DēLonghi Group

Interim financial report at 30 September 2016

DēLonghi KENWOOD BRAUN Ariete

COMPANY OFFICERS*

Board of Directors

GIUSEPPE DE'LONGHI	Chairman
FABIO DE'LONGHI	Vice Chairman and Chief Executive Officer
ALBERTO CLÒ **	Director
RENATO CORRADA **	Director
SILVIA DE'LONGHI	Director
CARLO GARAVAGLIA	Director
CRISTINA PAGNI **	Director
STEFANIA PETRUCCIOLI**	Director
GIORGIO SANDRI	Director
SILVIO SARTORI	Director
LUISA MARIA VIRGINIA COLLINA**	Director

Board of Statutory Auditors

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

External Auditors

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

Internal Auditing and Corporate Governance Committee

RENATO CORRADA **
SILVIO SARTORI
STEFANIA PETRUCCIOLI**

Compensation Committee

ALBERTO CLÒ **
CARLO GARAVAGLIA
CRISTINA PAGNI **

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

KEY PERFORMANCE INDICATORS

Consolidated result for the quarter

(€/million)	3rd quarter 2016	% revenues	3rd quarter 2015	% revenues	Change	% Change
Revenues	387.2	100.0%	424.3	100.0%	(37.1)	(8.7%)
Revenues at costant currency change (*)	*394.9*		*421.3*		*(26.5)*	*(6.3%)*
Net industrial margin	189.9	49.0%	202.8	47.8%	(12.9)	(6.3%)
EBITDA before non-recurring expenses	51.6	13.3%	54.6	12.9%	(3.0)	(5.4%)
EBITDA before non-recurring expenses at constant exchange rates (*)	*50.2*	*12.7%*	*44.6*	*10.6%*	*5.6*	*12.7%*
EBITDA	50.6	13.1%	54.6	12.9%	(3.9)	(7.2%)
EBIT	37.9	9.8%	41.4	9.8%	(3.5)	(8.5%)
Profit (loss) pertaining to the Group	22.6	5.8%	25.0	5.9%	(2.4)	(9.6%)

Year-to-date income statement (9 months)

(€/million)	30.09.2016	% revenues	30.09.2015	% revenues	Change	% Change
Revenues	1,159.1	100.0%	1,214.8	100.0%	(55.7)	(4.6%)
Revenues at costant currency change (*)	*1,185.9*		*1,210.1*		*(24.2)*	*(2.0%)*
Net industrial margin	571.7	49.3%	572.2	47.1%	(0.5)	(0.1%)
EBITDA before non-recurring expenses	158.2	13.6%	149.9	12.3%	8.3	5.5%
EBITDA before non-recurring expenses at constant exchange rates (*)	*157.4*	*13.3%*	*127.3*	*10.5%*	*30.1*	*23.6%*
EBITDA	154.5	13.3%	149.9	12.3%	4.6	3.1%
EBIT	117.7	10.2%	111.8	9.2%	5.9	5.3%
Profit (loss) pertaining to the Group	72.1	6.2%	62.5	5.1%	9.6	15.4%

(*) 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)	**30.09.2016**	**30.09.2015**	**31.12.2015**
Net working capital	263.1	279.5	250.4
Net operating working capital	322.5	333.3	312.1
Net capital employed	726.9	759.1	717.0
Net financial assets	159.3	64.3	188.9
of which:			
- *Net bank financial position*	*197.8*	*89.8*	*210.1*
- *Other financial receivables/(payables)*	*(38.5)*	*(25.5)*	*(21.2)*
Net equity	886.2	823.4	905.9
Net working capital/Net revenues	14.3%	15.1%	13.2%
Net operating working capital/Net revenues	17.6%	18.0%	16.5%

Introduction

This report contains the unaudited consolidated results at 30 September 2016.

The financial results as of September 30, 2016 are published, in continuity with the past, on a voluntary basis, as the mandatory requirement under article 154-ter of Consolidated Finance Law (“TUF”) is no longer in force, and the current regulatory requirements in place will be applicable as of January 2, 2017.
The decision to publish this information is not to be construed as binding for the future and will subsequently be assessed by the Company taking into account the standards and application criteria introduced in the new Article 82-ter of Consob regulation n. 11971/1999, as amended.

Performance review

In the third quarter of 2016 revenues were influenced by different factors including the negative exchange effect, different timing in the sale of air conditioners with respect to the same period of 2015, commercial reorganizations carried out in 2016 and a few one-off commercial initiatives linked, in part, to the strategy developed by the Group to protect profitability at the expense of volume growth.
Against this backdrop, the Group's third quarter revenues dropped 8.7% against the same period 2015 (6.3% at constant exchange rates) to €387.2 million as a result, in addition to the above mentioned items, to negative performances in a few markets like MEIA and Brazil and the lack of the promotions launched in 2015.
EBITDA before non-recurring costs amounted to €51.6 million and came to 13.3% of revenues (vs. 12.9% in the third quarter of 2015). This improvement made it possible to offset the negative exchange effect which amounted to €8.6 million against the third quarter of 2015.

In the first nine months of 2016 the Group succeeded in increasing profitability and cash flow, in line with targets, despite the weak performance of revenue in a few markets, an unfavorable exchange environment and the above mentioned commercial inconsistencies linked also to the Group's decision to abandon a few, unprofitable product lines.

Net revenues amounted to €1,159.1 million in the first nine months, a decline of 4.6% against the same period 2015 including as a result of the adverse exchange effect (strengthening of the Euro against key currencies); at constant exchange rates, sales would have been 2% lower than the first nine months of 2015. This performance reflects the drop in sales volumes linked to a few specific commercial dynamics (including the reorganization of distribution in Turkey and Scandinavia, the inconsistencies with respect to the prior year when the new Lattissima Touch and the new line of Multifry fryers were launched, as well as the disposal of businesses which did not meet the Group's standards for profitability) and the difficult market environment in Brazil and the MEIA region.

In the third quarter the Braun brand was successfully launched in the USA, supported by important marketing and advertising campaigns which were well received by the market and resulted in a good sell-in.

In terms of markets, slight organic growth was recorded in North East Europe linked to the good sales performance in Poland and in the Czech Republic/Hungary which was, however, eroded by fluctuations in a few currencies (RUB, UAH, GBP). In the South West, revenue was basically in line with the first nine months of 2015 thanks to the good performance of sales in Italy, Germany and the Iberian Peninsula, notwithstanding the impact of the commercial reorganization in Turkey, as well as the challenging comparison with the first nine months of 2015 when the new Nespresso Lattissima Touch model was launched.
The drop in revenue recorded in the MEIA region is explained, above all, by the negative performances of a few markets as a result of political and financial difficulties.
Revenues fell slightly in the APA region due primarily to the exchange effect; a solid performance was recorded in the United States thanks to the good results of comfort and coffee, as well as the launch of Braun brand products in China/Hong Kong and South Korea; conversely, revenues dropped in Brazil as a result of 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, internally manufactured Dolcegusto and traditional (manual and filter) machines, which offset the drop in the sale of Nespresso products. Food preparation and cooking machines were impacted by weak performances in a few key markets and the comparison with 2015 during which the new range of Multifry fryers was launched.
Revenues for comfort were largely in line with the comparison period thanks to the good performance of portable air conditioners.
Revenues for home cleaning products and irons fell slightly due to the difficult conditions encountered in a few key markets.

As for margins, both the industrial and the EBITDA margin improved thanks to the positive mix and price effect, as well as cost savings, which more than offset the negative impact of volumes and the exchange/hedging effect.

The net industrial margin amounted to €571.7 million in the first nine months and was higher as a percentage of revenues compared to the same period 2015 (49.3% in the first nine months of 2016 vs. 47.1% in the same period 2015) thanks to price increases, a better mix, as well as cost savings linked also to the optimization of a few production flows.

EBITDA before non-recurring costs came to €158.2 million in the first nine months of 2016 or 13.6% of revenues, versus €149.9 million or 12.3% of revenues in the same period 2015 which helped to offset the negative exchange effect which amounted to €21.8 million against the first nine months of 2015.

The increase in EBITDA before non-recurring costs, both in absolute terms and as a percentage of revenues, is linked to the good performance of the industrial margin and the containment of non-production operating costs, which more than offset the increase in promotional costs incurred primarily to support the launch of the Braun brand in the United States.

Net of the €3.7 million in non-recurring costs, relating to the restructuring and reorganization underway at a few foreign branches, EBITDA amounted to €154.5 million (13.3% of revenues), an improvement of €4.6 million against the same period 2015 (€149.9 million, 12.3% of revenues).

EBIT amounted to €117.7 million in first nine months of 2016 or 10.2% of revenues (€111.8 million or 9.2% of revenues in 2015), after amortization and depreciation of €36.8 million, down slightly with respect to the same period 2015 (€38.1 million).

In the first nine months of 2016 financial expenses fell by €6.8 million from the €27.2 million recorded in the same period 2015 to €20.4 million thanks, above all, to lower currency management costs linked to the decreased currency exposure of a few foreign subsidiaries, the improved net financial position with banks and more efficient securitization of receivables following the renewal of the program completed in 2015.

Profit pertaining to the Group amounted to €72.1 million in the first nine months of 2016 (€62.5 million in the same period 2015), after tax of €25.0 million (€21.9 million in 2015).

The net financial position came to a positive €159.3 million at 30 September 2016 (versus €188.9 million at year-end 2015), €197.8 million of which relating to the net position with banks.
The change in the net financial position with banks over the last twelve months came to €108.0 million after the payment of €65.8 million in dividends; cash flow generated by operations amounted to €190.2 million in the twelve month period (versus €172.2 million in the prior twelve month period).

Group results

The reclassified consolidated income statement is summarized as follows:

(€/million)	30.09.2016 (9 months)	% revenues	30.09.2015 (9 months)	% revenues
Revenues	**1,159.1**	**100.0%**	**1,214.8**	**100.0%**
Change 2016/2015	*(55.7)*	*(4.6%)*		
Materials consumed & other production costs (production services and payroll costs)	(587.4)	(50.7%)	(642.6)	(52.9%)
Net industrial margin	**571.7**	**49.3%**	**572.2**	**47.1%**
Services and other operating expenses	(288.2)	(24.9%)	(301.0)	(24.8%)
Payroll (non-production)	(125.3)	(10.8%)	(121.3)	(10.0%)
EBITDA before non-recurring income/expenses	**158.2**	**13.6%**	**149.9**	**12.3%**
Change 2016/2015	*8.3*	*5.5%*		
Other non-recurring income (expenses)	(3.7)	(0.3%)	-	-
EBITDA	**154.5**	**13.3%**	**149.9**	**12.3%**
Amortization	(36.8)	(3.2%)	(38.1)	(3.1%)
EBIT	**117.7**	**10.2%**	**111.8**	**9.2%**
Change 2016/2015	*5.9*	*5.3%*		
Financial income (expenses)	(20.4)	(1.8%)	(27.2)	(2.2%)
Profit (loss) before taxes	**97.3**	**8.4%**	**84.6**	**7.0%**
Income taxes	(25.0)	(2.2%)	(21.9)	(1.8%)
Profit (loss) after taxes	**72.4**	**6.2%**	**62.6**	**5.2%**
Profit (loss) pertaining to minority interests	0.3	-	0.2	-
Profit (loss) pertaining to the Group	**72.1**	**6.2%**	**62.5**	**5.1%**

Revenues amounted to €1,159.1 million, down against the same period 2015 (€1,214.8 million) as a result of the adverse exchange effect (related, above all, to the strengthening of the Euro against currencies in Russia, Australia and the United Kingdom) and the decrease in volumes linked to a few specific commercial dynamics (such as the commercial reorganizations underway, the inconsistent comparison with the prior year during which the new Lattissima Touch machine and the new line of Multifry fryers were launched, and the disposal of businesses which did not meet the Group's standards for profitability), as well as the difficult market environment in Brazil and the MEIA region.

Sales for the nine month period were sustained by good growth in the sale of espresso coffee machines, particularly the fully automatic machines (thanks also to the launch of new models), internally manufactured Dolcegusto machines and traditional models (manual and filter); while the sale of single-serve machines fell due also to the challenging comparison with the prior year (during which the new Lattissima Touch model was launched).

Despite the weak revenues, margins rose in the first nine months thanks to an improved product mix, the strategy to raise prices and lower costs. The net industrial margin amounted to €571.7 million in the first nine months of 2016 and reached 49.3% of revenues versus 47.1% in the comparison period 2015.

The combined effect of the good operating results and the containment of non-production operating costs, made it possible to improve, both in absolute terms and as a percentage of revenues, EBITDA before non-recurring costs

which amounted to €158.2 million at the end of the period under examination or 13.6% of revenues (versus €149.9 million or 12.3% of revenues in the first nine months of 2015).
The increase (+ €8.3 million or +5.5%) was achieved despite the higher promotional costs incurred to support the launch of the Braun brand in the United States (€5.7 million).
In the first nine months of 2016 the Group incurred non-recurring costs of €3.7 million connected to the restructuring and reorganization of a few international branches.

EBIT amounted to €117.7 million in the first nine months of 2016 or 10.2% of revenues (€111.8 million or 9.2% of revenues in the same period 2015), after amortization and depreciation of €36.8 million, down slightly with respect to the same period 2015 (€38.1 million).

The decline in financial expenses (€20.4 million in the first nine months of 2016 versus €27.2 million in the same period 2015) is due, 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 €72.1 million in the first nine months of 2016 (€62.5 million in the same period 2015), after tax of €25.0 million.

Markets

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

(€/million)	30.09.2016	% revenues	30.09.2015	% revenues	Change	% Change
North East Europe	275.0	23.7%	286.5	23.6%	(11.6)	(4.0%)
South West Europe	502.5	43.3%	507.9	41.8%	(5.4)	(1.1%)
EUROPE	**777.4**	**67.1%**	**794.4**	**65.4%**	**(17.0)**	**(2.1%)**
MEIA (Middle East/India/Africa)	**93.1**	**8.0%**	**125.5**	**10.3%**	**(32.4)**	**(25.8%)**
United States and Canada	102.2	8.8%	98.0	8.1%	4.1	4.2%
Australia and New Zealand	72.6	6.3%	73.5	6.1%	(0.9)	(1.2%)
Japan	30.7	2.6%	28.4	2.3%	2.3	8.0%
Other countries area APA	83.1	7.2%	94.9	7.8%	(11.8)	(12.5%)
APA (Asia/Pacific/Americas)	**288.6**	**24.9%**	**294.9**	**24.3%**	**(6.3)**	**(2.1%)**
Total revenues	**1,159.1**	**100.0%**	**1,214.8**	**100.0%**	**(55.7)**	**(4.6%)**

In Europe revenues for the first nine months of 2016, net of the exchange effect, were basically in line with the same period 2015. Slight organic growth (+0.5%) was recorded in the North East linked to the good sales performance in Poland and in the Czech Republic/Hungary which was offset by currency fluctuations (RUB, UAH, GBP). In the South West, revenues were down slightly, despite the good performance of sales in Italy, Germany, Spain and Portugal, due to the commercial reorganization in Turkey, as well as the challenging comparison with the first nine months of 2015 when the new Nespresso Lattissima Touch model was launched.
The drop in revenues recorded in the MEIA region is explained, above all, by the negative performances of a few markets (mainly Saudi Arabia) as a result of political and financial difficulties, as well as the introduction of restrictions on imports in Egypt which basically blocked sales.

Revenues fell slightly in the APA region due primarily to the exchange effect which was partially offset by the brilliant performance recorded in the United States thanks to the good results of comfort and coffee, as well as the launch of Braun brand products in China/Hong Kong and South Korea; this positive performance was offset by the drop in revenues recorded in Brazil linked to the difficulties encountered in this market and the unfavorable weather conditions which impacted the air conditioning segment.

Review of the statement of financial position

The reclassified consolidated statement of financial position is presented below:

(€/million)	30.09.2016	30.09.2015	31.12.2015	Change 30.09.16 – 30.09.15	Change 30.09.16 – 31.12.15
- Intangible assets	325.8	324.2	322.5	1.7	3.3
- Tangible assets	192.3	197.5	199.1	(5.1)	(6.7)
- Financial assets	7.9	8.4	8.4	(0.6)	(0.5)
- Deferred tax assets	48.3	52.9	39.8	(4.6)	8.5
Non-current assets	**574.4**	**583.0**	**569.7**	**(8.6)**	**4.7**
- Inventories	433.9	438.2	323.4	(4.3)	110.5
- Trade receivables	194.5	255.8	372.1	(61.4)	(177.6)
- Trade payables	(305.9)	(360.8)	(383.3)	54.8	77.4
- Other payables (net of receivables)	(59.3)	(53.8)	(61.7)	(5.6)	2.4
Net working capital	**263.1**	**279.5**	**250.4**	**(16.4)**	**12.7**
Total non-current liabilities and provisions	**(110.6)**	**(103.5)**	**(103.2)**	**(7.2)**	**(7.5)**
Net capital employed	**726.9**	**759.1**	**717.0**	**(32.2)**	**9.9**
Net debt/(Net financial assets)	**(159.3)**	**(64.3)**	**(188.9)**	**(95.0)**	**29.5**
Total net equity	**886.2**	**823.4**	**905.9**	**62.8**	**(19.7)**
Total net debt and equity	**726.9**	**759.1**	**717.0**	**(32.2)**	**9.9**

Net working capital amounted to €263.1 million at 30 September 2016, down against 30 September 2015 in both absolute terms (-€16.4 million), and as a percentage of rolling revenues (which fell from 15.1% at 30 September 2015 to 14.3% at 30 September 2016) thanks, above all, to careful management of credit collection and inventories.
The change in trade receivables reflects improvement in the collection period (DSO), despite the extended payment terms granted to a few distributors in the MEIA region.

Capital expenditures amounted to €35.9 million in the first nine months of 2016, a decrease against the same period 2015 (€38.7 million), and relate, above all, to investments in the Group's production facilities in Italy, China and Romania.

The net financial position came to a positive €159.3 million at 30 September 2016 (versus €188.9 million at 31 December 2015 and €64.3 million at 30 September 2015), of which €197.8 million relating to the net position with banks (€210.1 million at 31 December 2015 and €89.8 at 30 September 2015).

In the first nine months of 2016 negative cash flow of €29.5 million was recorded (vs. -€24.7 million in the first nine months of 2015) explained, for €17.3 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 €12.2 million despite the positive cash flow from recurring operations due primarily to the negative exchange effect, which came to around €15.6 million in the nine month period, linked to the devaluation of cash and cash equivalents held by a few foreign subsidiaries.

The twelve month comparison with the net financial position shows an improvement of €95.0 million; more in detail, the net position with banks shows an improvement of €108.0 million after the payment of €65.8 million in dividends and despite the negative exchange effect of €11.2 million.

Details of the net financial position are as follows:

(€/million)	**30.09.2016**	**30.09.2015**	**31.12.2015**	**Change 30.09.16 – 30.09.15**	**Change 30.09.16 – 31.12.15**
Cash and cash equivalents	328.9	211.9	357.9	117.0	(29.0)
Other financial receivables	8.5	13.6	15.9	(5.2)	(7.4)
Current financial debt	(65.2)	(51.4)	(71.5)	(13.8)	6.3
Net current financial assets	**272.1**	**174.2**	**302.3**	**98.0**	**(30.2)**
Non-current financial debt	**(112.8)**	**(109.8)**	**(113.5)**	**(3.0)**	**0.6**
Total net financial position	**159.3**	**64.3**	**188.9**	**95.0**	**(29.5)**
Of which:					
- *Position with banks and other financial payables*	*197.8*	*89.8*	*210.1*	*108.0*	*(12.2)*
- *Financial liabilities other than bank debt (fair value of derivatives, residual payable related to business combinations, financial payable connected to the pension fund transaction)*	*(38.5)*	*(25.5)*	*(21.2)*	*(13.0)*	*(17.3)*

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

(€/million)	**30.09.2016 (9 months)**	**30.09.2015 (9 months)**	**31.12.2015 (12 months)**
Cash flow by current operations	137.9	114.1	243.3
Cash flow by changes in working capital	(37.2)	(62.3)	(51.5)
Cash flow by investment activities	(35.9)	(38.7)	(53.3)
Cash flow by operating activities	**64.7**	**13.1**	**138.6**
Dividends paid	(65.8)	(61.3)	(61.3)
Cash flow by changes in fair value and cash flow hedge reserves	(12.9)	(2.3)	(7.7)
Cash flow by other changes in net equity	(15.6)	25.8	30.3
Cash flow absorbed by changes in net equity	**(94.3)**	**(37.8)**	**(38.7)**
Cash flow for the period	**(29.5)**	**(24.7)**	**99.9**
Opening net financial position	188.9	89.0	89.0
Closing net financial position	**159.3**	**64.3**	**188.9**

Net cash flow from operations reached a positive €64.7 million in the first nine months of 2016 (versus a positive €13.1 million in the same period 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.

Period 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 €12.9 million, and the negative exchange differences of €15.6 million (versus a positive €25.8 million in the first nine months of 2015) resulted in a net decline of €94.3 million in the first nine months (versus -€37.8 million in 2015).

Cash flow from operations amounted to €190.2 million in the twelve month period (an improvement with respect to the €172.2 million recorded in the previous twelve months), while changes in net equity (exchange differences, in particular) negatively impacted total cash flow.

Here follows the statement of comprehensive income in the nine months:

(€/million)	**30.09.2016**	**30.09.2015**
Profit for the period	**72.4**	**62.6**
Other components of comprehensive income:		
- Change in fair value of cash flow hedges and available-for-sale financial assets	(13.2)	(2.1)
- Tax effect of change in fair value of cash flow hedges and available-for-sale financial assets	3.0	0.6
- Differences from translating foreign companies' financial statements into Euro	(15.7)	37.6
Total other components of comprehensive income that will subsequently be reclassified to the profit (loss) for the year	(26.0)	36.2
Total other components of comprehensive income that will not subsequently be reclassified to profit (loss) for the year	-	-
Total comprehensive income for the period	**46.4**	**98.8**
Total comprehensive income attributable to:		
Parent company shareholders	46.1	98.6
Minority interests	0.3	0.2

Here follow the main changes in net equity:

(€/million)	**Group portion of net equity**	**Minority interests in net equity**	**Total net equity**
Net equity at 1 January 2015	**783.2**	**2.9**	**786.1**
Dividend distribution	(61.3)	(0.2)	(61.5)
Total comprehensive income for the period	98.6	0.2	98.8
Net equity at 30 September 2015	**820.6**	**2.9**	**823.4**
Net equity at 1 January 2016	**902.9**	**3.0**	**905.9**
Dividend distribution	(65.8)	(0.3)	(66.1)
Total comprehensive income for the period	46.1	0.3	46.4
Net equity at 30 September 2016	**883.2**	**3.0**	**886.2**

Content of the interim financial report and alternative performance indicators

The income statement figures refer to the period ending on 30 September 2016, with comparatives at 30 September 2015. The statement of financial position figures refer to 30 September 2016, 30 September 2015 and 31 December 2015.
This report includes details of any significant transactions, including those with related parties.
The key performance indicators presented herein are comparable with the reclassified statements presented in the report on operations contained in the half-year and annual financial reports.

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

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

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

More in detail, the non-GAAP measures used include:
- 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. 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 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.

On 22 September 2016, the Group signed a 36-month business lease agreement with Procond Elettronica S.r.l., based in Longarone (BL), which also provides for the subsequent acquisition of the business itself.
By way of this agreement, the Group gained operating control of a strategic supplier of electronic components which paves the way for future benefits in terms of technological development and the cost of components.
De'Longhi will pay Procond annual rent, including for the use of the production facility, of €300 thousand.

Subsequent events

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

Outlook

The strategy of the Group for the current year was aimed at protecting and improving profitability, potentially at the detriment of sales volumes, in a context of weakness in several markets and certain product segments (food preparation and single-serve coffee).
Yet, the Group has witnessed a prolonged, and at times worsening, market contraction in certain markets (mainly the Middle East) and the occurrence of other instances of market weakness (the UK, for example).
Such elements have more than counterbalanced the good performance of the other segments of coffee makers and the Braun products. As a consequence, for 2016, the Group, while on the one hand confirms the expectations of an improvement in EBITDA in absolute value, on the other, regarding revenues, expects approximately stable organic revenues.

Treviso, 10 November 2016

For the Board of Directors
Vice Chairman and Chief Executive Officer

Fabio de' Longhi

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Declaration by the Financial Reporting Officer

Pursuant to art. 154-bis 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 November 2016

Financial Reporting Officer

Stefano Biella

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

De'Longhi S.p.A.
Registered office: Via L. Seitz, 47 – 31100 Treviso
Share capital: Eur 224.250.000 *(Subscribed and fully paid)*
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Treviso Chamber of Commerce no.: 224758
VAT no.: 03162730265