Treviso, August 27th 2014

PRESS RELEASE

# De'Longhi S.p.A.: FIRST HALF 2014 RESULTS

**The Board of Directors of De'Longhi S.p.A. approved consolidated first half 2014 results: consolidated revenues reached € 700.1 million, up by 5.7% (10.2% at constant exchange rates); EBITDA increased to € 87.2 million (12.5% of revenues) from € 82.4 million; net income increased from € 31.7 million to € 33.0 million; net debt stood at € 65.1 million, of which € 9.0 million is net bank debt.**

## Summary

the second quarter
April 1 – June 30 2014

- revenues up 4.4% at € 362.0 million (+8.6% at constant exchange rates);
- net industrial margin was € 166.4 million, from € 166.8 million (down, as a percentage of revenues, from 48.1% to 46.0%);
- EBITDA before non-recurring items improved to € 41.1 million from € 38.6 million (as a percentage of revenues from 11.1% to 11.3%);
- EBIT stood at € 29.9 million (from € 27.5 million), increasing, as a percentage of revenues, from 7.9% to 8.2%.

the first half
January 1 – June 30 2014

- first half revenues increased 5.7% (+10.2% at constant exchange rates), reaching € 700.1 million (up from € 662.2 million);
- net industrial margin moved from € 326.9 million to € 327.5 million (from 49.4% to 46.8% as a percentage of revenues);
- EBITDA before non-recurring items increased from € 82.8 million to € 87.2 million (margin on revenues was stable at 12.5%);
- EBIT improved from € 61.3 million to € 65.2 million (stable as a percentage of revenues at 9.3%);
- net income reached € 33.0 million (versus € 31.7 million in 2013);
- net financial position at € -65,1 million, compared to € -61.7 million as of June 30, 2013 and to € -9.0 million at 2013 year end.
- excluding non-bank liabilities, the net financial position as of June 30, 2014 was € -9.0 million (€ -20.3 million as of June 30, 2013 and € 40.9 million as of December 31, 2013).

## The first half 2014

De'Longhi S.p.A.'s Board of Directors approved today 2014 consolidated first half results.

The first 6 months of the fiscal year were characterized by a still uncertain consumption trend, coupled with an unstable geo-political scenario in some countries.

The period was affected by material foreign exchange impact, both in relation with significant devaluations of some of the Group's export currencies, which started already during 2013 (Australian Dollar, Japanese Yen and Russian Ruble above all) as well as with more recent events, such as the Ukrainian crisis, which led to a sharp Hrivnia devaluation. Overall, the currency fluctuations had a negative impact on Group revenues and margins.

revenues

Despite the headwinds detailed above, the Group ended the first half of the year with revenues up 5.7% (10.2% at constant exchange rates), at € 700.1 million; second quarter revenues were € 362.0 million, up by 4.4% versus Q2 2013 (+8.6% at constant exchange rates).

| | **First half 2014** | | **Second quarter 2014** | |
|---|---|---|---|---|
| | **M €** | ***YoY change*** | **M €** | ***YoY change*** |
| **Total revenues** | **700.1** | ***37.9*** | **362.0** | ***15.3*** |
| *% change* | | *5.7%* | | *4.4%* |
| *% change at constant FX* | | *10.2%* | | *8.6%* |

During the first half of 2014, the Group recorded a positive performance across all the geographical areas where it operates.

**North-East Europe** area reported a 15.1% revenues increase in H1 2014; growth was driven by markets such as UK, Russia, Nordic Countries and Czech Republic.

**South-West Europe** area recorded a 3.7% revenues increase, mainly thanks to a positive contribution from Spain, France and, to a lower extent, from Germany and Italy.

The **APA** area (Asia, Pacific, Americas) was characterized by very different trends; overall, revenues improved slightly (+0.4%), thanks to the positive contribution of US, Japan, South Korea and Brazil. However, the positive developments of these markets were counterbalanced by a significant business contraction in Australia and New Zealand, more pronounced in the first quarter, due both to the Australian Dollar devaluation and to local markets conditions.

**MEIA** (Middle-East, India, Africa) revenues grew 5.8%, confirming the region's growth potential, despite the critical situations of some important markets, linked to the well known political issues.

By product, all product categories delivered a positive contribution to growth (coffee machines, food preparation appliances, home care and comfort products): kitchen machines were particularly strong, together with portable heating and portable air conditioning products (mainly thanks to the Japanese and US markets) as well as irons and Dolce Gusto coffee makers.

margins

**Net industrial margin** increased slightly from € 326.9 million to € 327.5 million, but it was down as a percentage of revenues (from 49.4% to 46.8%): the positive volume and mix effects were offset by a negative exchange rate impact worth some € 20.0 million, as well as by a negative price effect (due to commercial strategies implemented in a few markets to face increased competition and to a few promotional activities on some low-end products).

Below the net industrial margin, lower operating costs led to an increase in **EBITDA** before non-recurring items, from € 82.8 million to € 87.2 million, stable, as a percentage of revenues, at 12.5%. This result is particularly positive, since - during the reference period - EBITDA was negatively affected by exchange rates headwinds worth € 11.5 million.

During the second quarter, EBITDA before non-recurring items went from € 38.6 million (11.1% of revenues) to € 41.1 million (11.3% of revenues), despite foreign exchange charges worth € 5.2 million.

Since there were no non-recurring items, EBITDA in H1 2014 equalled € 87.2 million from € 82.4 million in H1 2013 (as a percentage of revenues from 12.4% to 12.5%); in Q2, EBITDA stood at € 41.1 million versus € 38.1 million in 2013 (margin on revenues increased from 11.0% to 11.4%).

**EBIT** in H1 increased to € 65.2 million from € 61.3 million in 2013 (stable at 9.3% of revenues).
EBIT in the second quarter reached € 29.9 million (€ 27.5 million in 2013), improving from 7.9% to 8.2% of revenues.

| | **First half 2014** | | **Second quarter 2014** | |
|---|---|---|---|---|
| | **M €** | ***% of revenues*** | **M €** | ***% of revenues*** |
| **Net industrial margin** | **327.5** | ***46.8 %*** | **166.4** | ***46.0 %*** |
| **EBITDA (before non-recurring)** | **87.2** | ***12.5 %*** | **41.1** | ***11.3 %*** |
| **EBITDA** | **87.2** | ***12.5 %*** | **41.1** | ***11.4 %*** |
| **EBIT** | **65.2** | ***9.3 %*** | **29.9** | ***8.2 %*** |

net financial charges

Net financial charges increased from € 17.4 million to € 19.9 million, due to higher hedging costs on some emerging markets' currencies recorded during H1 2014 (€ 5.9 million compared to € 2.7 million in H1 2013).

net income

Net income pertaining to the Group reached € 33.0 million, up from € 31.7 million in 2013.

net financial position

The net financial position (NFP) is negative for € 65.1 million, compared to a negative NFP of € 61.7 million as of June 30, 2013 and to a negative € 9.0 million as of December 31, 2013.
However, excluding non-bank indebtedness (worth € -56.1 million), the net financial position versus banks and third party lenders is negative by only € 9.0 million (negative by € 20.3 million as of June 30, 2013) showing an improvement of € 11.3 million over the last 12 months.

It is worth highlighting that the 12 month cash flow was affected by a few discretionary or extraordinary items, mainly the dividends paid (€ 59.8 million) and the extraordinary industrial investments in China and Romania (€ 21.8 million); excluding these items the net bank financial position would have improved by € 91.1 million .

Over the first six months of 2014, the change of the net financial position versus banks and third party lenders was negative by € 49.8 million, primarily as a results of higher net working capital by € 32.1 million (to support revenue growth), of the dividends paid (€ 59.8 million), and of capital expenditures worth € 27.5 million, of which € 14.2 million are extraordinary investments.

| ***€ million*** | **June 30, 2014** | **June 30, 2013** | ***12 month change*** |
|---|---|---|---|
| **short term financial position** | **63,4** | **136,4** | ***(73,0)*** |
| **medium term financial position** | **(128,5)** | **(198,1)** | ***69,6*** |
| **NET FINANCIAL POSITION** | **(65,1)** | **(61,7)** | ***(3,4)*** |
| *of which: non-bank indebtedness* | *(56,1)* | *(41,4)* | *(14,7)* |
| **NET FINANCIAL POSITION VS BANKS AND THIRD PARTY LENDERS** | **(9,0)** | **(20,3)** | ***11,3*** |

During June 2014, in order to optimize the Group's financial management, the Company entirely reimbursed, in advance of the contractual maturity, two bank loans issued by Bank of America – Milan Branch and Intesa San Paolo (granted during 2012 in relation to the Braun Household deal) for a total principal amount of Euro 70 million, using the Group's liquidity.

working capital

The net working capital as a percentage of rolling revenues reached 14.8% (versus 14.1% as of June 30, 2013 and 14.0% as of December 31, 2013). The increased weight as a percentage of revenues is also due to a change in non-operating payables and receivables, such that, considering only the *trade* net working capital (inventories, trade receivables and trade payables) the weight on rolling revenues improves from 17.4% to 17% over the last 12 months.

## Events occurred after the end of the semester

There were no relevant events occurred after the end of the semester.

## Foreseeable business development

During the first six months of 2014 the Group recorded a good performance, despite increased competition in some markets and a very unfavorable foreign exchange impact.
With regards to the markets, despite a few countries had negative growth (like Australia and New Zealand), all the geographic macro-areas where the Group operates recorded growing revenues.
At the same time, the Group product families demonstrated that the business model is very solid; each one of them recorded positive growth.
Based on the above, and also thanks to new product launches and new commercial initiatives that will take place in the second half, management expects that the positive developments seen in the first half should be confirmed also for the remainder of the year.

## Declaration of the manager responsible for the company's accounts

The manager responsible for the preparation of the company's accounts, Stefano Biella, hereby declares, as per article 154 bis, paragraph 2, of the "Testo Unico della Finanza", that all information related to the company's accounts contained in this press release are fairly representing the accounts and the books of the company.

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# A N N E X

## Consolidated results of De'Longhi Group as at June 30, 2014

### Consolidated Income Statement

| (Euro million) | 1st half 2014 | % of revenues | 1st half 2013(*) | % of revenues |
|---|---|---|---|---|
| **Net revenues** | **700.1** | **100.0%** | **662.2** | **100.0%** |
| *Change 2014/2013* | *37.9* | *5.7%* | | |
| Materials consumed and other production costs (services and production payroll costs) | (372.7) | (53.2%) | (335.4) | (50.6%) |
| **Net Industrial margin** | **327.5** | **46.8%** | **326.9** | **49.4%** |
| Cost for goods and services and other operating costs | (164.9) | (23.6%) | (174.0) | (26.3%) |
| Labour cost (non industrial) | (75.3) | (10.8%) | (70.0) | (10.6%) |
| **EBITDA before non-recurring items** | **87.2** | **12.5%** | **82.8** | **12.5%** |
| *Change 2014/2013* | *4.4* | *5.3%* | | |
| Non-recurring items | - | 0.0% | (0.4) | (0.1%) |
| **EBITDA** | **87.2** | **12.5%** | **82.4** | **12.4%** |
| Amortization | (22.0) | (3.1%) | (21.1) | (3.2%) |
| **EBIT** | **65.2** | **9.3%** | **61.3** | **9.3%** |
| *Change 2014/2013* | *3.9* | *6.3%* | | |
| Net financial charges | (19.9) | (2.8%) | (17.4) | (2.6%) |
| **Profit before taxes** | **45.3** | **6.5%** | **43.9** | **6.6%** |
| Taxes | (12.0) | (1.7%) | (11.8) | (1.8%) |
| **Profit / (Loss) of the period** | **33.3** | **4.8%** | **32.1** | **4.8%** |
| Profit (loss) pertaining to minority interests | 0.3 | 0.0% | 0.4 | 0.1% |
| **Profit (loss) pertaining to the Group** | **33.0** | **4.7%** | **31.7** | **4.8%** |

(*) Data as of June 30, 2013 were re-determined following the retrospective application of IFRS 11 - *Joint arrangements* and the final price allocation of the Braun Household business, as per IFRS 3 - *Business combination.*

## Consolidated Balance Sheet

| (Euro million) | **30.06.2014** | **30.06.2013 (*)** | **31.12.2013 (**)** | **Change 30.06.14 – 30.06.13** | **Change 30.06.14 – 31.12.13** |
|---|---|---|---|---|---|
| - intangible assets | 326.3 | 329.5 | 327.3 | (3.2) | (1.0) |
| - tangible assets | 178.9 | 160.7 | 171.4 | 18.1 | 7.5 |
| - financial assets | 6.9 | 7.7 | 7.4 | (0.8) | (0.4) |
| - deferred tax assets | 44.9 | 45.9 | 38.1 | (1.0) | 6.8 |
| **Fixed assets** | **557.0** | **543.8** | **544.2** | **13.2** | **12.9** |
| - inventories | 370.5 | 359.5 | 281.3 | 11.0 | 89.2 |
| - trade receivables | 233.4 | 223.5 | 334.6 | 10.0 | (101.1) |
| - trade payables | (321.9) | (315.3) | (338.6) | (6.6) | 16.6 |
| - other net current assets / (liabilities) | (36.7) | (51.0) | (50.6) | 14.4 | 13.9 |
| **Net working capital** | **245.3** | **216.6** | **226.7** | **28.7** | **18.6** |
| **Non-current liabilities** | **(93.6)** | **(88.9)** | **(91.9)** | **(4.7)** | **(1.7)** |
| **Net invested capital** | **708.7** | **671.5** | **679.0** | **37.2** | **29.8** |
| **Net debt / (net cash) (***)** | **65.1** | **61.7** | **9.0** | **3.4** | **56.0** |
| **Total shareholders' equity** | **643.7** | **609.9** | **669.9** | **33.8** | **(26.3)** |
| **Total net financial position and shareholders' equity** | **708.7** | **671.5** | **679.0** | **37.2** | **29.8** |

(*) Data as of June 30, 2013 were re-determined following the retrospective application of IFRS 11 - *Joint arrangements* and the final price allocation of the Braun Household business, as per IFRS 3 - *Business combination*.
(**) Data as of 31/12/2013 were re-determined following the retrospective application of IFRS 11 - *Joint arrangements.*
(***) The net debt as of June 30, 2014 includes net financial liabilities worth Euro 56.1 million (net financial liabiliites worth Euro 49.9 million as of December 31, 2013 and Euro 41.4 million as of June 30, 2013) linked to the *fair value* accounting for derivatives and options on minority stakes, to the financial debt related to the agreement on the pension plan for the UK subsidiary and to the estimated value of the contingent residual debt towards Procter & Gamble for the Braun acquisition (earn-out).

## Consolidated Cash Flow statement

| (Euro million) | 30.06.2014 (6 months) | 30.06.2013 (6 months)(*) | 31.12.2013 (12 months)(**) |
|---|---|---|---|
| Cash flow from operations | 64.3 | 63.2 | 205.0 |
| Cash flow from changes in working capital | (32.1) | 7.6 | (32.6) |
| Cash flow from investments | (27.5) | (25.5) | (59.7) |
| **Operating cash flow** | **4.7** | **45.2** | **112.7** |
| Dividends | (59.8) | (43.4) | (43.4) |
| Change in Fair value and Cash flow hedge reserves | (4.9) | 5.0 | (4.7) |
| Cash flow from actuarial losses related to the agreement on the UK pension plan | - | (6.1) | (6.2) |
| Cash flow from other changes in the net equity | 4.0 | 3.5 | (1.4) |
| **Cash flow from changes in the net equity** | (60.7) | (40.9) | (55.6) |
| **Net cash flow** | **(56.0)** | **4.4** | **57.0** |
| Opening net financial position | (9.0) | (66.1) | (66.1) |
| **Closing net financial position** | **(65.1)** | **(61.7)** | **(9.0)** |

(*) Data as of June 30, 2013 were re-determined following the retrospective application of IFRS 11 - *Joint arrangements* and the final price allocation of the Braun Household business, as per IFRS 3 - *Business combination*.
(**) Data as of 31/12/2013 were re-determined following the retrospective application of IFRS 11 - *Joint arrangements*.

## Revenues by geography

| (Euro million) | 1st half 2014 | % of revenues | 1st half 2013(*) | % of revenues | Change | Change % |
|---|---|---|---|---|---|---|
| North East Europe | 173.7 | 24.8% | 150.9 | 22.8% | 22.8 | 15.1% |
| South West Europe | 291.4 | 41.6% | 281.1 | 42.4% | 10.3 | 3.7% |
| **EUROPE** | **465.1** | **66.4%** | **432.0** | **65.2%** | **33.1** | **7.7%** |
| **MEIA (Middle East/India/Africa)** | **74.1** | **10.6%** | **70.0** | **10.6%** | **4.1** | **5.8%** |
| Australia & New Zealand | 43.4 | 6.2% | 54.0 | 8.2% | (10.6) | (19.6%) |
| US and Canada | 53.4 | 7.6% | 49.5 | 7.5% | 3.9 | 7.9% |
| Japan | 16.6 | 2.4% | 13.6 | 2.1% | 3.0 | 22.4% |
| Other countries APA area | 47.5 | 6.8% | 43.1 | 6.5% | 4.4 | 10.1% |
| **APA (Asia/Pacific/Americas)** | **160.9** | **23.0%** | **160.2** | **24.2%** | **0.7** | **0.4%** |
| **Total revenues** | **700.1** | **100.0%** | **662.2** | **100.0%** | **37.9** | **5.7%** |

(*) Data as of June 30 2013 were re-determined following the retrospective application of IFRS 11 - *Joint arrangements.*