2016 to €6.2 million in the first quarter of 2017 due, above all, to lower currency management costs and despite the increased factoring with respect to the same period of 2016.

Profit pertaining to the Group amounted to €25.1 million in the first three months of 2017 (€24.8 million in the same period 2016).

The net financial position came to a positive €321.9 million at 31 March 2017 (versus €307.6 million at year-end 2016), €333.3 million of which relating to the net position with banks (€307.5 million at 31 December 2016).

The change in the net position with banks over the last twelve months came to €102.7 million, (versus €87.4 million in the previous twelve months).

Net cash flow from operating activities reached €30.0 million in the first quarter of 2017 (versus €31.7 million in the first three months of 2016) after a €5.5 million increase in investments linked, above all, to the new business plan in Romania (investments amounted to €15.4 million in the first quarter of 2017 versus €10.0 million in the first quarter of 2016).

Group results

The reclassified consolidated income statement is summarized as follows:

(€/million)	1st quarter 2017	% revenues	1st quarter 2016	% revenues
Revenues	**390.5**	**100.0%**	**360.3**	**100.0%**
Change	*30.3*	*8.4%*		
Materials consumed & other production costs (production services and payroll costs)	(200.3)	(51.3%)	(176.0)	(48.9%)
Net industrial margin	**190.2**	**48.7%**	**184.3**	**51.1%**
Costs for services and other expenses	(93.1)	(23.8%)	(90.7)	(25.2%)
Payroll (non-production)	(45.7)	(11.7%)	(42.0)	(11.7%)
EBITDA	**51.4**	**13.2%**	**51.5**	**14.3%**
Change	*(0.1)*	*(0.3%)*		
Amortization	(12.9)	(3.3%)	(12.1)	(3.4%)
EBIT	**38.5**	**9.8%**	**39.4**	**10.9%**
Change	*(1.0)*	*(2.5%)*		
Financial income (expenses)	(6.2)	(1.6%)	(6.6)	(1.8%)
Profit (loss) before taxes	**32.3**	**8.3%**	**32.9**	**9.1%**
Income taxes	(7.3)	(1.9%)	(7.9)	(2.2%)
Profit (loss) after taxes	**25.1**	**6.4%**	**25.0**	**6.9%**
Profit (loss) pertaining to minority interests	-	-	0.1	0.0%
Profit (loss) pertaining to the Group	**25.1**	**6.4%**	**24.8**	**6.9%**

Net revenues amounted to €390.5 million in the first quarter of 2017, an increase of €30.3 million (+8.4%) with respect to the first quarter of 2016.
Like-for-like, revenues would have amounted to €382.4 million, an increase of 6.1%.
Revenues benefitted from a positive exchange effect of €7.7 million; at constant exchange rates growth would have amounted to €22.5 million (+6.3%) thanks to a positive volume effect which offset the negative mix and price effect in a few key markets (primarily in Russia).

The net industrial margin rose €5.9 million against the first quarter of 2016 to €190.2 million, but fell as a percentage of revenues from 51.1% to 48.7%. The slight decline reflects, in addition to the consolidation of NPE S.r.l., the positive price positioning in a few markets which caused margins to shrink in some markets (above all, Russia) due to the trend in currencies and the negative mix effect.
Like-for-like, the net industrial margin would have amounted to €189.7 million or 49.6% of revenues.

EBITDA amounted to €51.4 million (13.2% of revenues) in the quarter, largely in line with the same period of the prior year (€51.5 million or 14.3% of revenues), despite larger investments in promotional initiatives and R&D, as well as higher supply chain costs due to increased procurement in the first quarter and higher tariffs.
Like-for-like, EBITDA would have amounted to €51.6 million (compared to €51.5 million in the first quarter of 2016) or 13.5% of revenues.

EBIT amounted to €38.5 million in the first three months of 2017 or 9.8% of revenues (versus €39.4 million or 10.9% of revenues in the same period of 2016), after amortization of €12.9 million.

The decrease in financial expenses (which amounted to €6.2 million in the first quarter of 2017 versus €6.6 million in the same period of 2016) is linked, above all, to lower currency management costs.

Profit pertaining to the Group amounted to €25.1 million in the first quarter of 2017 (€24.8 million in the first three months of 2016).

Performance by market and product line

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

(€/million)	1st quarter 2017	%	1st quarter 2016	%	Change	Change %
North East Europe	91.8	23.5%	83.0	23.1%	8.7	10.5%
South West Europe	166.4	42.6%	157.5	43.7%	9.0	5.7%
EUROPE	**258.2**	**66.1%**	**240.5**	**66.8%**	**17.7**	**7.3%**
MEIA (Middle East / India / Africa)	**29.7**	**7.6%**	**32.1**	**8.9%**	**(2.5)**	**(7.6%)**
APA (Asia / Pacific / Americas)	**102.7**	**26.3%**	**87.6**	**24.3%**	**15.0**	**17.2%**
Total revenues	**390.5**	**100.0%**	**360.3**	**100.0%**	**30.3**	**8.4%**

All commercial areas posted a positive performance in the first quarter of 2017, with the sole exception of the MEIA region.
Revenues in Europe in the first three months of 2017 totaled €258.2 million (+7.3% with respect to the comparison period); sales in the North East were up compared to the prior year (+10.5%) thanks to the good performances posted in Poland, the Czech Republic and Scandinavia; at constant exchange rates growth was also posted in the United Kingdom. In the South West the increase of 5.7% is attributable to the solid sales performances recorded in Germany, France and the Iberian Peninsula.
In the APA region, revenues rose 17.2% thanks, in particular, to the positive results recorded in the United States/Canada and in China/Hong Kong.
Revenues in the MEIA region were down compared to the first quarter of 2016 (-7.6%) due to the reorganization underway and the decision to reduce the inventory of a few distributors.

Review of the statement of financial position

The reclassified consolidated statement of financial position is presented below:

(€/million)	31.03.2017	31.03.2016	31.12.2016	Change 31.03.17 – 31.03.16	Change 31.03.17 – 31.12.16
- Intangible assets	327.1	321.8	327.8	5.2	(0.7)
- Tangibile assets	199.1	194.3	196.5	4.8	2.6
- Financial assets	8.6	8.1	8.0	0.6	0.6
- Deferred tax assets	43.1	41.1	38.4	1.9	4.7
Non-current assets	**577.9**	**565.3**	**570.7**	**12.5**	**7.2**
- Inventories	402.0	374.8	320.8	27.2	81.2
- Trade receivables	232.4	211.5	372.8	20.9	(140.4)
- Trade payables	(322.7)	(297.6)	(365.3)	(25.1)	42.7
- Other payables (net of receivables)	(61.3)	(42.4)	(74.5)	(18.9)	13.2
Net working capital	**250.5**	**246.4**	**253.7**	**4.1**	**(3.3)**
Total non-current liabilities and provisions	**(116.5)**	**(100.5)**	**(118.0)**	**(16.0)**	**1.5**
Net capital employed	**711.8**	**711.2**	**706.4**	**0.6**	**5.4**
Net financial assets	**(321.9)**	**(190.4)**	**(307.6)**	**(131.5)**	**(14.3)**
Total net equity	**1,033.7**	**901.6**	**1,014.0**	**132.1**	**19.7**
Total net debt and equity	**711.8**	**711.2**	**706.4**	**0.6**	**5.4**

Net working capital amounted to €250.5 million at 31 March 2017, slightly up against 31 March 2016 in absolute terms (€4.1 million), and as a percentage of rolling revenues (which went from 13.1% at 31 March 2016 to 13.4% at 31 March 2017) which was impacted by the change in the scope of consolidation. Like-for-like, the percentage of rolling revenues would have come to 12.7%.

The net financial position was positive for €321.9 million at 31 March 2017 (versus €307.6 million at 31 December 2016), €333.3 million of which relating to the net position with banks (€307.5 million at 31 December 2016). A change of €25.8 million in the position with banks was, therefore, recorded in the first three months of 2017 (€20.5 million in first quarter 2016) which reflects the higher investments made in the quarter.
The twelve month comparison with the net position with banks shows a positive balance of €102.7 million (versus €87.4 in the previous twelve months).

Details of the net financial position are as follows:

(€/million)	**31.03.2017**	**31.03.2016**	**31.12.2016**	**Change 31.03.17 – 31.03.16**	**Change 31.03.17 – 31.12.16**
Cash and cash equivalents	477.1	355.7	461.4	121.3	15.6
Other financial receivables	15.0	4.7	25.7	10.3	(10.6)
Current financial debt	(101.3)	(57.8)	(108.3)	(43.5)	7.0
Net current financial position	**390.8**	**302.7**	**378.8**	**88.1**	**12.0**
Non-current financial debt	**(68.9)**	**(112.3)**	**(71.2)**	**(43.4)**	**(2.3)**
Total net financial position	**321.9**	**190.4**	**307.6**	**131.5**	**14.3**
of which:					
- Positions with banks and other financial payables	*333.3*	*230.6*	*307.5*	*102.7*	*25.8*
- Financial assets/(liabilities) other than bank debt (fair value of derivatives, financial debt connected to business combinations and pension fund)	*(11.4)*	*(40.2)*	*0.1*	*28.8*	*(11.5)*

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

(€/million)	**31.03.2017 (3 months)**	**31.03.2016 (3 months)**	**31.12.2016 (12 months)**
Cash flow by current operations	43.8	44.6	286.3
Cash flow by changes in working capital	1.7	(2.9)	(43.2)
Cash flow by investment activities	(15.4)	(10.0)	(55.1)
Cash flow by operating activities	**30.0**	**31.7**	**187.9**
Dividends paid	-	-	(65.8)
Cash flow by changes in *Fair value* and *Cash flow hedge* reserves	(11.4)	(16.0)	4.2
Cash flow by other changes in net equity	(4.4)	(14.2)	(7.5)
Cash flow absorbed by changes in net equity	**(15.8)**	**(30.2)**	**(69.1)**
Cash flow for the period	**14.3**	**1.6**	**118.8**
Opening net financial position	307.6	188.9	188.9
Closing net financial position	**321.9**	**190.4**	**307.6**

The Statement of Cash Flows at 31.03.2016 was restated in order to show net working capital net of the effect of the translation of intercompany balances expressed in currencies other than the Euro included in the cash flows generated by changes in net equity.

Net cash flow from operating activities in the first three months of the year reached a positive €30.0 million (versus a positive €31.7 million in 2016) after absorbing investments of €15.4 million (€10.0 million in the first three months of 2016) which includes the investments made to implement the new business plan in Romania.

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

(€/million)	**1st quarter 2017**	**1st quarter 2016**
Profit (loss) for the period	**25.1**	**25.0**
Other components of comprehensive income:		
- Change in fair value of cash flow hedges and available-for-sale financial assets	(11.4)	(16.2)
- Tax effect of change in fair value of cash flow hedges and available-for-sale financial assets	2.2	4.0
- Differences from translating foreign companies' financial statement into Euro	3.0	(17.0)
Total other components of comprehensive income that will subsequently be reclassified to the profit (loss) for the year	(6.2)	(29.2)
Total other components of comprehensive income that will not subsequently be reclassified to profit (loss) for the year	-	-
Total comprehensive income for the period	**18.8**	**(4.3)**
Total comprehensive income attributable to:		
Parent company shareholders	18.8	(4.4)
Minority interests	-	0.1

(€/million)	**Group portion of net equity**	**Minority interests in net equity**	**Total net equity**
Net equity at 1 January 2016	**902.9**	**3.0**	**905.9**
Total comprehensive income for the 1st quarter 2016	(4.4)	0.1	(4.3)
Net equity at 31 March 2016	**898.5**	**3.1**	**901.6**
Net equity at 1 January 2017	**1,010.6**	**3.4**	**1,014.0**
Fair Value stock options	0.8	-	0.8
Total comprehensive income for the 1st quarter 2017	18.8	-	18.8
Net equity at 31 March 2017	**1,030.3**	**3.4**	**1,033.7**

Content of the interim financial report and alternative performance indicators

The income statement figures refer to the period ending on 31 March 2017, with comparatives at 31 March 2016. The statement of financial position figures refer to 31 March 2017, 31 March 2016 and 31 December 2016.
This report includes details of any significant transactions, including those with related parties.
The key performance indicators presented herein are comparable with the reclassified statements presented in the report on operations contained in the half-year and annual financial reports.

The consolidated figures have been prepared using the same consolidation procedures and accounting policies as those described in the annual financial report, to which the reader should refer.
The consolidated financial figures were prepared using the same accounting policies as those used to prepare the consolidated financial statements at 31 December 2016.

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

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

More in detail, the non-GAAP measures used include:
- Net Industrial Margin 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.
- 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 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 in this report.

Other information

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

Subsequent events

On 12 April 2017, the De'Longhi Group reached an agreement with closing expected by mid July 2017 for the acquisition of the 40% of Swiss Group Eversys, with the option to acquire the remaining 60% through a "put & call" mechanism to be exercised by June 30, 2021 (although not earlier than 2 years following the closing date).
This agreement marks the entry of the De'Longhi Group in the professional espresso coffee machine market, with a focus on the fully automatic models.
The initial maximum cash out will amount to ca. CHF 21 million and will include a consideration for the 40% equity stake.

Outlook

The increasing investments in R&D activities, advertising and promotion and the attention paid to points of sale, made it possible to achieve the results expected by the Group.
Faster growth in volumes, through operating leverage, allowed the Group to improve the Net Industrial Margin, offsetting the increase in investments in advertisement and promotion.
The first quarter confirms our confidence in reaching 2017 targets.

Treviso, 10 May 2017

For the Board of Directors
Vice Chairman and Chief Executive Officer

Fabio de' Longhi

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Declaration by the Financial Reporting Officer

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

Treviso, 10 May 2017

Financial Reporting Officer

Stefano Biella

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

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