



DE' LONGHI S.P.A.

Registered office in Treviso – Via Ludovico Seitz 47

Share capital 224,250,000.00 euros fully paid up

Tax Code and Registration in the Company Register of Treviso No. 11570840154

**DIRECTORS' REPORT FOR THE
MEETING OF THE SHAREHOLDERS OF DE' LONGHI S.P.A
CONVENED IN ORDINARY AND EXTRAORDINARY SESSIONS FOR
11 APRIL 2017, IN A SINGLE CALL**

SHAREHOLDERS' MEETING OF 11 APRIL 2017

(Report prepared in accordance with Article 125-ter of the "TUF" and Articles 73 and 84-ter of the Issuers' Regulation)

Dear Shareholders,

in compliance with Article 123-ter of Legislative Decree No. 58 of 24 February 1998, as amended, (the “TUF”), and with Articles 73 and 84-ter of the regulation implementing the TUF regarding regulation of issuers, adopted by Consob with Resolution No. 11971 of 14 May 1999, as amended, (the “Issuers’ Regulation”), the Board of Directors of De’ Longhi S.p.A (hereinafter also referred to as the “Company” or the “Issuer”) hereby provides you with an report (the “Report”) explaining the items on the agenda for the Shareholders’ Meeting convened in ordinary and extraordinary sessions - by notice published on 10 March 2017 on the Company’s website (www.delonghigroup.com, “Investor Relations” – “Governance” – “Annual Shareholders’ Meeting” – “2017”) and on the Info authorised storage mechanism (accessible via the website www.info.it), and in extract form in the “Italia Oggi” newspaper on 11 March 2017 – at the Company’s registered office in Via L. Seitz 47, Treviso, Italy for 11 April 2017 at 8:45am, in single call (the “Shareholders’ Meeting”).

In particular, the agenda for the above Shareholders’ Meeting is the following:

Ordinary Part

1. *Presentation of the Annual Financial Report including the draft Statutory Financial Statements at 31 December 2016, the Report by the Board of Statutory Auditors and the Independent Auditors’ Report. Resolutions thereon.*
2. *Presentation of the Annual Remuneration Report of De’ Longhi S.p.A. and the consultative vote of the Shareholders’ Meeting on the 2017 Remuneration Policy (Section I of the Annual Remuneration Report of De’ Longhi S.p.A) in accordance with Article 123-ter of Legislative Decree No. 58/98.*
3. *Proposal to authorise the purchase and disposal of treasury shares, by revoking the resolution taken by the Shareholders’ Meeting of 14 April 2016. Resolutions thereon.*

Extraordinary part

Proposal to amend article 5 bis of Company’s articles of association in order to introduce the increase of voting rights under article 123-quinquies of Legislative Decree No. 58/98.

This Report must be read together with the separate reports on the proposals for the items on the agenda for the Extraordinary Shareholders’ Meeting, prepared in accordance with the applicable articles of the TUF and of the Issuers’ Regulations.

This Report will be filed and made available to the public on 10 March 2017 at the Company's registered office and on its website www.delonghigroup.com (“*Investor Relations*” – “*Governance*” – “*Annual Shareholders’ Meeting*” – “2017”), and on the IINFO authorised storage mechanism accessible via the website www.linfo.it.

FIRST ITEM ON THE AGENDA FOR THE ORDINARY PART

“Presentation of the Annual Financial Report including the draft Statutory Financial Statements at 31 December 2016, the Report by the Board of Statutory Auditors and the Independent Auditors’ Report. Resolutions thereon.”

Dear Shareholders,

Please note that any comment related to the first item of the agenda for the ordinary part of the Shareholders’ Meeting, including its proposed resolution, is fully explained in the Annual Financial Report -including the draft statutory financial statements and the consolidated financial statements as at 31 December 2016, the Management Report, and the certification pursuant to Article 154-bis, paragraph 5, of the TUF - which will be filed and made available to the public on 20 March 2017 at the Company's registered office and on its website www.delonghigroup.com (section “Investor Relations” – “Governance” – “Annual Shareholders’ Meeting” – “2017”), and on the IINFO authorised storage mechanism accessible via the website www.iinfo.it, together with all other documentation required by applicable law. The Statutory Auditors’ Report and the Independent Auditors’ Report will be made available to the public in the same way by the same deadline.

SECOND ITEM ON THE AGENDA FOR THE ORDINARY PART

“Presentation of the Annual Remuneration Report of De’ Longhi S.p.A. and the consultative vote of the Shareholders’ Meeting on the 2017 Remuneration Policy (Section I of the Annual Remuneration Report of De’ Longhi S.p.A) in accordance with Article 123-ter of Legislative Decree No. 58/98.”

Dear Shareholders,

With regard to the second item on the agenda for the ordinary part of the Shareholders’ Meeting, you are asked again this year to give your consultative vote on the “2017 Remuneration Policy” of De’ Longhi S.p.A (the “**Remuneration Policy**”) described in Section I of the Annual Remuneration Report of De’ Longhi S.p.A: in accordance with the combined provision of Article 123-ter, paragraphs 3 and 6, of the TUF, the Annual Shareholders’ Meeting convened to approve the statutory financial statements is called to express its opinion on the Company’s policy for remunerating the members of the board of directors, general managers and key managers with strategic responsibilities and on the procedures used to adopt and implement this policy.

As expressly indicated by Article 123-ter, paragraph 6, of the TUF, the resolution the Shareholders' Meeting must adopt with regard to the Remuneration Policy and the related adoption and implementation procedures is not binding and is limited to expressing an opinion for or against the Remuneration Policy and the related adoption and implementation. The voting result will be made available to the public on the Company's website in accordance with Article 125-*quater*, paragraph 2 of the TUF.

It should be noted that the "*Annual Remuneration Report of De' Longhi S.p.A*" and, therefore, the 2017 Remuneration Policy contained in Section I of the same report have been approved by the Board of Directors on 2 March 2017, upon the proposal of the Remuneration and Appointments Committee - in accordance with the laws and regulations in force - and will be filed and made available to the public at the Company's registered office and on its website www.delonghigroup.com ("*Investor Relations*" – "*Governance*" – "*Annual Shareholders' Meeting*" – "*2017*"), and on the IINFO authorised storage mechanism accessible on the website www.linfo.it at least 21 days before the date of the Shareholders' Meeting (therefore, by 20 March 2017).

For further details, please refer to the above report, the contents of which have also been defined in accordance with Article 84-*quater* of the Issuers' Regulation and in consideration of the related Annex 3A, Scheme 7-*bis* and Scheme 7-*ter*.

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The Shareholders' Meeting is therefore invited to adopt the following proposed resolution:

"The Meeting of the Shareholders of De' Longhi S.p.A.:

- having reviewed the Annual Remuneration Report of De' Longhi S.p.A, prepared in accordance with the laws and regulations in force,

RESOLVES

to give its opinion in favour of the 2017 Remuneration Policy of De' Longhi S.p.A and the related adoption and implementation procedures."

THIRD ITEM ON THE AGENDA FOR THE ORDINARY PART

“Proposal to authorise the purchase and disposal of treasury shares, by revoking the resolution taken by the Shareholders’ Meeting of 14 April 2015. Resolutions thereon.”

Dear Shareholders,

We submit the proposal to authorise the Company’s purchase and subsequent disposal of treasury shares for your consideration and approval.

We remind you that the previous authorisation to purchase and dispose of treasury shares was approved by the Shareholders’ Meeting held on 14 April 2016 and, therefore, the 18-month period envisaged by the same resolution is due to expire on 14 October 2017.

We would like to inform you that the Board of Directors has not, to date, ever made use of the abovementioned Shareholders’ Meeting authorisation and that, as of the date this Report is approved, the Company does not hold treasury shares either directly or through its subsidiaries, trust companies or intermediaries.

In consideration of the opportunity to renew the authorisation, for the reasons and under the terms set out below, we propose that you revoke the authorisation granted with the resolution of 14 April 2016 and, at the same time, approve a new authorisation to purchase and dispose of the Company’s ordinary shares under the following terms.

3.1 Reasons for the requested authorisation to purchase and dispose of treasury shares.

The Board of Directors has determined to submit again to the Shareholders’ Meeting the request for authorisation to perform operations to purchase treasury shares - after revocation of the resolution passed by the Shareholders’ Meeting last year - and, under certain conditions, to dispose of said shares, for three reasons:

a) it will be possible to proceed with investments in the Company's shares when the stock exchange prices or the amount of available cash make this operation economically convenient, also in order to be able to provide, if the need arises and in compliance with the applicable regulations, support activity to share’s liquidity on the stock markets, promoting the regularity of trading;

b) if necessary, treasury shares may be used for transactions related to business projects involving the opportunity to trade or transfer shareholdings;

c) if necessary, treasury shares may also be purchased and/or sold in relation to remuneration plans based on financial instruments in accordance with Article 114-*bis* of the TUF, either in the form of (traditional) stock options or under plans that do not envisage the “real” allocation of the shares, such as for example, so-called “phantom stock options”.

3.2 Maximum number, class and nominal value of the shares to which the authorisation proposal relates.

The authorisation which the Board requests from the Shareholders’ Meeting concerns the purchase of the Company’s shares to be carried out, also through a series of operations, until reaching a maximum quantity of 14,500,000 (fourteen million five hundred thousand) ordinary shares with a nominal value of 1.50 euros (one euro fifty cents) each, and therefore an amount not exceeding one fifth of the share capital - considering also any shares held by subsidiaries - and, in any case, within the limits of the distributable profits and available reserves according to the last approved financial statements. The authorisation requested includes the faculty to subsequently dispose of the shares in portfolio, without any time limit, also before having reached the maximum quantity of shares that can be purchased, and to buy-back the same shares in compliance with the limits and conditions established by this authorisation.

3.3 Useful information for the evaluation of compliance with the provision as per Article 2347, paragraph 3 of the Civil Code.

For the purposes of the evaluation of compliance with the limits as per Article 2357, paragraph 3 of the Civil Code, it is noted that the share capital is currently Euro 224,250,000.00, comprising 149,500,000 ordinary shares, and that, at the date of this Report, the Company does not hold treasury shares either directly or through subsidiaries.

The nominal value of the shares for which purchase authorisation is requested does not exceed the limit established by the Shareholders’ Meeting authorisation, also taking into account shares which may be bought by subsidiaries.

However, subsidiaries will be provided with specific instructions concerning the timely reporting of any share purchase operations in accordance with Articles 2359-*bis* et seq. of the Civil Code.

3.4 Duration of the requested authorisation.

The authorisation to purchase treasury shares for a period of 18 (eighteen) months from the date the Shareholders' Meeting adopts the relative resolution.

The authorisation to dispose of treasury shares, also before reaching the purchase limit, is requested without time limit.

3.5 Minimum and maximum payments and market valuations.

Purchase of treasury shares

The purchase price of each treasury share will be established by the Board of Directors, with the right to delegate to one or more Directors, in accordance with the following procedure: the purchase price, including accessory purchase charges, must not be lower than 20% (twenty percent) or higher than 10% (ten percent) of the official trading price recorded by the Mercato Telematico Azionario on the day before the purchase.

Disposal of treasury shares

As regards the subsequent disposal of the shares purchased, only the minimum price for sale to third parties is established, which must not entail negative economic effects on the Company, and in any case not below 95% (ninety-five percent) of the average official price recorded on the Mercato Telematico Azionario over the five days before the sale. This price limit may be waived for the exchange or sale of treasury shares within industrial projects and/or however in the interests of the Issuer, in the case of the allocation and/or sale of shares or related options to directors, employees or consultants of the De' Longhi Group and, in general, in the execution of any plan adopted in accordance with Article 114-*bis* of the TUF or for Shareholder scrip issues.

3.6 Methods through which the purchase and disposal of treasury shares will be carried out.

Share buy-back operations may be carried out, in accordance with Article 132 of the TUF and Article 144-*bis* of the Issuers' Regulation, through public purchase offer or exchange, on the market, according to the operating methods established by the market management company, which does not allow the direct linking of purchase proposals with pre-established sales proposals, or through the purchase and sale, in accordance with applicable regulations, of market traded derivative instruments which provide for the physical delivery of the underlying shares, or through the allocation to Shareholders, proportionally to the number of shares held, of a sales option to be exercised within 18 months from the date the Shareholders' Meeting adopted the corresponding resolution, and in any case ensuring the equal treatment of Shareholders and in compliance with all applicable regulations, including EU regulations.

The purchase of treasury shares may take place through procedures that differ from those indicated above where permitted by Article 132 of the TUF, or by other legal and regulatory provisions applicable at the time of the operation.

Purchases may take place on one or more occasions.

With regards to the disposal of the shares in question, this may take place, on one or more occasions, also before reaching the maximum quantity of shares that can be purchased. Disposal may take place through those methods considered most beneficial for the Company, including disposal on the stock market, outside the market, or through exchange with investments or other assets within industrial projects and/or in any case in the interest of the Company, the allocation and/or sale of shares or related options in favour of directors, employees and consultants of the De' Longhi Group and, in general, in execution of any plan adopted in accordance with Article 114-*bis* of the TUF or also as part of Shareholder scrip issues or through public purchase offers or exchange.

The shares may be disposed of also as part of other financial instruments.

3.7 Information on the utility of the purchase to reduce share capital.

It should be noted that the abovementioned purchase of treasury shares does not constitute a reduction of the share capital.

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The Shareholders' Meeting is therefore invited to adopt the following proposed resolution:

“The Meeting of the Shareholders of De' Longhi S.p.A.:

- *having regard to the resolution passed by the ordinary Shareholders' Meeting of De' Longhi S.p.A held on 14 April 2016, with regard to the authorisation to purchase and dispose of treasury shares;*
- *having noted the Report by the Board of Directors and the applicable laws and regulations;*

RESOLVES

1) to revoke the Shareholders' Meeting resolution of 14 April 2016 authorising the purchase and disposal of treasury shares, since it has not been used;

2) to authorise the purchase and disposal of treasury shares for the purposes indicated in the Directors' Report under the following terms and conditions:

- *without prejudice to the limits as per Article 2357 of the Civil Code, the purchase may be carried out on one or more occasions, until reaching a maximum quantity of 14,500,000 (fourteen million five hundred thousand) ordinary shares, also considering the shares held by the Company and by its subsidiaries, and within the limits of distributable profits and available reserves according to the last approved financial statements;*
- *the authorisation to purchase treasury shares is approved for a period of 18 (eighteen) months from today's date and therefore until 11 October 2018;*
- *the authorisation includes the faculty to subsequently dispose of the shares in portfolio, also before having reached the maximum quantity of shares that can be purchased, and to buy-back the same shares in compliance with the limits and conditions established by this authorisation, in the manner deemed most beneficial for the Company;*
- *the authorisation to dispose of treasury shares, also before reaching the purchase limit, is given without time limit;*
- *the purchase operations may be carried out, in accordance with Article 132 of the TUF and Article 144-bis of the Issuers' Regulation: (i) through public purchase offer or exchange, (ii) on the market, according to the operating methods established by the market management company, (iii) through the purchase and sale, in accordance with applicable regulations, of market traded derivative instruments which provide for the physical delivery of the underlying shares, (iv) through the allocation to Shareholders, proportionally to the number of shares held, of a sales option to be exercised within 18 (eighteen) months from today's date; and in any case ensuring the equal treatment of Shareholders and in compliance with all applicable regulations, including EU regulations;*
- *the purchase price of each treasury share, including accessory purchase charges, must not be lower than 20% (twenty percent) or higher than 10% (ten percent) of the official trading price recorded by the Mercato Telematico Azionario on the day before the purchase;*
- *only the minimum price for sale to third parties is established, which must not entail negative economic effects on the Company, and in any case not below 95% (ninety-five percent) of the average official price recorded on the Mercato Telematico Azionario over the five days before the sale. This price limit may be waived for the exchange or sale of treasury shares within industrial projects and/or however in the interests of the Company, in the case of the allocation and/or sale of shares or related options to directors, employees or consultants of the De' Longhi Group and, in general, in the execution of any plan adopted in accordance with Article 114-bis of the TUF or for Shareholder scrip issues.*

- the purchase and disposal operations will be recognised in compliance with applicable laws and accounting standards;

3) to grant the Board of Directors - and therefore the Chairman with the power to delegate to third parties - the broadest possible powers to fully execute the resolutions referred to above.”

SOLE ITEM ON THE AGENDA FOR THE EXTRAORDINARY PART

Proposal on amendment of article 5 bis of Company’s articles of association in order to introduce the increase of voting rights under article 123-quinquies of Legislative Decree No. 58/98.

Dear Shareholders,

With regard to the sole item on the agenda for the extraordinary part of the Shareholders’ Meeting, concerning the proposal to amend article 5 *bis* of Company’s articles of association in order to introduce the increase of voting rights under article 123-quinquies of Legislative Decree No. 58/98, reference is made to the “*Directors’ Report on the sole item on the agenda for the extraordinary part of the Meeting of Shareholders of De’ Longhi S.p.A convened in ordinary and extraordinary sessions for 11 April 2017, in a single call*” prepared in accordance with Articles 125-ter of the TUF and 72 of the Issuers’ Regulation and therefore in accordance with Scheme 3, Annex 3A of the same regulation, also containing the resolution proposal prepared by the Board.

This Report will be filed and made available to the public at the Company's registered office and on its website www.delonghigroup.com (section “Investor Relations” – “Governance” – “Annual Shareholders’ Meeting” – “2017”), and on the authorised storage mechanism called IINFO accessible on the website www.iinfo.it at least 21 days before the date of the Shareholders’ Meeting (therefore, by 20 March 2017).

The report by the independent auditors containing the opinion required by Article 158, paragraph 1 of the TUF will be filed and made available to the public in the same manner and by the same deadline.

Treviso, 2 March 2017

For the Board of Directors

The Chairman

Giuseppe de’ Longhi