DēLonghi Group

Interim financial report at 30 September 2013

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

Board of Statutory Auditors

GIANLUCA PONZELLINI	Chairman
PAOLA MIGNANI	Standing member
ALBERTO VILLANI	Standing member
PIERA TULA	Alternate auditor
ENRICO PIAN	Alternate auditor

External Auditors

RECONTA 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 23 April 2013 for the period 2013-2015.
** 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

Third-quarter income statement

(€/million)	3rd quarter 2013	% revenues	3rd quarter 2012	% revenues	Change	% change
Revenues	367.2	100.0%	344.4	100.0%	22.8	6.6%
Net industrial margin	175.7	47.8%	163.5	47.5%	12.2	7.5%
EBITDA before non-recurring expenses	51.4	14.0%	56.2	16.3%	(4.8)	(8.5%)

Year-to-date income statement (9 months)

(€/million)	30 September 2013	% revenues	30 September 2012 (*)	% revenues	Change	% change
Revenues	1.038.1	100.0%	988.8	100.0%	49.3	5.0%
Constant currency change	*77.7*	*7.9%*				
Net industrial margin	503.6	48.5%	468.8	47.4%	34.8	7.4%
EBITDA before non-recurring expenses	134.7	13.0%	138.3	14.0%	(3.6)	(2.6%)
EBIT	102.7	9.9%	104.4	10.6%	(1.8)	(1.7%)
EBIT *adjusted*	103.1	9.9%	113.2	11.4%	(10.1)	(8.9%)
Profit (loss) pertaining to the Group	57.0	5.5%	63.5	6.4%	(6.5)	(10.2%)

(*) As a result of the retroactive application of the new IAS 19 – *Employee benefits* and the restatement of the earn-out due to P&G for the Braun Household acquisition the comparative figures were recalculated.

Statement of financial position

(€/million)	30.09.2013	31.12.2012 (*)	30.09.2012 (*)
Net working capital	281.8	242.8	307.9
Net capital employed	736.9	692.0	767.4
Net debt /(Net financial assets)	115.0	61.4	175.9
of which:			
- *Net bank debt*	*67.1*	*19.9*	*60.5*
- *Other financing payables/(assets)* (**)	*47.9*	*41.5*	*115.4*
Net equity	621.9	630.5	591.5

(*)As a result of the retroactive application of the new IAS 19 – *Employee benefits* and the restatement of the earn-out due to P&G for the Braun Household acquisition the comparative figures were recalculated.
(**) Includes the present value of the earn-out (including the interest accrued at the end of the reporting period).

Performance review and significant events

The first nine months of 2013 were characterized by extremely volatile exchange rates with the Euro strengthening against the currencies of the principal markets where the Group operates (above all Japan, Australia, South Africa, the United States and the United Kingdom). This trend negatively impacted the Group's sales and margins (in both absolute terms and in comparison with the same period 2012).

In the third quarter of 2013 net revenues amounted to €367.2 million (+ 6.6%), bringing revenues for the first 9 months of the year to €1,038.1 million (+€49.3 million with respect to the first nine months of 2012). At constant exchange rates the growth would have reached €77.7 million or +7.9%.

EBITDA before non-recurring expenses reached €134.7 million and 13.0% as a percentage of revenues (versus €138.3 million and 14.0% of revenues in the first nine months of 2012).

Net debt amounted to €115.0 million at 30 September 2013 (€47.9 million of which reflects items other than net bank debt, including primarily the earn-out potentially owed for the Braun acquisition, the financial payable resulting from the transfer of the pension fund liabilities pertaining to the UK subsidiary to third parties and the fair value measurement of derivatives and call options for the purchase of equity stakes).
With regard to the earn-out, the estimated amount potentially due in relation to the Braun transaction was revised downward in this interim financial report based on the updated sales figures as was, consequently, the debt of €31.1 million outstanding at the date of the acquisition; the comparison figures at 30 September 2012 and at 31 December 2012 were also restated in order to neutralize the impact of the revision on the cash flows generated in the period.

In the first nine months of 2013 the Group worked to finalize the organizational structure following the extraordinary transactions undertaken in 2012, primarily the Braun Household acquisition and the start-up of the new production facility in Romania.

With regard to the Braun Household acquisition, the Group began managing the business directly effective 1 January 2013, after the transition period, which resulted in the definition of the procedures needed to manage the new activity.

With regard to the production facility in Romania, during the third quarter of 2013 the production rollout plan continued with the installation of more new production lines and the hiring of additional employees.

The investments in commercial offices also continued, resulting in the formation of start-ups in South Korea, Chile and Scandinavia.

Several important corporate projects, in collaboration with premier consulting companies, were begun in the first nine months half of 2013: the analysis of organizational processes in Europe, in line with the new organization of the commercial structure which, since 2012, has been split into two separate regions and the ERM (Enterprise risk management) project, part of a large scale effort to continuously improve corporate governance, as well as in light of the changes expected to be introduced in the new edition of the Corporate Governance Code. The Group assessed the need to strengthen risk management, including in light of the increasingly complex and dynamic environment in which it operates.

In June 2013 the English subsidiary Kenwood Limited, together with the trustee of the relative pension fund, entered into an agreement with Legal & General Group Plc, a premier English firm active in providing solutions for pension fund management, based on which the liabilities associated with the English pension plan were transferred to third parties as per the "buy in" agreement signed which will be followed by a "full buy out" payable on the expiration date agreed upon. Thanks to this agreement the Group has taken another step toward transferring the liabilities of this activity to third parties, while guaranteeing that the eligible beneficiaries' benefits are fully insured by a specialized financial partner.

Group results

The reclassified consolidated income statement is summarized as follows:

(€/million)	30.09.2013	% revenues	30.09.2012 (*)	% revenues
Revenues	**1.038.1**	**100.0%**	**988.8**	**100.0%**
Change	*49.3*	*5.0%*		
Materials consumed & other production costs (production services and payroll costs)	(534.4)	(51.5%)	(520.0)	(52.6%)
Net industrial margin	**503.6**	**48.5%**	**468.8**	**47.4%**
Services and operating income/(expenses)	(264.2)	(25.5%)	(237.2)	(24.0%)
Payroll (non-production)	(104.7)	(10.1%)	(93.3)	(9.4%)
EBITDA before non-recurring income/expenses	**134.7**	**13.0%**	**138.3**	**14.0%**
Change	*(3.6)*	*(2.6%)*		
Other non-recurring income (expenses)	(0.4)	(0.0%)	(8.8)	(0.9%)
EBITDA	**134.3**	**12.9%**	**129.6**	**13.1%**
Change	*4.7*	*3.6%*		
Amortization and depreciation	(31.6)	(3.0%)	(25.1)	(2.5%)
EBIT	**102.7**	**9.9%**	**104.4**	**10.6%**
Change	*(1.8)*	*(1.7%)*		
Financial income (expenses)	(26.2)	(2.5%)	(22.0)	(2.2%)
Profit (loss) before taxes	**76.5**	**7.4%**	**82.4**	**8.3%**
Income taxes	(19.0)	(1.8%)	(18.6)	(1.9%)
Profit (loss) after taxes	**57.5**	**5.5%**	**63.8**	**6.5%**
Profit (loss) pertaining to minority interests	0.6	0.1%	0.3	0.0%
Profit (loss) pertaining to the Group	**57.0**	**5.5%**	**63.5**	**6.4%**

(*)As a result of the retroactive application of the new IAS 19 – *Employee benefits* and the restatement of the earn-out due to P&G for the Braun Household acquisition the comparative figures were recalculated.

Net revenues amounted to €367.2 million in the third quarter of 2013, an increase of 6.6% with respect to the third quarter of 2012. This growth brought net revenues for the first nine months of 2013 to €1,038.1 million (+€49.3 million or +5.0% with respect to the first nine months of 2012), thanks to the positive mix/volume effect and despite the extremely negative exchange effect as a result of the strengthening of the Euro with respect to the a few of the Group's reference currencies (at constant exchange rates growth would have reached approximately €77.7 million or +7.9% with respect to the first nine months of 2012).
More in detail, the exchange effect was significant in the main markets of the APA region (Japan, Australia, the United States, South Africa, Brazil), as well as in Russia and the United Kingdom.

The breakdown of revenues by product line shows a good sales trend for Kenwood brand kitchen machines and hand blenders, thanks also to the contribution of the Braun brand products.

With regard to coffee machines, overall sales were down, above all for the fully automated and capsule machines (sold under the Nespresso brand), despite the solid growth posted in the sale of Dolcegusto machines (thanks also to launches in a few markets). The comparison with the first nine months of 2012 reflects both a drop in volumes and the impact that a few promotional sales had on prices, as well as the negative exchange effect in a few markets.

Sales for Comfort fell slightly due to a decline in the sale of portable heaters during a period of the year that has a limited impact on sales for the entire year.

In terms of markets, of note was the positive performance reported in Europe (above all in Italy, Germany, Benelux and in Eastern Europe in general, with the exception of Russia) and in the MEIA region, while sales in the APA region fell due to the negative exchange effect referred to above.

De'Longhi closed the first nine months of 2013 with a net industrial margin of €503.6 million (€468.8 million in the same period 2012), rising slightly as a percentage of net revenues (from 47.4% to 48.5%).

EBITDA before non-recurring expenses reached €134.7 million in the first nine months of 2013 (€138.3 million in 2012), rising as a percentage of net revenues from the 14.0% posted in 2012 to 13.0% in 2013; this result reflects an unfavorable comparison with the same period 2012 (which benefitted from a positive exchange effect) and the start-up of the direct management of the new Braun business which involved significant investments in promotions.
"Costs for services and operating income/(expenses)" and "Payroll costs (non-production)" rose, in fact, as a percentage of revenues from 33.4% to 35.5%, due primarily to the costs for services associated with the acquisition and initial distribution of Braun brand products and, specifically, for the start-up activities (initial purchase of the stock and promotional costs) and the additional fixed costs (for sales personnel and rental of offices and other facilities), which were not proportional to the revenues generated by the Braun business in the period.

EBITDA came to €134.3 million in the first nine months of the year (versus €129.6 million in the first nine months of 2012 when significant non-recurring costs relating to the Braun acquisition were recognized).

EBIT amounted to €102.7 million in the first nine months of 2013 (versus €104.4 million in the same period 2012), falling as a percentage of revenues from 10.6% to 9.9%, after amortization and depreciation of €31.6 million (a sharp increase with respect to 2012 explained by the assets acquired as part of the Braun transaction and the recent investments made in production facilities).

Net financial expenses at 30 September 2013 increased by €4.1 million, rising from €22.0 million to €26.2 million, due to both an increase in average debt in the first nine months of 2013 with respect to 2012 (due primarily to the Braun acquisition finalized at the end of August a 2012) and higher currency hedging costs.

Profit pertaining to the Group reached €57,0 million in the first nine months of 2013.

Performance by market and product line

The following table summarizes sales performance in the Group's various business regions (Europe, APA, MEIA):

(€/Million)	30.09.2013	%	30.09.2012	%	Change	% Change
Western Europe	571.5	55.1%	535.5	54.2%	36.0	6.7%
Eastern Europe	107.6	10.4%	106.3	10.7%	1.4	1.3%
EUROPE	**679.1**	**65.4%**	**641.7**	**64.9%**	**37.4**	**5.8%**
MEIA (Middle East/India/Africa)	**103.0**	**9.9%**	**69.8**	**7.1%**	**33.2**	**47.6%**
APA (Asia/Pacific/Americas)	**255.9**	**24.7%**	**277.2**	**28.0%**	**(21.3)**	**(7.7%)**
Total revenues	**1.038.1**	**100.0%**	**988.8**	**100.0%**	**49.3**	**5.0%**

Europe reported €679.1 million in revenues in the first nine months of 2013, an increase of 5.8% with respect to the same period 2012, thanks also to the sale of Braun brand products. More in detail, a solid sales performance was reported in Western Europe with good results in Italy, despite the consumer crisis, Germany, Benelux, Scandinavia and Spain; sales in Great Britain, Russia and Switzerland fell (due also to the negative exchange effect).

Sales were particularly brilliant in the MEIA region (up 47.6% with respect to the first nine months of 2012), thanks to the widespread growth posted in the main markets (Saudi Arabia, Arab Emirates and North Africa) and the contribution of the Braun brand products.

The APA region was penalized significantly by the weakening of the region's main currencies with respect to the Euro. More in detail, despite the positive sales trend reported in China, Singapore, Malaysia and Korea, sales fell 7.7% due primarily to the drop in sales in Australia (due to the unfavorable exchange effect and greater competitive pressure), in the United States (linked to a decrease in the sale of air conditioners and the exchange effect) and in Japan (due primarily to the exchange effect).

As shown in the following table, the percentage of sales generated in the emerging markets continues to rise:

(€/million)	30.09.2013		30.09.2012		Change	% Change
Mature markets	667.4	64.3%	641.8	64.9%	25.5	4.0%
Emerging markets	370.7	35.7%	347.0	35.1%	23.7	6.8%
Total revenues	**1.038.1**	**100.0%**	**988.8**	**100.0%**	**49.3**	**5.0%**

With regard to the breakdown of revenues by product line, of note is the double digit growth in sales generated by the Kenwood brand kitchen machines and food preparation products, in general, thanks also to the contribution of the Braun brand products.
Sales of coffee machines fell slightly overall, due primarily to the decline posted by the Nespresso and fully automatic lines as a result of increased competition and the market trend in a few countries; this decrease was partially offset by the positive sales results recorded for the Dolcegusto machines.
Sales for Comfort products also fell with respect to the prior year which, moreover, were impacted by the above mentioned negative exchange effect (above all in relation to the sale of air conditioners in the United States and portable heaters in Japan).

Review of the statement of financial position

The reclassified consolidated statement of financial position is presented below:

(€/million)	30.09.2013	30.09.2012 (*)	31.12.2012 (*)	Change 30.09.13 – 30.09.12	Change 30.09.13 – 31.12.12
- Intangible assets	331.4	334.0	333.5	(2.6)	(2.1)
- Property, plant and equipment	165.3	154.8	158.6	10.4	6.7
- Financial assets	3.4	3.1	3.1	0.4	0.3
- Deferred tax assets	46.0	53.9	41.3	(7.9)	4.7
Non-current assets	**546.1**	**545.8**	**536.5**	**0.3**	**9.6**
- Inventories	386.3	375.8	273.8	10.5	112.5
- Trade receivables	260.4	275.1	381.2	(14.7)	(120.8)
- Trade payables	(316.0)	(297.2)	(351.7)	(18.8)	35.7
- Other payables (net of receivables)	(48.9)	(45.7)	(60.5)	(3.2)	11.6
Net working capital	**281.8**	**307.9**	**242.8**	**(26.2)**	**39.0**
- Deferred tax liabilities	(8.5)	(10.7)	(6.0)	2.3	(2.4)
- Employee benefits	(27.6)	(21.3)	(24.9)	(6.3)	(2.7)
- Other provisions	(54.9)	(54.4)	(56.3)	(0.5)	1.4
Total non-current liabilities and provisions	**(91.0)**	**(86.4)**	**(87.3)**	**(4.6)**	**(3.7)**
Net capital employed	**736.9**	**767.4**	**692.0**	**(30.5)**	**45.0**
Net debt/(Net financial assets)	**115.0**	**175.9**	**61.4**	**(60.9)**	**53.6**
Total net equity	**621.9**	**591.5**	**630.5**	**30.4**	**(8.6)**
Total net debt and equity	**736.9**	**767.4**	**692.0**	**(30.5)**	**45.0**

(*)As a result of the retroactive application of the new IAS 19 – *Employee benefits* and the restatement of the earn-out due to P&G for the Braun Household acquisition the comparative figures were recalculated (the latter resulted in a decrease in net debt at 30 September 2012 of €31.2 million and of €31.5 million at 31 December 2012).

Investments in the first nine months of 2013, which amounted to €38.9 million (€45.6 million in the first nine months of 2012), include the investments outlined in the business plan for the start-up of the production facility in Romania and the enhancement of the Chinese plant of €10.6 million.
Net working capital fell by €26.2 million with respect to 30 September 2012 (with net working capital turnover going from 20.5% of revenues at the end of September 2012 to 17.8% in 2013). This result is attributable to a positive trend in trade receivables (due also to the full impact of the renewed non-recourse factoring program) and more efficient management of the inventory which showed less growth with respect to revenues, despite the purchase of the Braun inventory which has not yet been sold in its entirety.

Details of the net financial position follow:

(€/million)	**30.09.2013**	**30.09.2012(*)**	**31.12.2012(*)**	**Change 30.09.13 – 30.09.12**	**Change 30.09.13 – 31.12.12**
Cash and cash equivalents	148.3	253.4	244.0	(105.0)	(95.7)
Other financial receivables	9.3	14.5	16.1	(5.2)	(6.8)
Current financial debt	(76.1)	(141.5)	(115.3)	65.4	39.2
Net current financial position	**81.5**	**126.3**	**144.7**	**(44.8)**	**(63.3)**
Non-current financial debt	**(196.4)**	**(302.2)**	**(206.1)**	**105.8**	**9.7**
Total net financial position/ (net debt)	**(115.0)**	**(175.9)**	**(61.4)**	**60.9**	**(53.6)**
Of which:					
- positions with banks and other financial payables	*(67.1)*	*(60.5)*	*(19.9)*	*(6.5)*	*(47.2)*
- residual payable to P&G related to the Braun acquisition	*(33.2)*	*(119.0)*	*(32.3)*	*85.8*	*(1.0)*
- financial assets/(liabilities) other than bank debt (fair value of derivatives and options, financial debt linked to the English subsidiary's pension fund transaction)	*(14.7)*	*3.6*	*(9.2)*	*(18.3)*	*(5.4)*

(*)As a result of the retroactive application of the new IAS 19 – *Employee benefits* and the restatement of the earn-out due to P&G for the Braun Household acquisition the comparative figures were recalculated.

The net financial position, which amounted to €115.0 million at 30 September 2013, includes items other than bank debt totalling €47.9 million: the portion of the amount owed to Procter & Gamble of €33.2 million relating to the potential earn-out payable over the next three-five years, €14.7 million in other net liabilities relating to the fair value of derivatives and call options on minority interests, as well as the financial payable linked to the transfer of the pension fund liabilities to third parties (the items other than bank debt totalled €41.5 million at 31 December 2012 and €115.4 million at 30 September 2012).
With regard to the earn-out payable to Procter & Gamble over the next three-five years, the estimate was revised downward, with respect to the figure reported in previous reports, in this interim financial report based on the preliminary sales figures for 2012-2013 which were below initial forecasts. The comparison figures at 30 September 2012 and at 31 December 2012 were also similarly restated.

Net debt with banks and other sources of finance, excluding, therefore, items other than bank debt, at 30 September 2013 amounted to €67.1 million (versus a negative balance of €60.5 million at 30 September 2012). The increase of €6.5 million in the twelve month period is attributable primarily to the advance repayment, in December 2012, of the second instalment of the €93 million owed for the Braun acquisition, as well as non-recurring investments of approximately €10.6 million in the new production facilities, primarily in China and Romania.
Net of these non-recurring items, bank debt in the twelve month period would have had a positive impact on the net financial position of €102.3 million (€86.5 million net of the positive impact of the increase in non-recourse factoring), compared to an improvement of €1.2 million in the previous twelve month period (€19.1 million net of the positive impact of non-recourse factoring).

Net current financial debt at 30 September 2013 showed a positive balance of €81.5 million (€126.3 million at 30 September 2012). As for non-current debt, no new loans were granted in the first nine months of 2013.

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

(€/million)	30.09.2013 (9 months)	30.09.2012 (*) (9 months)	31.12.2012 (*) (12 months)
Cash flow generated (absorbed) by current operations	105.7	97.0	192.0
Cash flow generated (absorbed) by changes in working capital	(69.7)	(110.5)	(65.2)
Cash flow generated (absorbed) by investment activities	(38.9)	(46.7)	(62.8)
Cash flow generated (absorbed) by operating activities	**(2.9)**	**(60.2)**	**63.9**
Braun acquisition	-	(171.8)	(171.8)
Cash flow by extraordinary investments	**-**	**(171.8)**	**(171.8)**
Dividends paid	(43.4)	(49.3)	(49.3)
Cash flow by changes in fair value and cash flow hedge reserves	(1.8)	(15.1)	(25.0)
Cash flow by actuarial losses related to the agreement on the pension plan	(6.2)	-	-
Cash flow by changes in currency translation reserve	0.3	3.0	3.2
Cash flow generated (absorbed) by other changes in net equity	0.3	0.1	0.2
Cash flow generated (absorbed) by changes in net equity	**(50.7)**	**(61.3)**	**(70.9)**
Cash flow for the period	**(53.6)**	**(293.3)**	**(178.8)**
Opening net financial position	(61.4)	117.4	117.4
Closing net financial position/(Net debt)	**(115.0)**	**(175.9)**	**(61.4)**

(*)As a result of the retroactive application of the new IAS 19 – *Employee benefits* and the restatement of the earn-out due to P&G for the Braun Household acquisition the comparative figures were recalculated.

Net cash flow from operating activities in the first nine months of 2013 reached a negative €2.9 million after non-recurring investments of €10.6 million (versus a negative €59.0 million in the first nine months of 2012 which included non-recurring investments in production, primarily in China and Romania, of €25.6 million).

Cash flows were also affected by changes in net equity: the payment of dividends, the fair value measurement of currency hedging instruments and the actuarial losses linked to the UK subsidiary's pension fund transaction, resulted in a decrease of €50.7 million (versus a decrease of €61.3 million in 2012).

Here follow the statement of comprehensive income and the main changes in net equity in the first nine months of 2013:

(€/million)	**30.09.2013**	**30.09.2012 (*)**
Profit (loss) for the period	**57.5**	**63.8**
Other components of comprehensive income:		
Total other components of comprehensive income that will subsequently be reclassified to the profit (loss) for the year	***(16.1)***	***(7.4)***
- Change in fair value of cash flow hedges and available-for-sale financial assets	(1.8)	(15.1)
- Tax effect of change in fair value of cash flow hedges and available-for-sale financial assets	0.8	3.9
- Differences from translating foreign companies' financial statement into Euro	(15.1)	3.8
Total other components of comprehensive income that will not subsequently be reclassified to profit (loss) for the year:	***(6.5)***	***-***
- Actuarial valuation of provisions	(8.4)	-
- Tax effect of actuarial valuation of provisions	1.9	-
Total comprehensive income (loss) for the period	**34.9**	**56.3**
Total comprehensive income (loss) attributable to:		
Parent company shareholders	34.3	56.0
Minority interests	0.6	0.3

(*)As a result of the retroactive application of the new IAS 19 – *Employee benefits* and the restatement of the earn-out due to P&G for the Braun Household acquisition the comparative figures were recalculated.

(€/million)	**Group portion of net equity**	**Minority interests in net equity**	**Total net equity**
Net equity at 31 December 2012 (official data)	**631.8**	**2.2**	**634.0**
Ias 19 revised application effects	(3.7)	(0.1)	(3.8)
Impact of the restated earn-out	0.3	-	0.3
Net equity at 1 January 2013	**628.4**	**2.2**	**630.5**
Total comprehensive income (loss) for the period	34.3	0.6	34.9
Dividends paid	(43.4)	(0.2)	(43.6)
Net equity at 30 September 2013	**619.4**	**2.5**	**621.9**

Content of the interim financial report and alternative performance indicators

The present document reporting the unaudited consolidated results at 30 September 2013 constitutes the interim financial report required by art. 154-ter of Decree 58/98 (known as "Testo Unico della Finanza" or "TUF").
The income statement figures refer to the period ending on 30 September 2013, with comparatives at 30 September 2012.
The statement of financial position figures refer to 30 September 2013, 30 September 2012 and 31 December 2012.
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 accounting standards used are also the same as those used to prepare the consolidated financial statements at 31 December 2012, with the exception of the standards and amendments which became effective beginning 1 January 2013, the most important of which, for the purposes of this interim financial report, is the new version of IAS 19 – *Employee Benefits*.
The new version of the standard changes the way in which defined benefit plans are to be recognized and eliminates the corridor method used by the Group through 2012; consequently the actuarial gains and losses are recognized in the comprehensive income statement, while the changes in the pension fund relating to the cost of services and net interest are recognized in the income statement under operating costs and financial income/(expenses), respectively.
Based on the new standard the discount rate applied to the pension fund's net assets and liabilities should also be applied to net interest expense (income), eliminating the use of the expected rate of return of the assets servicing the plan.
As per par. 173 of the new standard, the new accounting rules were applied retroactively and, consequently, the original statement of financial position was restated.

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:
- <u>Net Industrial Margin and EBITDA</u>: 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.
- <u>Net working capital</u>: this measure is the sum of inventories, trade receivables, current tax assets and other receivables, minus trade payables, current tax liabilities and other payables.
- <u>Net capital employed</u>: 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.
- <u>Net debt/(net financial position)</u>: this measure represents gross financial liabilities less cash and cash equivalents and other financial receivables. The individual line items in the statement of financial position used to determine this measure are analysed later in this report.

Other information

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

Subsequent events

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

Outlook

The first nine months of 2013 were characterized by uncertain market trends globally. The Group could achieve positive growth thanks to the integration of the Braun business, despite adverse currency fluctuations. Management foresees that the market environment will remain unfavorable even for the next fiscal year; nonetheless, the Braun contribution, along with the industrial and organizational investments carried out, set the ground for an improvement in the Group's perspectives.

Treviso, 12 November 2013

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, 12 November 2013

Financial Reporting Officer

Stefano Biella

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This interim report is available on the corporate website :
www.delonghi.it

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Registered office: Via L. Seitz, 47 – 31100 Treviso
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